Alfred Duma Local Municipality
(Registration number KZN 238)
Financial statements
for the year ended 30 June 2023

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Local Municipality
Nature of business and principal activities	The primary function of Alfred Duma Local Municipality is to provide basic services i.e. electricity, refuse, roads and stormwater facilities within the municipality's jurisdiction. The mandate of the Municipality is in terms of section 152 of the Constitution of South Africa.
Mayoral committee	
Mayor	Cllr. ZJ Sibisi
Speaker	Cllr. BP Sithole
Deputy Mayor	Cllr. S Simelane
Chief Whip	Cllr. S Sithole
Executive Committee	Cllr. TP Dlamini
	Cllr. T Hadebe
	Cllr. TP Khumalo
	Cllr. ASD Warasally
	Cllr. SE Madondo
	Cllr. MB Mbhele
	Cllr. A Mchunu
	Cllr. TP Njoko
Grading of local authority	Grade 4
Municipal Manager	S S Ngiba
Chief Financial Officer	M T Nkosi
Registered office	Lister Clarence Building 221 Murchison Street Ladysmith 3370
Business address	Lister Clarence Building 221 Murchison Street 3370
Postal address	PO Box 29 Ladysmith Kwazulu-Natal 3370
Bankers	ABSA Bank, Standard Bank, Nedbank, Investec Bank and First National Bank
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the Annual Financial Statements presented to the Municipal Council::

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Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
INEP	Integrated National Electrification Grant
MIG	Municipal Infrastructure Grant
MDRG	Municipal Disaster Relief 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 she 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 2024 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The Annual Financial Statements set out on page 4, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 November 2023 and were signed on its behalf by:

S S Ngiba
Accounting Officer

Statement of Financial Position as at 30 June 2023

	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	528,673,702	502,913,157
Receivables from exchange transactions	8	131,353,281	126,075,696
Receivables from non-exchange transactions	9	281,507,930	240,112,127
Inventories	7	33,227,660	27,279,397
		974,762,573	**896,380,377**
Non-Current Assets			
Investment property	3	174,981,923	171,726,063
Property, plant and equipment	4	1,839,268,114	1,791,102,883
Intangible assets	5	1,185,668	1,183,591
Heritage assets	6	21,400,526	21,400,526
Eskom Deposits	61	3,003,430	1,827,950
		2,039,839,661	**1,987,241,013**
Total Assets		**3,014,602,234**	**2,883,621,390**
Liabilities			
Current Liabilities			
Long term loans	16	842,716	780,878
Finance lease obligation	13	801,919	1,048,934
Payables from exchange transactions	10	214,712,709	219,387,406
Consumer deposits	11	19,843,613	21,125,753
Unspent conditional grants and receipts	12	64,634,248	45,759,040
Provisions	15	2,040,196	923,699
Employee benefits obligation	14	6,166,000	3,939,000
		309,041,401	**292,964,710**
Non-Current Liabilities			
Long term loans	16	2,495,293	3,338,009
Finance lease obligation	13	-	801,919
Provisions	15	79,385,942	69,587,957
Employee benefits obligation	14	70,336,000	71,946,000
		152,217,235	**145,673,885**
Total Liabilities		**461,258,636**	**438,638,595**
Net Assets		**2,553,343,598**	**2,444,982,795**
Reserves			
Housing Operating Fund	17	47,445,537	42,990,817
Accumulated surplus	18	2,505,898,061	2,401,991,978
Total Net Assets		**2,553,343,598**	**2,444,982,795**

Statement of Financial Performance

	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	474,949,231	454,399,121
Rental of facilities and equipment	24	2,785,491	1,643,185
Interest received - receivables from exchange transactions	21	8,379,119	8,371,561
Agency services	26	3,081,748	3,375,812
Licences and permits	27	3,134,117	2,775,106
Construction contract revenue	60	10,309,119	14,301,285
Sale of goods and rendering of services	63	1,591,289	1,576,783
Operational revenue	29	5,987,525	7,937,460
Interest received - investments	22	31,400,547	18,522,043
Fair value adjustments	30	4,935,940	21,835,028
Actuarial gains	14	6,232,942	5,989,495
Inventories reversal on write down		1,005,629	-
Total revenue from exchange transactions		**553,792,697**	**540,726,879**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	229,926,978	216,986,727
Property rates - penalties imposed	19	41,440,024	36,252,541
Transfer revenue			
Government grants and subsidies	23	400,185,201	398,287,788
Electricity availability charges		2,432,815	2,340,840
Public contributions and donations	41	939,544	14,505
Fines, penalties and forfeits	25	28,459,817	6,288,845
Interest on availability charges	62	862,846	721,307
Total revenue from non-exchange transactions		**704,247,225**	**660,892,553**
Total revenue		**1,258,039,922**	**1,201,619,432**
Expenditure			
Employee related costs	31	(374,924,898)	(343,026,671)
Remuneration of councillors	32	(28,888,565)	(25,982,766)
Depreciation and amortisation	37	(81,344,198)	(76,670,475)
Impairment on cash and non - cash generating assets	38	(1,484,960)	(7,345,904)
Finance costs	35	(3,455,919)	(3,036,151)
Lease rentals on operating lease	28	(1,505,131)	(1,734,142)
Debt Impairment	40	(71,525,216)	(73,289,572)
Bad debts written off		(15,782,499)	(11,431,693)
Construction contract expenditure	60	(11,300,588)	(14,301,285)
Bulk purchases	34	(348,956,352)	(332,910,050)
Contracted services	33	(79,558,423)	(73,013,322)
Transfers and subsidies	39	(8,072,861)	(11,340,778)
Loss on disposal of assets	4	(7,573,074)	(9,802,435)
Inventories losses/write-downs		-	(12,050,685)
Inventory consumed		(23,673,396)	(15,711,441)
Operational costs	36	(96,743,586)	(75,397,041)
Total expenditure		**(1,154,789,666)**	**(1,087,044,411)**
Surplus for the year		**103,250,256**	**114,575,021**

Alfred Duma Local Municipality
(Registration number KZN 238)
Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

	Housing Operating Fund	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	39,022,075	2,462,371,004	2,501,393,079
Adjustments			
Prior year adjustments	61,436	(173,499,663)	(173,438,227)
Balance at July 1, 2021 as restated*	**39,083,511**	**2,288,871,341**	**2,327,954,852**
Changes in net assets			
Proceeds transferred to gains/losses on sale of land	-	(2,060,942)	(2,060,942)
Net movement of the Housing Operating Fund	3,907,306	-	3,907,306
Net movement of the Self-Insurance Fund	-	606,559	606,559
Net income (losses) recognised directly in net assets	3,907,306	(1,454,383)	2,452,923
Surplus for the year	-	114,575,020	114,575,020
Total recognised income and expenses for the year	3,907,306	113,120,637	117,027,943
Total changes	3,907,306	113,120,637	117,027,943
Restated* Balance at July 1, 2022	**42,990,817**	**2,401,991,993**	**2,444,982,810**
Changes in net assets			
Net movement of the Housing Operating Account	4,454,720	-	4,454,720
Net income (losses) recognised directly in net assets	4,454,720	-	4,454,720
Surplus for the year	-	103,250,258	103,250,258
Total recognised income and expenses for the year	4,454,720	103,250,258	107,704,978
Net movement of the Self Insurance Fund	-	655,810	655,810
Total changes	4,454,720	103,906,068	108,360,788
Balance at 30 June 2023	**47,445,537**	**2,505,898,061**	**2,553,343,598**
Note(s)			

Cash Flow Statement

	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Taxation		192,737,265	199,763,347
Sale of goods and services		473,932,037	433,948,523
Grants		427,362,460	433,491,923
Interest income		38,306,884	21,964,003
		1,132,338,646	1,089,167,796
Payments			
Employee costs		(391,524,864)	(363,179,203)
Suppliers		(581,537,853)	(567,662,856)
Finance costs		(394,049)	(497,128)
		(973,456,766)	(931,339,187)
Net cash flows from operating activities	42	**158,881,880**	**157,828,609**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(129,794,623)	(107,360,533)
Proceeds from sale of property, plant and equipment	4	213,478	549,777
Purchase of other intangible assets	5	(534,900)	(571,400)
Net movement in Eskom deposits	5	(1,175,480)	(368,130)
Net cash flows from investing activities		**(131,291,525)**	**(107,750,286)**
Cash flows from financing activities			
Finance lease payments		(1,048,934)	(862,051)
Repayment of Long term loan		(780,877)	(723,335)
Net cash flows from financing activities		**(1,829,810)**	**(1,585,386)**
Net increase/(decrease) in cash and cash equivalents		**25,760,545**	**48,492,937**
Cash and cash equivalents at the beginning of the year		502,913,157	454,420,220
Cash and cash equivalents at the end of the year	2	**528,673,702**	**502,913,157**

Statement of Comparison of Budget and Actuals

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2023											
Financial Performance											
Property rates	231,016,000	665,913	231,681,913	-		231,681,913	229,926,978		(1,754,935)	99 %	100 %
Service charges	490,693,572	6,991,853	497,685,425	-		497,685,425	477,382,045		(20,303,380)	96 %	97 %
Investment revenue	15,597,108	10,325,418	25,922,526	-		25,922,526	31,400,547		5,478,021	121 %	201 %
Transfers recognised - operational	303,066,012	36,132,034	339,198,046	-		339,198,046	322,825,176		(16,372,870)	95 %	107 %
Other own revenue	72,022,452	31,293,341	103,315,793	-		103,315,793	117,263,448		13,947,655	114 %	163 %
Total revenue (excluding capital transfers and contributions)	**1,112,395,144**	**85,408,559**	**1,197,803,703**	**-**		**1,197,803,703**	**1,178,798,194**		**(19,005,509)**	**98 %**	**106 %**
Employee costs	(393,309,120)	(2,077,599)	(395,386,719)	-	-	(395,386,719)	(374,924,898)	-	20,461,821	95 %	95 %
Remuneration of councillors	(29,064,060)	(1,451,949)	(30,516,009)	-	-	(30,516,009)	(28,888,565)	-	1,627,444	95 %	99 %
Depreciation and asset impairment	(115,753,704)	-	(115,753,704)			(115,753,704)	(82,829,157)	-	32,924,547	72 %	72 %
Finance charges	(372,780)	(8,111,915)	(8,484,695)	-	-	(8,484,695)	(3,455,919)	-	5,028,776	41 %	927 %
Materials and bulk purchases	(390,932,676)	(3,039,324)	(393,972,000)	-	935,260	(393,036,740)	(372,629,746)	-	20,406,994	95 %	95 %
Transfers and grants	(13,457,184)	(300,000)	(13,757,184)	-	-	(13,757,184)	(8,072,860)	-	5,684,324	59 %	60 %
Other expenditure	(243,769,896)	(70,428,104)	(314,198,000)	-	(935,260)	(315,133,260)	(283,046,359)	-	32,086,901	90 %	116 %
Total expenditure	**(1,186,659,420)**	**(85,408,891)**	**(1,272,068,311)**	**-**	**-**	**(1,272,068,311)**	**(1,153,847,504)**	**-**	**118,220,807**	**91 %**	**97 %**
Surplus/(Deficit)	**(74,264,276)**	**(332)**	**(74,264,608)**	**-**		**(74,264,608)**	**24,950,690**		**99,215,298**	**(34)%**	**(34)%**

Alfred Duma Local Municipality

(Registration number KZN 238)
Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actuals

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	84,879,000	3,717,600	88,596,600	-		88,596,600	77,360,026		(11,236,574)	87 %	91 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	939,544		939,544	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**10,614,724**	**3,717,268**	**14,331,992**	**-**		**14,331,992**	**103,250,260**		**88,918,268**	**720 %**	**973 %**
Surplus/(Deficit) for the year	**10,614,724**	**3,717,268**	**14,331,992**	**-**		**14,331,992**	**103,250,260**		**88,918,268**	**720 %**	**973 %**
Financial Position											
Total current assets	875,623,000	76,973,000	952,596,000	-		952,596,000	1,404,673,611		452,077,611	147 %	160 %
Total non-current assts	2,086,990,000	30,011,000	2,117,001,000	-		2,117,001,000	2,036,836,246		(80,164,754)	96 %	98 %
Total current liabilities	247,218,000	95,154,000	342,372,000	-		342,372,000	735,949,008		393,577,008	215 %	298 %
Total non-current liabilities	142,386,000	8,112,000	150,498,000	-		150,498,000	152,217,234		1,719,234	101 %	107 %
Community wealth / equity	2,573,009,000	3,717,000	2,576,726,000	-		2,576,726,000	2,553,343,614		(23,382,386)	99 %	99 %

Statement of Comparison of Budget and Actuals

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	133,079,000	28,867,600	161,946,600	-		161,946,600	130,329,523		(31,617,077)	80 %	98 %
Sources of capital funds											
Transfers recognised - capital	84,879,000	3,718,000	88,597,000	-		88,597,000	67,351,795		(21,245,205)	76 %	79 %
Internally generated funds	48,200,000	25,150,000	73,350,000	-		73,350,000	62,977,728		(10,372,272)	86 %	131 %
Total sources of capital funds	**133,079,000**	**28,868,000**	**161,947,000**	**-**		**161,947,000**	**130,329,523**		**(31,617,477)**	**80 %**	**98 %**

Statement of Comparison of Budget and Actuals

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	52,371,000	12,199,000	64,570,000	-		64,570,000	158,881,880		94,311,880	246 %	303 %
Net cash from (used) investing	(133,079,000)	-	(133,079,000)	-		(133,079,000)	(131,291,525)		1,787,475	99 %	99 %
Net cash from (used) financing	(189,000)	-	(189,000)	-		(189,000)	(1,829,810)		(1,640,810)	968 %	968 %
Net increase/(decrease) in cash and cash equivalents	**(80,897,000)**	**12,199,000**	**(68,698,000)**	**-**		**(68,698,000)**	**25,760,545**		**94,458,545**	**(37)%**	**(32)%**
Cash and cash equivalents at the beginning of the year	385,223,000	-	385,223,000	-		385,223,000	502,913,157		117,690,157	131 %	131 %
Cash and cash equivalents at year end	**304,326,000**	**12,199,000**	**316,525,000**	**-**		**316,525,000**	**528,673,702**		**(212,148,702)**	**167 %**	**174 %**

Significant decrease/increase is explained below;

Revenue Investment : The favourable interest rate throughout the year contributed to increased returns on investments, outperforming the initially projected budget. Cash flow was monitored to ensure investments were maxiimised where surplus funds became available, thereby maximising interest income.

Depreciation and asset impairment: The municipality revised the remaining useful lives of assets, which resulted in less depreciation charged.

Transfers recognised – Capital: Actual expenditure is lower than the grants allocated as a result of the grants (MIG, INEP, ISDG & IEDG) not fully spent and due to the SIG amounting R10 943 000 that was gazetted but not transferred to the municipality.

Finance Charges: The actual interest on landfill site provision as per the expert's report was less than that estimated.

Other expenditure: Actuals less than budget mainly due to underspending on the operational allocation of the MDRG (Municipal Disaster Relief Grant), and debt impairment actuals were lower than anticipated during the budget process.

Transfers and Grants: Actual expenditure lower than anticipated during the budget process due to less applications received for free basic electricity.

Total capital expenditure: Actual expenditure lower than budget mainly due to grants not being fully spent at financial year end.

Other own revenue: Actuals above budget due to construction contract revenue that was not budgeted for due to a change in accounting treatment of INEP funds subsequent to financial year end.

Accounting Policies

	Note(s)	2023	2022

1. Presentation of Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

Accounting Policies

STANDARDS APPROVED AND EFFECTIVE FOR 2022/23 FINANCIAL YEAR

The following GRAP standards have been approved and effective to the municipality for the 2022/23 financial year:

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 5 Borrowing Costs

GRAP 9 Revenue from Exchange Transactions

GRAP 11 Construction Contracts

GRAP 12 Inventories

GRAP 13 Leases

GRAP 14 Events After the Reporting Date

GRAP 16 Investment Property

GRAP 17 Property Plant and Equipment

GRAP 18 Segment Reporting

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 20 Related Party Disclosures

GRAP 21 Impairment of Non -Cash Generating Assets

GRAP 23 Revenue from Non- Exchange Transactions (Taxes and Transfers)

GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash-Generating Assets

GRAP 27 Agriculture

GRAP 31 Intangible Assets

GRAP 34 Separate Financial Statements

GRAP 100 Discounted Operations

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

GRAP 108 Statutory Receivables

GRAP 109 Accounting by Principals and Agents

GRAP 110 Living and Non-Living Resources

Accounting Policies

INTERPRETATIONS OF STANDARDS OF GRAP APPROVED AND EFFECTIVE FOR 2022/23 FINANCIAL YEAR

IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue

IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities

IGRAP 3 Determining whether an arrangement contains a lease

IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies

IGRAP 6 Loyalty Programmes

IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions

IGRAP 9 Distributions of Non-cash Assets to Owners

IGRAP 10 Assets Received from Customers

IGRAP 13 Operating Leases – Incentives

IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IGRAP 15 Revenue – Barter Transactions Involving Advertising Services

IGRAP 16 Intangible Assets – Website Costs

IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

IGRAP 18 Recognition and Derecognition of Land

IGRAP 19 Liabilities to Pay Levies

IGRAP 20 Accounting for Adjustments to Revenue

STANDARDS APPROVED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR UNDER REVIEW:

The following Standards have been revised with their amendments being effective from financial years commencing from 1 April 2023:

GRAP 25 Employee Benefits, as amended

GRAP 1 Presentation of Financial Statements as amended, as a result of changes agreed as part of developing the Guideline on The Application of Materiality to Financial Statements.

GRAP 104 Financial Instruments, as revised, which the effective date has not yet been determined by the Minister.

INTERPRETATIONS APPROVED BUT NOT EFFECTIVE FOR THE YEAR UNDER REVIEW:

The following interpretations have been approved, however the effective date commences for financial years commencing from 1 April 2023:
IGRAP 21 The Effect of Past Decisions on Materiality

Accounting Policies

iGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The impact of the proposed amendments as per the Standards and Interpretations have been considered by the municipality and has been determined to be not material.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Receivables from exchange and non-exchange transactions

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

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

Impairment testing

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

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norm. Management will adjust the depreciation charge where useful lives are revised in comerison to previosly estimated useful lives.

Post-retirement benefits

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the entity is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows:
- Whether the municipality can direct the use of the land’s future economic benefits or service potential to provide services o beneficiaries
- Whether the municipality can exchange, dispose of, or transfer the land; and/or
- Whether the municipality can use the land in any other way to generate future economic benefits or service potential

Where the municipality uses the land to provide future economic benefits or service potential while another entity has the right to exchange, dispose of, or transfer the land, the municipality shall assess its ability to exercise the right to exchange, dispose of, or transfer the land to determine if it is able to direct or restrict or deny access to the land.

When a municipality directs the use of the land to provide services to beneficiaries, either itself or through directing another entity to provide specific services, the municipality will conclude that it has the right to direct access to land and to restrict or deny access of others to land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follows:
- Whether another entity can direct the use of the land’s future economic benefits or service potential to provide services to beneficiaries
- Whether another entity can exchange, dispose of, or transfer the land; and/or
- Whether another entity can use the land in any other way to generate future economic benefits or service potential

An entity may be granted a right to use the land for a period of time. Control of the land will be demonstrated if the entity has substantive rights to the land that enable it to direct access to the land, or to restrict or deny the access of others to land. For the entity to demonstrate control, the right of use needs to be for an unlimited period of time and the entity should have other substantive rights that enable it to direct access to the land, or to restrict or deny the access of others to the land. In the absence of the municipality demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land.

Additional information is disclosed in Note 4.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied in determining whether the municipality is an agent are as follows:

a) It does not have the power to determine the significant terms and conditions of the transaction.

For an municipality to be an agent, it must not have the power to determine the significant terms and conditions of the transactions with third parties. This means that it should not have the power to affect the result of the transaction. The result of a transaction is the economic benefits or service potential (or both) that arise from that transaction. The economic benefits or service potential can therefore be quantitative or qualitative.

The quantitative result of a transaction represents the monetary amount of a transaction and could include:
- The amount paid by the third party for a good or a service received, or the amount of any tax, levy or other charge paid
- The amount paid to the third party for goods and services procured, or benefits paid as part of a non-exchange transaction, e.g. a social benefit.

The qualitative result of a transaction could include:
- The quality of a particular good or service received by the third party.
- The administrative efficiency with which a specific transaction or activity should be performed.
- The volume of a good or service provided to the third party

The municipality does not have the power to determine the significant terms and conditions of transactions with third parties if it is not able to decide, for example, the following aspects, but not limited to:
- What goods and services should be provided to, or procured from, third parties; or what taxes, levies or other charges should be levied on, or payments made to, third parties.
- To whom goods and services should be provided, or from whom goods and services should be procured; or on whom taxes, levies or other charges should be levied, or to whom payments should be made. This does not require the identification of specific individual third parties, and could be groups of affected third parties.
- The price to be paid by third parties, or agree on the price to be paid to third parties; or the amount of tax, levies or other charges to be paid by, or the amount of payments to be made to, third parties.
- The quality of the goods and services provided to, or received from, third parties. This may be less relevant to transactions that relate to taxes, levies, charges received by, or payment by or to, third parties

b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit

The types of resources that result from transactions with third parties could vary depending on the activities that are to be undertaken in terms of the binding arrangement. The resources that could result from transactions with third parties include:
- Receipts related to specific goods and services provided, or taxes, levies and other charges.
- Disbursements for specific goods and services procured to enable the execution of the transactions with third parties. The goods and services procured could also result in inventory.
- The municipality must not have the ability to use all, or substantially all, of the resources that result from the transactions with third parties. Where the municipality retains a portion of the revenue collected as a fee, e.g. a commission, or administration or transaction fee, for the service provided, this fee is usually nominal in relation to the total revenue collected, and as a result, the municipality would not have the ability to use all or substantially all of the resources that result from the transaction.

c) It is not exposed to variability in the results of the transaction:
A municipality is exposed to variability in the results of the transaction when it has exposure to both the positive and negative results associated with that transaction, and these exposures are not limited or fixed. There may be a number of factors that the municipality considers in determining whether it is exposed to the variability in the results of transactions. The municipality’s exposure to the variability in the results of a transaction are usually limited if:
- Another party is responsible for fulfilling the rights and obligations established in the binding arrangement. For example, if the provision of a certain good or service is the responsibility of a specific type of entity in legislation, then it is likely that recipients of that good or service will look to that entity for delivery of those goods or services.
- The municipality has limited inventory risk, i.e. the risk of theft, obsolescence or other losses, as well as changes in value.
- The municipality receives a fixed fee or a fixed margin, e.g. commission, or administration or transaction fee, for carrying out the transactions.
- The municipality is not exposed to significant default risk, i.e. the risk of fees, taxes, levies or other charges not being paid by third parties.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the entity, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the entity, and the entity could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the entity, but the entity could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the entity, the entity accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the entity, the entity accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Fair value

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

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

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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

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

1.5 Investment property (continued)

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

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

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
• All properties held to earn market related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
• Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner occupied property or for short term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
• Property that is being constructed or developed for future use as investment property;
• A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
• A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment or Inventory as appropriate:
• Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
• Property being constructed or developed on behalf of third parties;
• Owner occupied property, including (among other things) property held for future use as owner occupied property, property held for future development and subsequent use as owner occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
• Property that is leased to another entity under a finance lease;
• Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
• Property held for strategic purposes or service delivery.

The entity separately discloses expenditure to repair and maintain investment property in the notes to the Annual Financial Statements (see note 3).

The entity discloses relevant information relating to assets under construction or development, in the notes to the Annual Financial Statements (see note 3).

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings - Community	Straight-line	50
Buildings - Administrative	Straight-line	50
Roads and Paving	Straight-line	10 - 50
Electricity	Straight-line	10 - 50
Landfill Sites	Straight-line	15
Stormwater	Straight-line	100
Bridges	Straight-line	50 - 100
Gravel Roads	Straight-line	10 - 50
Street Furniture	Straight-line	6 - 20
Recreational Facilities	Straight-line	15 - 50
Specialised vehicles	Straight-line	5 - 20
Other vehicles	Straight-line	5 - 20
Plant and Machinery	Straight-line	3 - 20
Furniture and Office Equipment	Straight-line	2 - 20
Plant and Equipment	Straight-line	3 - 20
Computer Equipment	Straight-line	3 - 10
Containers	Straight-line	7 - 10
Specialised Plant and Equipment	Straight-line	3 -20
Other items of Plant and Equipment	Straight-line	3 - 20

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

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

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

1.6 Property, plant and equipment (continued)

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

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

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

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.7 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured at cost to the related asset is measured at cost

1.8 Intangible assets

An asset is identifiable if it either:

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

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

Accounting Policies

1.8 Intangible assets (continued)

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

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

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

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

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Servitudes	Straight-line	Indefinite
Computer software, other	Straight-line	2 - 10 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

1.9 Heritage assets

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

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

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

1.9 Heritage assets (continued)

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

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

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

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

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

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

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

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

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

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

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

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

1.9 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

1.10 Financial instruments (continued)

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

Classification

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

Class	**Category**
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from Exchange transactions (Contractual Receivables)	Financial asset measured at amortised cost

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

Class	**Category**
Long term liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

In accordance with GRAP 104, the municipality does not recognise statutory receivables as financial instruments, as the Standard permits contractual receivables to be disclosed as such.

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The entity recognises statutory receivables as follows:

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

1.11 Statutory receivables (continued)

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

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

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

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

1.11 Statutory receivables (continued)

Derecognition

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

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

1.12 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

Accounting Policies

1.13 Inventories (continued)

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Construction contracts

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

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

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

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

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

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

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

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

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

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

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Accounting Policies

1.15 Cash and cash equivalents (continued)

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity’s cash management activities, and as such are included as a component of cash and cash equivalents.

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

Designation

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

The entity designates an asset or a cash-generating unit as cash-generating when:

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

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

1.16 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

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

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

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

Discount rate

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

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

The entity 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.

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

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

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

Redesignation

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

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

The 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.

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

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

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the 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.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Accounting Policies

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

Redesignation

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

1.18 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

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.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits

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

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

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

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

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

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

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

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

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

Accounting Policies

1.18 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

1.18 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

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

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

1.18 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.19 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

1.19 Provisions and contingencies (continued)

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

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

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.
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The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.20 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

1.20 Commitments (continued)

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.21 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.21 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

1.22 Revenue from non-exchange transactions (continued)

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

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

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.22 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

1.23 Investment income

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

1.24 Borrowing costs

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

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

1.25 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

The assessment of whether an entity is a principal or an agent requires the entity 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 entity 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

1.25 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the entity 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 entity concludes that it is not the agent, then it is the principal in the transactions.

The entity 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 entity 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 entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

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

1.26 Comparative figures

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

1.27 Unauthorised expenditure

Unauthorised expenditure means:

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.28 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

Accounting Policies

1.30 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 entity were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.31 Internal reserves

Self-insurance reserve

The entity has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (adapt to specific circumstances).
.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.The self insurance fund is invested in the short term investments.

The entity operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in fixed and negotiable deposits.

1.32 Segment information

A segment is an activity of an entity:

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

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

1.32 Segment information (continued)

Measurement

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

The municipality has considered the information reported to management in determination of segments. The approved budget and monthly management reporting occurs in the format prescriped by municipal Budget and Reporting Regulations. Revenue, Capital and Operating Expenditure is reported by functional and departement are, and therefore considered in determination of segments. The financial Position information is reported in its entirely to management and therefore has not been allocated to segments.

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

1.33 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2022 to 6/30/2023.

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

The Statement of comparative and actual information has been included in the Annual Financial Statements as the recommended disclosure when the Annual Financial Statements and the budget are on the same basis of accounting as determined by National Treasury.

1.34 Related parties

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

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

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

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

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

1.34 Related parties (continued)

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 those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

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

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

1.35 Events after reporting date

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

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

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.36 VAT

VAT is an indirect tax based on consumption of goods and services in the economy. Revenue is raised for the government by requiring certain traders or vendors to register and to charge VAT on taxable supplies of goods or services. The essential characteristics of VAT are:

• it is charged at each stage of the production and distribution process;

• the taxable person (vendor) may deduct the tax paid during the preceding stages; and

• the burden of the tax is on the final consumer.

The municipality renders goods and services to consumers, it is responsible to collect taxes from its consumers for the goods and services provided. The municipality (VAT vendor) is a deemed debtor to the national government when collecting and remitting VAT.

The municipality is registered to declare VAT transactions on the cash basis to SARS. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis and VAT is settled between the VAT vendor and SARS, based on the cash collected by the municipality and the cash paid by the municipality.

VAT Receivable due/from SARS:

In accordance with GRAP 108, the VAT Receivable to/from SARS is considered to be a statutory arrangement, as this is based on legislation, being the VAT Act

Taking into account that the VAT due/from to the national government by the municipality (VAT vendor) results in a deemed debtor-creditor relationship, it is therefore considered to be a receivable or payable from exchange transaction.

VAT Accrual:

In accordance with the accounting standards, the municipality recognises transactions on an accrual basis of accounting. Therefore, the transaction between the municipality and customer includes the provision of goods or services in cash or credit; and the levying and/or collection of VAT by the municipality from the customer.

Similarly, the transaction between the municipality and the supplier includes the supply of goods or services in cash or credit; and the obligation to recognise VAT by the supplier to the municipality from the customer.

The VAT accrual accounts therefore does not represent amounts to be received or paid to SARS, but rather amounts that are associated with transactions that are yet to be settled. As a result, the accrual transactions are considered to be contractual in nature, and therefore do not meet the definition of a statutory arrangement.

As there is no transaction to “settle” with a specific counterparty at this point, the municipality considers the offsetting of the amounts as inappropriate, and has separately disclosed these transactions in the notes to the annual financial statements.

Input VAT Accrual represents amounts that are yet to be claimed from SARS, subject to settlement of the outstanding creditors by the municipality. This therefore shall be disclosed as a receivable from exchange transaction in accordance with GRAP 9.

Output VAT Accrual represents amounts that are yet to be paid to SARS, subject to collection from outstanding debtors of the municipality. This shall be accounted for as a trade and other payables in accordance with GRAP 19.

The municipality shall test the output VAT accrual for impairment, and account for this impairment in accordance with the impairment methodology for receivable from exchange and non-exchange transactions

Notes to the Financial Statements

	2023	2022

2. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023	2022
Cash on hand	82,473	83,060
Bank balances	376,784,681	301,503,029
Short-term deposits	151,806,548	201,327,068
	528,673,702	**502,913,157**

The municipality has the following bank accounts, which has been reported as bank and call accounts:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	June 30, 2021	30 June 2023	30 June 2022	June 30, 2021
ABSA Bank - Current Account (Primary Bank Account)- 4071756088	37,031,109	30,187,075	38,224,114	31,032,416	22,599,847	27,066,832
ABSA Bank - General Call Account - 9207051716	188,537,305	132,300,794	74,018,608	189,800,197	132,300,794	73,882,395
ABSA Bank - Housing Grants Call Account - 9207052314	42,733,736	42,773,002	43,677,072	43,009,698	42,932,996	43,648,891
ABSA Bank - Grants Funds Call Account - 9207054081	46,807,151	44,055,333	42,593,409	47,109,103	44,055,333	42,458,291
ABSA Bank - Self Insurance Fund Call Account - 9251267674	15,804,483	14,485,914	14,719,647	15,842,741	14,502,590	14,704,084
ABSA Bank - Housing Operating Call Account - 9274469611	47,859,889	42,531,921	38,934,130	48,168,340	43,398,103	38,900,875
ABSA Bank - Housing Capacity Fund Call Account - 9285122301	1,810,824	1,710,435	793,581	1,822,185	1,713,365	790,929
Total	**380,584,497**	**308,044,474**	**252,960,561**	**376,784,680**	**301,503,028**	**241,452,297**

Differences between the bank statement and cash book are as follows:

Outstanding payments as at 30 June 2023, not cleared from the bank is R7 622 402.

Outstanding deposits as at 30 June 2023, not cleared from the bank is R3 430 758.

Additionally, accrued interest has been recognised to the cash book for the month of June, which has been paid to the municipality's bank account at the commencement of the following financial year.

Guarantee Held on Primary Account

The Municipality has a guarantee of R120 000 held in favour of The South African Post Office.

Short Term Investments

The Municipality invests in short term investments accounts, a summary of cash book balances have been indicated below:

Summary of cash book balances on investment accounts:

	2023	2022
Nedbank	101,207,233	100,665,425
Standard Bank	50,599,315	100,661,644
	151,806,548	**201,327,069**

3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	174,981,923	-	174,981,923	171,726,063	-	171,726,063

Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	171,726,063	(1,680,080)	4,935,940	174,981,923

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	149,891,035	21,835,028	171,726,063

Investment property in the process of being constructed or developed

There is no investment property in the process of being constructed or developed.

3. Investment property (continued)

Investment properties have been valued in accordance with the municipal valuation roll and have been adjusted to take into account current market conditions, and other special assumptions depending on the categories of property.

The last effective date of the fair value adjustment was June 2023. The valuations were performed by a Professional Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of evaluation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category for investment property valued with the necessary qualifications. The fair value adjustment for 2023 was done at year end.

4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	386,652,577	-	386,652,577	386,735,027	-	386,735,027
Buildings	121,177,957	(72,663,134)	48,514,823	108,194,140	(71,756,355)	36,437,785
Infrastructure: Stormwater	209,144,548	(48,871,851)	160,272,697	194,826,048	(45,828,196)	148,997,852
Infrastructure: Electricity	420,927,733	(173,932,202)	246,995,531	394,252,214	(168,621,346)	225,630,868
Infrastructure: Solid waste	75,913,364	(36,962,669)	38,950,695	69,177,249	(33,746,467)	35,430,782
Infrastructure: Roads	1,867,204,257	(1,265,410,770)	601,793,487	1,858,842,818	(1,222,215,056)	636,627,762
Infrastructure: Street Furniture	9,094,224	(8,050,583)	1,043,641	9,115,602	(7,931,832)	1,183,770
Community	548,612,324	(283,870,836)	264,741,488	524,273,349	(269,337,969)	254,935,380
Motor vehicles	100,727,924	(60,174,581)	40,553,343	102,646,815	(60,553,511)	42,093,304
Plant and machinery	46,731,833	(15,425,945)	31,305,888	23,056,355	(14,166,400)	8,889,955
Furniture and office equipment	20,870,192	(13,454,342)	7,415,850	19,102,350	(13,194,281)	5,908,069
Computer equipment	27,247,841	(16,219,747)	11,028,094	23,347,129	(15,114,800)	8,232,329
Total	**3,834,304,774**	**(1,995,036,660)**	**1,839,268,114**	**3,713,569,096**	**(1,922,466,213)**	**1,791,102,883**

Notes to the Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers and Donations received	Transfers Made	Decommisioning and restoration for environmental rehabilitation	Depreciation	Reversal/ (Recognition) of Impairment loss	Total
Land	386,735,027	-	(82,450)	-	-	-	-	-	386,652,577
Buildings	36,437,785	12,983,817	-	12,675,317	(12,675,317)	-	(906,779)	-	48,514,823
Infrastructure: Stormwater	148,997,852	14,342,393	(19,587)	998,358	(998,358)	-	(3,047,961)	-	160,272,697
Infrastructure: Electricity	225,630,868	36,182,604	(6,192,608)	4,880,576	(4,880,576)	-	(7,371,333)	(1,254,000)	246,995,531
Infrastructure: Solid waste	35,430,782	-	-	-	-	6,736,115	(3,216,202)	-	38,950,695
Infrastructure: Roads	636,627,762	8,361,440	-	10,875,272	(10,875,272)	-	(43,910,416)	714,701	601,793,487
Infrastructure: Street Furniture	1,183,770	22,964	(434)	-	-	-	(162,659)	-	1,043,641
Motor vehicles	42,093,304	2,098,650	(289,154)	-	-	-	(3,349,457)	-	40,553,343
Community	254,935,380	24,119,344	(21,671)	24,236,507	(23,649,652)	-	(13,932,760)	(945,660)	264,741,488
Plant and machinery	8,889,955	24,659,674	(99,832)	-	-	-	(2,143,909)	-	31,305,888
Furniture and office equipment	5,908,069	2,768,761	(151,526)	-	-	-	(1,109,454)	-	7,415,850
Computer equipment	8,232,329	4,254,974	(144,082)	352,688	-	-	(1,667,815)	-	11,028,094
	1,791,102,883	**129,794,621**	**(7,001,344)**	**54,018,718**	**(53,079,175)**	**6,736,115**	**(80,818,745)**	**(1,484,959)**	**1,839,268,114**

Notes to the Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers and donations received	Transfers	Decommisioning restoration	Depreciation	Reversal/ (Recognition) of Impairment loss	Total
Land	393,285,807	-	(6,550,780)	-	-	-	-	-	386,735,027
Buildings	36,657,331	694,054	816	394,167	(394,167)	-	(914,416)	-	36,437,785
Infrastructure: Stormwater	146,176,231	4,959,627	2,642	6,851,064	(6,851,064)	-	(2,140,648)	-	148,997,852
Plant and machinery	8,371,940	1,916,496	(74,618)	-	-	-	(1,323,863)	-	8,889,955
Furniture and office equipment	6,854,897	383,796	(178,647)	14,505	-	-	(1,166,482)	-	5,908,069
Motor vehicles	34,854,554	10,955,056	(838,577)	-	-	-	(2,877,729)	-	42,093,304
IT equipment	8,068,739	1,867,472	(106,424)	-	-	-	(1,597,458)	-	8,232,329
Infrastructure: Solid waste	25,974,871	3,483,001	-	3,483,000	(3,483,000)	9,343,857	(3,370,947)	-	35,430,782
Infrastructure: Electricity	222,107,326	9,272,031	(99,198)	19,554,667	(19,554,667)	-	(7,022,688)	1,373,397	225,630,868
Community	241,126,917	35,005,373	(136,905)	62,437,476	(62,437,476)	-	(13,659,818)	(7,400,187)	254,935,380
Infrastructure: Roads	641,233,061	38,808,197	-	54,208,334	(54,208,334)	-	(42,094,381)	(1,319,115)	636,627,762
Infrastructure: Street Furniture	1,455,266	15,426	(2,647)	-	-	-	(284,275)	-	1,183,770
	1,766,166,940	**107,360,529**	**(7,984,338)**	**146,943,213**	**(146,928,708)**	**9,343,857**	**(76,452,705)**	**(7,345,905)**	**1,791,102,883**

Pledged as security

The Municipality have no assets pledged as security.

Donations

Furniture and fixtures	-	14,505
IT equipment	352,688	-
Community assets	586,856	-
	939,544	**14,505**

	2023	2022

4. Property, plant and equipment (continued)

The municipality received fixed assets as donations amounting to R 939 544 (2022: R14 505). This relates to the donation of a borehole and computer equipment from Department of Arts and Culture.

Leased Assets

Included in the plant and machinery is a two way radio communication asset that is leased amounting to R2 383 932.

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Buildings	Included within Furniture and Equipment	Total
Opening balance	5,466,817	18,866,506	299,886	-	24,633,209
Additions/capital expenditure	45,887,506	23,907,185	12,675,317	1,659,453	84,129,461
Impairment of assets	(539,299)	(1,111,801)	-	-	(1,651,100)
Transferred to completed items	(16,754,207)	(23,649,650)	(12,675,317)	-	(53,079,174)
	34,060,817	**18,012,240**	**299,886**	**1,659,453**	**54,032,396**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	34,817,563	47,275,557	-	82,093,120
Additions/capital expenditure	56,499,749	34,892,653	694,053	92,086,455
Impairment of assets	(1,319,115)	(864,228)	-	(2,183,343)
Transferred to completed items	(84,531,380)	(62,437,476)	(394,167)	(147,363,023)
	5,466,817	**18,866,506**	**299,886**	**24,633,209**

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		
Labour costs (amount paid to employees)	13,000,417	32,376,964
Contracted services (amount paid to suppliers)	41,540,873	29,816,644
Materials	19,731,365	16,112,817
Fuel and oil	1,433,159	3,062,787
	75,705,814	**81,369,212**

Notes to the Financial Statements

	2023	2022

4. Property, plant and equipment (continued)

Repairs and Maintenance on Property Plant and Equipment is detailed as follows:

Amount charged out to employee related cost for work done in house amounting to R 13 000 417 (2022: R32 376 964), is included in the employee related cost in the Statement of Financial Performance.

Amount paid to suppliers R41 540 873 (2022: R29 816 644), is included in the contracted services in the Statement of Financial Performance.

Materials amounting to R19 731 365 (2022: R16 112 817), is included in the inventory consumed in the Statement of Financial Performance.

Fuel and oil amounting to R 1 433 159 (2022: R3 348 137) is included in the operational cost in the Statement of Financial Performance.

Capital projects that have been significantly delayed

Construction work in progress has been included in the above mentioned property, plant and equipment, based on the nature of the project being constructed. The following projects have been identified as significantly delayed:

Construction of Ezakheni Sport Complex

Due to the poor performance of the various appointed contractors, this project has incurred delays. The last appointed contractor went into liquidation and as such there were ongoing court proceedings. The municipality then took a calculated decision to withdraw itself from the liquidation proceedings. Currently the municipality is looking at alternate avenues to fund the project. This will be done in phases as and when the budget is made available. An expert was appointed to assess the impairment of the asset in the 2022/2023 Financial Year. The project was impaired by a further R981 510.33 in the 2022/2023 Financial Year. The carrying amount of the project after impairment is R11 786 925.97.

Emnambithi Indoor Sport Complex

This is a multi year project. The municipality is implementing this project in phases. Planning and study phase of this project has been completed. To date, phases one (1), two (2) and three (3) of the project have been completed. An expert was appointed to assess the impairment of the asset. There was no impairment detected in the 2022/2023 Financial Year.

Ladysmith Airport Upgrade

The Municipality is exploring options to source grant funding to complete the project. An expert was appointed to assess the impairment of the asset in the 2022/2023 Financial Year. The project was impaired by R1 783 461.37 in the 2022/2023 Financial Year. The carrying amount of the project after impairment is R233 968.63.

Construction of Burford Sports field (Ward 14)

The sportfield was vandalised by the community. The Municipality will consider funding to complete the project during the next budgetary cycle and is exploring the funding stream to complete the project. An expert was appointed to assess the impairment of the asset in the 2022/2023 Financial Year. The project was impaired by R130 290.30 in the 2022/2023 Financial Year. The carrying amount after impairment is R297 890.53

Carrying amount as at 30 June, subsequent to impairment:		
Construction of Ezakheni Sport Complex	11,786,926	12,768,436
Emnambithi Indoor Sport Complex	5,115,727	5,115,727
Ladysmith Airport Upgrade	233,969	2,017,430
Upgrade of Circle Road (Ward 20)	-	15,673
Construction of Burford Sports field (Ward 14)	297,891	428,181
	17,434,513	**20,345,447**

5. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and other licences	3,800,466	(2,614,798)	1,185,668	3,698,265	(2,514,674)	1,183,591

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software and other licences	1,183,591	534,900	(7,362)	(525,461)	1,185,668

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software and other licences	829,961	571,400	(217,770)	1,183,591

6. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiquities and exhibits	4,991,426	(152,000)	4,839,426	4,991,426	(152,000)	4,839,426
Historical buildings	16,566,600	(5,500)	16,561,100	16,566,600	(5,500)	16,561,100
Total	**21,558,026**	**(157,500)**	**21,400,526**	**21,558,026**	**(157,500)**	**21,400,526**

Reconciliation of heritage assets 2023

	Opening balance	Total
Art collections, antiquities and exhibits	4,839,426	4,839,426
Historical buildings	16,561,100	16,561,100
	21,400,526	**21,400,526**

Reconciliation of heritage assets 2022

	Opening balance	Total
Art collections, antiquities and exhibits	4,839,426	4,839,426
Historical buildings	16,561,100	16,561,100
	21,400,526	**21,400,526**

Heritage Assets above include the following:	**Cost**	**Accumulated impairment**	**Carrying amount**
Historical monuments, such as graves and burial grounds	3,452,600	(5,500)	3,447,100
Movable objects, such as military insignia, medals, coins, stamp collections, or objects of decorative or fine art	4,991,426	(152,000)	4,839,426
Historical buildings that have a significant historical association	13,114,000	-	13,114,000
	21,558,026	**(157,500)**	**21,400,526**

Notes to the Financial Statements

	2023	2022

7. Inventories

Materials, supplies and assets held for disposal	1,395,019	1,396,329
Consumable stores	31,832,641	25,883,068
	33,227,660	**27,279,397**

Land derecognised where the municipality transfers control without legal ownership

Carrying value of land derecognised in the carrying value of Inventories	-	173,921,379

In accordance with iGRAP 18, Recognition and Derecognition of land, an entity should assess whether it controls land. Control is evidenced by the rights and obligations arising from a binding arrangement. A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights and can be evidenced in several ways:
(a) a contract concluded between the parties;
(b) legislation, supporting regulations or similar means including, but not limited to laws, regulation, policies, decisions concluded by authorities such as cabinet,executive committees, boards, municipal councils and ministerial orders (referred to as legislation or similar means for purposes of this Interpretation); or
(c) through the operation of law, including common law.
A binding arrangement is often, but not always, in writing, in the form of a contract or documented discussions between the parties.

The municipality has assessed and derecognised land in the name of the municipality that relates to housing implementation projects, taking into account existence of a binding arrangement and applying the following key judgements made and assumptions applied to conclude that it does not control such land:;
- The right to direct access to land, and to restrict or deny the access of others to land
- The use of the land in any other way to generate future economic benefits or service potential
- The ability to direct the use of the land’s future economic benefits or service potential to provide services to beneficiaries
- the ability of the municipality to exchange, dispose of, or transfer the land.

8. Receivables from exchange transactions

Gross balances		
Electricity	60,872,499	63,661,426
Consumer refund control clearing account	18,463	-
Sundry debtors	20,169,937	16,021,951
Refuse	130,020,789	106,971,231
Housing rental	3,739,534	3,473,098
VAT Control Receivable - due from SARS	5,827,970	3,376,773
Input VAT Accrual	37,909,908	32,117,839
	258,559,100	**225,622,318**

Less: Allowance for impairment		
Electricity	(14,059,230)	(4,404,456)
Sundry debtors	(6,678,020)	(7,263,786)
Refuse	(103,094,691)	(84,600,718)
Housing rental	(3,373,878)	(3,277,662)
	(127,205,819)	**(99,546,622)**

	2023	2022
8. Receivables from exchange transactions (continued)		
Net balance		
Electricity	46,813,269	59,256,970
Consumer refund control clearing account	18,463	-
Sundry debtors	13,491,917	8,758,165
Refuse	26,926,098	22,370,513
Housing rental	365,656	195,436
VAT Control Receivable due from SARS	5,827,970	3,376,773
Input VAT Accrual	37,909,908	32,117,839
	131,353,281	**126,075,696**

The receivables from exchange transactions have been restated in the prior financial year due to reclassification of the VAT receivable account into their respective contractual and statutory receivables/payables amounts, in accordance with the National Treasury Accounting Guidance in terms of GRAP 108 and the Accounting Standard Board guidance.

Electricity availability charges has been previously disclosed as revenue from exchange transactions, however, based on NT accounting guidance for GRAP 9, the municipality has reclassified the portion of electricity charges that relate to availability to non-exchange transactions.

	2023	2022
Electricity		
Current (0 -30 days)	36,121,906	36,978,334
31 - 60 days	3,965,973	5,826,924
61 - 90 days	1,266,355	2,494,826
91 - 120 days	816,438	884,098
121 - 365 days	4,670,160	13,562,834
> 365 days	14,031,667	3,914,409
	60,872,499	**63,661,425**
Consumer refund control clearing account		
Current (0 -30 days)	18,463	-
VAT control receivable - due from SARS		
Current (0 -30 days)	5,827,970	3,376,773
Refuse		
Current (0 -30 days)	734,215	558,966
31 - 60 days	2,948,616	2,678,106
61 - 90 days	2,710,291	2,428,640
91 - 120 days	2,602,226	2,368,333
121 - 365 days	17,383,567	17,731,701
> 365 days	103,641,876	81,205,485
	130,020,791	**106,971,231**
Sundry debtors		
Current (0 -30 days)	398,174	2,550,322
31 - 60 days	584,517	216,413
61 - 90 days	310,346	182,017
91 - 120 days	1,731,330	1,035,911
121 - 365 days	310,346	385,775
> 365 days	16,835,224	11,651,514
	20,169,937	**16,021,952**

	2023	2022

8. Receivables from exchange transactions (continued)

Housing rental		
Current (0 -30 days)	39,720	79,860
31 - 60 days	38,091	40,364
61 - 90 days	36,507	39,584
91 - 120 days	38,987	39,095
121 - 365 days	219,520	372,112
> 365 days	3,366,710	2,902,082
	3,739,535	**3,473,097**

Credit quality for receivables that are neither past due nor impaired

The Municipality deems outstanding debt less than 90 days to be receivables that are not considered for impairment, on the following basis:

- The Municipality has a stringent customer care, credit control and debt collection policy which is actively implemented by the Municipality.

- This includes monitoring of debtors accounts, implementation of physical disconnections where necessary, as well as incentive payment programmes.

- Therefore the Municipality views debt outstanding for less than 90 days being a fair reflection of the credit quality.

Contractual receivables that are past due and not impaired as at the end of the reporting period

Electricity		
121 - 365 days	1,050,411	1,291,822
> 365 days	54,688	3,078,735
	1,105,099	**4,370,557**

Refuse		
121 - 365 days	2,056,470	1,441,535
> 365 days	11,265,514	14,135,420
	13,321,984	**15,576,955**

Sundry debtors		
121 - 365 days	51,590	66,849
> 365 days	1,603,991	1,126,199
	1,655,581	**1,193,048**

Housing rental		
121 - 365 days	3,600	-
> 365 days	43,447	53,250
	47,047	**53,250**

Renegotiation of debt for financial assets

No financial assets existed for the year under review that would otherwise be past due or impaired where terms have been renegotiated.

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

VAT Control Receivable from SARS	5,827,970	3,376,773

	2023	2022

8. Receivables from exchange transactions (continued)

Statutory receivables that are past due and have been impaired and included in receivables from exchange transactions

VAT Receivables due to/from SARS which are less than 3 months past due are not considered to be impaired There is no amount that is past due for consideration as at year end.

Basis used to access and test whether a receivable is impaired

Management considered receivables individually that may be impaired as well as groups of similar receivables that may be impaired.

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

The impairment calculations are based on the individual assessment criteria as well as group collection rate in accordance with customer care, credit control and debt collection policy.

The group impairment percentage is determined taking into account the average collection rate based on a three year trend by class of financial asset.

9. Receivables from non-exchange transactions

	2023	2022
Gross Debtors		
Department of Sports and Infrastructure Grant	5,212,188	-
Fines	22,554,006	20,587,506
Property rates	605,514,967	526,138,500
Electricity availability charges	14,144,529	11,790,467
Unauthorised expenditure	135	-
	647,425,825	**558,516,473**
Impairment		
Fines impairment	(20,976,773)	(19,457,536)
Property rates impairment	(335,508,237)	(295,844,725)
Electricity availablity charges impairment	(9,432,885)	(3,102,085)
	(365,917,895)	**(318,404,346)**
Net Debtors		
Fines	1,577,233	1,129,970
Department of Sports and Infrastructure Grant	5,212,188	-
Property rates	270,006,730	230,293,775
Electricity availabilty charges	4,711,644	8,688,382
Unauthorised expenditure	135	-
	281,507,930	**240,112,127**

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

	2023	2022
Fines	22,554,006	20,587,506
Property rates	605,514,967	526,138,500
	628,068,973	**546,726,006**

	2023	2022

9. Receivables from non-exchange transactions (continued)

Statutory receivables are accounted for as follows:

Transactions arises from statute

Traffic fines are issued to offenders in terms of the Administrative of Road Traffic Offences (AARTO Act) and Criminal Procedures Act, by the way of notices to offenders which specify the value of the fine that must be paid.

Property rates is charged in terms of the Municipal Property Rates Act.

Determination of transaction amount

Schedule 3 of the AARTO Regulations 2008 for charge codes and descriptions, penalties and their discounts, and demerit points

Interest or other charges levied/charged

No interest is charged on outstanding fines, and any additions are further applied by the court is paid by the offender to the Municipality then paid to the court.

Property rates: Interest is raised on overdue accounts at 10.25% per annum in accordance with the National Credit Act, in respect of arrears arising after 1 November 2016. Arrear accounts arising before 31 October 2016 is charged interest at a rate of 9% per annum.

Basis used to access and test whether a statutory receivable is impaired

Traffic fines

The Municipality account for traffic fines impairment in accordance with iGRAP 1.

Management considered receivables individually that may be impaired as well as groups of similar receivables that may be impaired.

Management takes into account expired warrants for individual impairment.

The Municipality assesses the average collection rate in the determination of the group impairment percentage to be considered.

Property rates

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

Management considered receivables individually that may be impaired as well as groups of similar receivables that may be impaired.

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

The impairment calculations are based on the individual assessment criteria as well as group collection rate in accordance with customer care, credit control and debt collection policy.

The group impairment percentage is determined taking into account the average collection rate based on a three year trend by class of financial asset

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

	2023	2022
Traffic fines	1,577,233	1,129,970
Property rates	270,006,730	230,293,775
	271,583,963	**231,423,745**

	2023	2022

9. Receivables from non-exchange transactions (continued)

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

As of 30 June 2023, the following statutory receivables were considered to be past due and have been impaired. This was determined by taking into account the debt that is outstanding for a period of more than 90 days:

Provision for impairment - Traffic fines	20,976,773	19,457,536
Provision for impairment - Property rates	335,508,237	295,844,725
	356,485,010	**315,302,261**

Summary of aging of debtors

Electricity Availability

Current (0-30 days)	77,706	66,108
31 - 60 days	280,889	258,070
61 - 90 days	272,914	248,683
249973	266,531	249,973
121 - 365 days	1,755,750	1,874,109
> 365 days	11,490,740	9,093,525
	14,144,530	**11,790,468**

Property Rates

Current (0-30 days)	3,795,767	3,107,333
31-60 days	14,476,551	13,464,274
61-90 days	12,871,512	11,662,958
91-120 days	11,540,465	10,473,189
121-365 days	70,772,039	74,316,658
> 365 days	492,058,633	413,114,088
	605,514,967	**526,138,500**

Contractual receivables that are neither past due nor impaired

The Municipality deems outstanding debt less than 90 days to be receivables that are not considered for impairment, on the following basis:

- The Municipality has a stringent customer care, credit control and debt collection policy which is actively implemented by the Municipality.

- This includes monitoring of debtors accounts, implementation of physical disconnections where necessary, as well as incentive payment programmes.

- Therefore the Municipality views debt outstanding for less than 90 days being a fair reflection of the credit quality.

Contractual receivables that are past due as at the end of the reporting period

Electricity availability		
121 - 365 days	591,888	19,141
> 365 days	2,946,206	1,179,456
	3,538,094	**1,198,597**

Statutory receivables were considered to be past due and not impaired:

	2023	2022

9. Receivables from non-exchange transactions (continued)

As of 30 June 2023, the following statutory receivables were considered to be past due and not impaired. This was determined by taking into account the debt that is outstanding for a period of more than 90 days which have not been subjected to impairment:

	2023	2022
Property rates		
121 - 365 days	32,476,867	28,856,394
> 365 days	162,900,166	127,437,155
	195,377,033	**156,293,549**

Renegotiation of debt for financial assets

No financial assets existed for the year under review that would otherwise be past due or impaired where terms have been renegotiated.

Basis used to access and test whether a contractual receivable is impaired

Management considered receivables individually that may be impaired as well as groups of similar receivables that may be impaired.

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

The impairment calculations are based on the individual assessment criteria as well as group collection rate in accordance with customer care, credit control and debt collection policy.

The group impairment percentage is determined taking into account the average collection rate based on a three year trend by class of financial asset.

10. Payables from exchange transactions

	2023	2022
Advance payments on consumer and other receivables accounts	46,622,476	42,558,449
Trade payables and accruals	88,017,847	88,440,587
Consumer refund control clearing account	-	563
Retention	18,322,648	35,185,298
Output VAT accrual	23,444,357	20,272,159
Output VAT accrual - Provision for doubtful debt impairment	(13,164,406)	(9,516,876)
Accrued Interest on outstanding financial liabilities	45,807	24,545
Unallocated deposits	8,386,915	6,766,084
Salary control payables	3,566,778	1
Bonus payable	7,522,970	7,524,277
Accrued leave pay	31,947,317	27,564,039
Deferred construction contract revenue	-	568,280
	214,712,709	**219,387,406**

Output VAT Accrual accounts has been reclassified from the consolidated disclosure on the Statement of Financial Position to payables from exchange in accordance with the National Treasury Accounting Guideline for GRAP 9, and Accounting Standards Board guidelines.

11. Consumer deposits

	2023	2022
Electricity	13,370,833	14,797,158
Street Closure	2,840	3,120
Refuse	2,927,432	2,892,869
Posters	10,220	10,220
Housing rental	3,532,288	3,422,386
	19,843,613	**21,125,753**

Notes to the Financial Statements

	2023	2022

11. Consumer deposits (continued)

Guarantees held in lieu of electricity totals R8 875 566 (30 June 2022: R8 556 428).

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	731,881	948,860
Informal Economic Development Grant	1,711,561	-
Construction of Animal Pound	35,095	35,095
Department of Human Settlements	41,889,246	41,854,899
Muncipal Disaster Relief Grant (MDRG)	18,221,929	1,285,203
Housing Accreditation	1,756,147	1,288,088
Eradication of Bucket System	222,269	222,269
Job Evaluation	66,121	124,627
	64,634,249	**45,759,041**

Unspent grants have significantly increased, due to MDRG that was received in February 2023 amounting to R22 000 000..

13. Finance lease obligation

Minimum lease payments due		
- within one year	823,741	1,151,980
- in second to fifth year inclusive	-	824,514
	823,741	1,976,494
less: future finance charges	(21,823)	(125,641)
Present value of minimum lease payments	**801,918**	**1,850,853**
Present value of minimum lease payments due		
- in second to fifth year inclusive	801,919	1,048,934
- later than five years	-	801,919
	801,919	**1,850,853**
Non-current liabilities	-	801,919
Current liabilities	801,919	1,048,934
	801,919	**1,850,853**

It is entity policy to lease certain equipment under finance leases. The Municipality has entered into a finance lease agreement with Trans Africa International Telecommunications (PTY) Ltd T/A EMCOM for lease of Two Way Radio Communication System.

The lease is valid from 01 March 2021 to 28 February 2024. The Municipality will take ownership of the equipment after 28 February 2024.The installment increases by 11% on an annual basis.

The lease term was 3 years and the average effective borrowing rate was 7.4% (2023:7.4%).

	2023	2022

14. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several accredited medical schemes. Upon retirement, an employee may continue membership of a accredited medical scheme. Upon a member's death in service,or death in retirement, the surviving dependants may continue membership of the medical scheme.

Eligible employees will receive a post employment subsidy additional of 50% of the contribution payable should they be a member of a medical scheme, subject to the following conditions:

- The total service of at least ten years at retirement.

- Membership of a municipality accredited medical aid scheme for the majority of their total services (i.e more than half of their services by retirement)

Continuation members and their eligible dependents receive either a 50%, 60% or 70% subsidy.

The most recent actuarial valuations of plan asset and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2023 by an independent valuers.

The present value of the defined benefits obligation and the related current cost and past cost, were measured using the Projected Unit Credit Method.

The principal assumptions used were as follows;	2023	2022
Discount rate used	12.40%	11.72%
Health care cost inflation rate	8.01%	8.29%
Net discount rate - health care cost inflation	4.06%	3.17%
Maximum subsidy inflation rate	5.63%	5.84%
Net discount rate - maximum subsidy inflation	6.41%	5.55%

Key Demographic Assumptions	2023	2022
Average retirement age	62	62
Continuation of membership at retirement	75 %	75 %
Proportion with a spouse dependant at retirement	60 %	60 %
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy and retirement	15 %	15 %
Mortality during employment	SA 85-90	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010

	2023	2022
	-	-
Inservice members	304	304
Continuation members	70	65
	586	**581**

Amount recognised in the Statement of Financial Position are as follows:	2023	2022
Opening balance	55,624,000	57,028,000
Interest cost	6,372,000	5,534,000
Current service cost	1,994,000	2,132,000
Actuarial (gain) loss	(6,296,414)	(6,179,124)
Less:municipal paid benefits	(2,977,586)	(2,890,876)

Notes to the Financial Statements

	2023	2022

14. Employee benefit obligations (continued)

	2023	2022
	54,716,000	**55,624,000**

Net expense recognised in the Statement of Financial Performance

	2023	2022
Current service cost	1,994,000	2,132,000
Interest cost	6,372,000	5,534,000
Actuarial (gain) loss	(6,296,414)	(6,179,123)
	2,069,586	**1,486,877**

	2023	2022
Current liabilities	2,994,000	2,584,000
Non current liabilities	51,722,000	53,040,000
	54,716,000	**55,624,000**

Withdrawal rates

	2023	2022
20 - 24	9 %	9 %
25 - 29	8 %	8 %
30 - 34	6 %	6 %
35 - 39	5 %	5 %
40 - 44	5 %	5 %
45 - 49	4 %	4 %
50 - 54	3 %	3 %
55+	0 %	0 %

Sensitivity Analysis on Current-Service and Interest Costs	Change	Current Svc. Cost	Interest Cost	Total	% Change
Central assumptions		1,994,000	6,372,000	8,366,000	
Health care inflation rate	+1%	2,208,000	6,788,000	8,996,000	8 %
	-1%	1,723,000	5,856,000	7,579,000	(9)%
Discount rate	+1%	1,654,000	6,112,000	7,766,000	(7)%
	-1%	2,440,000	6,666,000	9,106,000	9 %
Post-employment mortality	+1 Yr	1,949,000	6,192,000	8,141,000	(3)%
	-1 Yr	2,041,000	6,550,000	8,591,000	3 %
Average retirement age	-1 Yr	2,083,000	6,647,000	8,730,000	4 %
Membership continuation	-10%	1,741,000	5,955,000	7,696,000	(8)%

Superannuation funds

The latest statutory valuation of the Superannuation Fund (defined benefit) as at 31 March 2022 concluded that:

The fund's liabilities for service to the valuation date was 108% (2021:102%) funded on the discounted cash flow method at the valuation date.

The fund is 108.9% funded on the "best estimate" funding basis as at the valuation date, and is also fully funded on the financial soundness" basis incorporating the full solvency reserve. At the valuation report, the fund was in a sound financial position.

There was no deficit in respect of active members, A surcharge of 5.3% of pensionable salaries is payable.

Retirement funds

	2023	2022

14. Employee benefit obligations (continued)

The latest statutory valuation of the Retirement Fund (defined benefits) as at 31 March 2022 reflected:

The funding level of the Pensions Memorandum Account increased over the valuation period from 124.5% to 128.8%. This was mainly due to the release of the Solvency Reserve.

Based on the valuation assumption applied in 2022, the fund was fully funded.

The statutory actuarial valuation carried out on the retirement fund as at 31 March 2022 reflected;

The fund is 107.1**%** (2018:101%) funded as at the valuation date at the overall level. A recomendation was that, an additional increase is required in respect of pensioners who retired during certain months over the valuation period. The actual increase due to a pensioner depends on the date of retirement. We recommend that those pensions be increased as required by the Act, backdated to 1 July 2022.

At the valuation report, the fund was in a sound financial position.

Pension Funds

The stautory valuation of the Provident Fund was performed as at 31 March 2022.

Assets exceeded the liabilities and reserves at the valuation date. Unallocated assets amounted to 0.2% of the assets after the release from the Risk and Expense Reserve and the Investment Reserve was 7.0% of Member Shares at the valuation date.

Members can elect a rate of contribution of 5%, 7.5% or 9.25% of pensionable salaries.

The default rate of contribution is set at 9.25% (the highest rate). This rate apply to each new employee unless he/she actively chooses to contribute at a lower rate.

The fund is 100.2% (2018:100.6%) funded as at the valuation date.

At the valuation report, the fund was in a sound financial position.

Long Service Awards

The independent valuers carried out a statutory valuation on the Long Service Awards benefits as at 30 June 2023.

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

	2023	2022
Carrying value		
Opening balance	20,261,000	15,220,000
Policy amendments	-	4,069,000
Interest cost	1,711,000	1,358,000
Current service cost	1,606,000	1,542,000
Actuarial (gain) loss	63,472	189,628
Less:municipal paid benefits	(1,855,472)	(2,117,628)
	21,786,000	**20,261,000**
Active members	792	758

Net expense recognised in the statement of financial performance

	2023	2022
Current service cost	1,606,000	1,542,000
Interest cost	1,711,000	1,358,000
Actuarial (gains) losses	63,472	189,628
	3,380,472	**3,089,628**

Notes to the Financial Statements

	2023	2022

14. Employee benefit obligations (continued)

Changes in the fair value of plan assets are as follows:

The entity expects to contribute - to its defined benefit plans in the following financial year.

Key assumptions used

Assumptions used at the reporting date:

	2023	2022
Discount rates used	11.38 %	11.01 %
Expected rate of return on assets	6.62 %	7.19 %
Expected rate of return on reimbursement rights	4.47 %	3.57 %

	2023	2022
Current liabilities	3,172,000	1,355,000
Non current liabilities	18,614,000	18,906,000
	21,786,000	**20,261,000**

Key Demographic Assumptions	2023	2022
Average retirement age	62	62
Mortality during employment	SA 85-90	SA 85-90
Withdrawal from service (sample annual rates)		
Female - 20 years	9 %	9 %
Male - 20 years	9 %	9 %
Female - 30 years	6 %	6 %
Male - 30 years	6 %	6 %
Female - 40 years	5 %	5 %
Male - 40 years	5 %	5 %
Female - 50 years	3 %	3 %
Male - 50 years	3 %	3 %
Female - 55 years	0 %	0 %
Male - 55 years	0 %	0 %

Sensitivity Analysis on Current-Service and Interest Costs	Change	Current Svc. Cost	Interest Cost	Total	% Change
Central assumptions		1,606,000	1,711,000	3,317,000	
General earnings inflation rate	+1%	1,732,000	1,826,000	3,558,000	7 %
	-1%	1,493,000	1,606,000	3,099,000	(7)%
Discount rate	+1%	1,503,000	1,748,000	3,251,000	(2)%
	-1%	1,722,000	1,666,000	3,388,000	2 %
Average retirement age	+2 yrs	1,713,000	1,852,000	3,565,000	7 %
	-2 yrs	1,478,000	1,536,000	3,014,000	(9)%
Withdrawal rates	x2	1,154,000	1,311,000	2,465,000	(26)
	x0.5	1,935,000	1,989,000	3,924,000	18 %

	2023	2022

15. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	69,587,957	9,797,985	79,385,942
Performance Bonus	923,699	1,116,497	2,040,196
	70,511,656	**10,914,482**	**81,426,138**

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	57,705,077	11,882,880	-	69,587,957
Performance bonuses	1,111,331	787,025	(974,657)	923,699
	58,816,408	**12,669,905**	**(974,657)**	**70,511,656**

	2023	2022
Non-current liabilities	79,385,942	69,587,957
Current liabilities	2,040,196	923,699
	81,426,138	**70,511,656**

Environmental rehabilitation provision

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate the landfill site used for waste disposal.

The Municipality has two environmental landfill sites, being Ladysmith Waste Disposal Site and Indaka Waste Disposal Site.

The Municipality will incur R69 200 208 to rehabilitate Ladysmith Waste Disposal Site, calculated as at 30 June 2023 (30 June 2022: R57 154 171) to restore the site- at the end of the respective useful life.

The Municipality will incur R10 185 733 to rehabiliatate Indaka Waste Disposal Site, calculated as at 30 June 2023, (30 June 2022: R12 433 786) to restore the site at the end of the respective useful life.

The valuation as at 30 June 2023 was performed by Iqhina Consulting. Iqhina Consulting is not affiliated to the Municipality.

Key assumption used;

Discounted amount is R 2 419 527, RSA bond rate of 10.52% was used.

Remaining useful lives;

As at 30 June 2023, Ladysmith Waste Disposal Site has a remaining useful life of 10 years.

As at 30 June 2023, Indaka Waste Disposal Site has a remaining useful life of 10 years.

Performance bonuses

The provision for performance bonuses relates to the constructive obligation on payment of performance bonus for section 57 employees in previous years.

The Municipality has been paying a performance bonus from 5-13% of the total remuneration and it was calculated at an average of 11%.

Performance bonuses are paid to the Section 57 employees after an evaluation by the Council.

Notes to the Financial Statements

	2023	2022

16. Long term loans

At amortised cost		
ABSA Bank - Tsakane Electrification	1,378,348	1,893,708
DBSA Bank - Indaka	1,959,661	2,225,179
	3,338,009	**4,118,887**
Total other financial liabilities	**3,338,009**	**4,118,887**

Absa Bank loans bears an interest of 9.10%, and redeemed monthly with interest bearing ending February 2026.

DBSA Bank loan bears an interest of 5% and is redeemed bi-annually with interest ending September 2028.

Non-current liabilities		
At amortised cost	2,495,293	3,338,009
Current liabilities		
At amortised cost	842,716	780,878

17. Housing development fund

Unappropriated surplus	321,035	(4,133,685)
Loans extinguished by Government on 1 April 1998	47,124,502	47,124,502
	47,445,537	**42,990,817**

The housing development fund is represented by the following assets and liabilities

Bank and cash	47,445,537	42,990,817

18. Self insurance reserve

Ring-fenced internal funds and reserves within accumulated surplus - 2023

	Insurance reserve	Total
Opening balance	14,803,567	14,803,567
Interest recognised	1,008,178	1,008,178
Utilisation of reserves	(352,352)	(352,352)
	15,459,392	**15,459,392**

18. Self insurance reserve (continued)

Ring-fenced internal funds and reserves within accumulated surplus - 2022

	Insurance reserve	Total
Opening balance	14,181,448	14,181,448
Interest recognised	678,904	678,904
Utilisation of reserves	(56,785)	(56,785)
	14,803,567	**14,803,567**

The Municipality has a Self Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality.

The funds are kept in a separate call account and invested on short-term fixed deposits, and the interest earned is credited to the fund.

	2023	2022

19. Property rates

Rates received

Business and Commercial	56,306,489	53,478,702
Agricultural	8,034,166	4,868,092
Industrial	825,249	3,337,605
Vacant land	24,967,894	23,631,067
State owned properties	50,471,718	47,579,923
Residential	89,321,462	84,091,338
	229,926,978	216,986,727
Property rates - penalties imposed	41,440,024	36,252,541
	271,367,002	**253,239,268**

The following property allocation factors (rate) are applied to the various catergories of property to determine assessment rates less the impermissible valuation allowed:

Valuations

Valuation Roll Randage		
Residential	0.014110	0.013440
Business and Commercial	0.024730	0.023550
Industrial	0.015910	0.015150
Agricultural	0.003430	0.003260
Vacant Land	0.050900	0.048470
State owned properties	0.031130	0.029640

Valuation Roll Market Values	R'000	R'000
Residential	9,661,379	9,659,790
Industrial/Commercial/Business	2,497,677	2,470,025
Agricultural	1,556,997	1,548,248
Public Service Infrastructure	18,640	18,643
Vacant Land	485,697	484,733
Municipal Land	665,470	640,935
State	1,617,955	1,609,856
Non Profit Organisation	101,692	101,692
Place of Worship/Religious	171,930	166,205
Municipal Vacant Land	2,168	2,168
Public Vacant Land	3,230	3,230
Other	103,993	102,091
	16,886,828	**16,807,616**

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2017.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. One year extention was approved by the MEC.

Supplementary Valuation rolls have been received for 2022/2023 financial year.

Impermissible rebates are applied to residential properties valued less than or equal to R100 000 on market values.

Rates are levied on an annual basis with the final date for payment being Friday, June 30, 2023 . Interest is raised on overdue accounts at 10.25% per annum in accordance with the National Credit Act, in respect of arrears account arising after 1 November 2016. Arrears accounts arising before 31 October 2016 is charged interest at a rate of 9% per annum.

Notes to the Financial Statements

	2023	2022

19. Property rates (continued)

The new general valuation will be implemented on 01 July 2023.

20. Service charges

	2023	2022
Sale of electricity	444,075,639	425,091,620
Solid waste	30,873,592	29,307,501
	474,949,231	**454,399,121**

21. Interest received - receivables from exchange transactions

	2023	2022
Interest - Waste Management Receivables	6,615,038	6,727,588
Interest - Electricity Receivables	1,754,470	1,633,317
Interest - Housing Receivables	9,611	10,656
	8,379,119	**8,371,561**

22. Interest received - investments

	2023	2022
Interest received - investments		
Interest received - Primary and Call Account	22,344,627	10,704,724
Interest received - Investments	9,055,920	7,817,319
	31,400,547	**18,522,043**

Notes to the Financial Statements

	2023	2022

23. Government grants & subsidies

Operating - Government Grants

	2023	2022
Equitable share	285,376,934	258,163,000
Local Government Sectoral Education Authority (LGSETA)	785,591	531,122
Provincialisation of Libraries	5,389,802	4,921,458
Job Evaluation	210,680	180,225
Expanded Public Works Programme (EPWP)	2,993,000	4,143,000
Infrastructure Skills Development Grant	4,180,706	3,500,000
Financial Management Grant (FMG)	1,489,166	1,534,653
Museum Subsidy	148,773	134,269
Municipal Infrastructure Grant (MIG)	3,119,665	-
Housing Accreditation	1,112,011	1,372,016
Municipal Disaster Relief Grant (MDRG)	15,979,847	20,572,965
Recapitalisation of Libraries	2,038,999	1,701,000
	322,825,174	**296,753,708**

Capital - Government Grants

	2023	2022
Housing Accreditation	287,964	182,625
Museum Subsidy	86,227	90,729
Provincialisation of Libraries	500,198	688,542
Financial Management Grant (FMG)	610,834	415,347
Infrastructure Economic Development Grants (IEDG)	288,439	-
Municipal Disaster Relief Grant (MDRG)	3,497,428	10,078,833
Department of Sports and Infrastructure Grant	5,212,188	20,000,000
Eradication of Bucket System Grant	-	448,950
Infrastructure Skills Development Grant	319,294	-
Municipal Infrastructure Grant (MIG)	66,557,454	69,629,055
	77,360,026	**101,534,081**
	400,185,200	**398,287,789**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2023	2022
Conditional grants received	95,318,035	95,318,035

Equitable Share

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

All registered indigents receive a monthly subsidy in accordance with the Municipality's approved Indigent Policy.

In terms of the **Department of Sports and Infrastructure Grant**, an amount of R10 950 000 was gazetted and budgeted for, however, the municipality did not receive the funds. The municipality spent an amount of R5 212 188 using Council internal funds to fund this expenditure. A subsequent debtor has been raised and the funds have been received in October 2023.

Municipal Infrastructure Grant (MIG)

	2023	2022
Balance unspent at beginning of year	948,863	416,918
Current-year receipts	70,409,000	70,161,000
Conditions met - transferred to revenue	(69,677,119)	(69,629,055)
Withheld by National Treasury	(948,860)	-
	731,884	**948,863**

	2023	2022

23. Government grants & subsidies (continued)

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

This grant is utilised to construct roads and bridges, sportsfields, community halls and streetlighting as part of the upgrading of informal settlement areas. Funds were withheld by National Treasury due to amount not spent from 2021/2022 financial year.

Informal Economic Development Grant

Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	(288,439)	-
	1,711,561	**-**

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

This grant is utilised to assist the development of community Small Medium Micro Enterprises (SMME). No funds withheld.

Museum subsidy

Current-year receipts	235,000	225,000
Conditions met - transferred to revenue	(235,000)	(225,000)
	-	**-**

Conditions still to be met (see note 12).

This grant is utilised to subsidise expenses incurred solely for the Museums. No funds have been withheld.

Financial Management Grant (FMG)

Current-year receipts	2,100,000	1,950,000
Conditions met - transferred to revenue	(2,100,000)	(1,950,000)
	-	**-**

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

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training. No funds have been withheld.

Provincialisation of Libraries

Current-year receipts	5,890,000	5,610,000
Conditions met - transferred to revenue	(5,890,000)	(5,610,000)
	-	**-**

Conditions met - (see note 12).

This grant is utilised to subsidise expenditure and upgrading of Libraries. Awaiting for the Department of Art and Culture to transfer funds. No funds have been withheld.

Notes to the Financial Statements

	2023	2022

23. Government grants & subsidies (continued)

Recapitalisation of Libraries

	2023	2022
Current-year receipts	2,039,000	1,701,000
Conditions met - transferred to revenue	(2,039,000)	(1,701,000)
	-	-

Conditions met - (see note 12).

This grant is utilised for the remuneration of Cyber Cadets in Libraries. No funds have been withheld.

Sports Facilities Grant

	2023	2022
Current-year receipts	-	20,000,000
Debtor raised for the recovery of expenditure incurred	5,212,188	-
Conditions met - transferred to revenue	(5,212,188)	(20,000,000)
	-	-

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

This grant is utilised in the upgrading of sports facilities. Funds were gazetted however was not transfered to the municipality. This resulted to unauthorised expenditure, however, a debtor has been raised for the recovery of the amount incurred.

Infrastructure Skills Development Grant

	2023	2022
Current-year receipts	4,500,000	3,500,000
Conditions met - transferred to revenue	(4,500,000)	(3,500,000)
	-	-

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

This grant is utilised for the skilling of Interns in the areas of Engineering and Town Planning. No funds have been withheld.

Construction of an Animal Pound

	2023	2022
Balance unspent at beginning of year	35,095	35,095

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

This grant is utilised for the Construction of an Animal Pound.

Department of Human Settlements

	2023	2022
Balance unspent at beginning of year	41,854,899	43,056,819
Current-year receipts	12,028,504	33,049,451
Expenditure incurred in accordance with conditions of the grant	(11,994,157)	(34,251,371)
	41,889,246	**41,854,899**

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

This grant is for construction of low cost houses and tittle deeds. No funds were withheld

	2023	2022

23. Government grants & subsidies (continued)

Municipal Disaster Relief Grant (MDRG)

Balance unspent at beginning of year	1,285,175	-
Current-year receipts	36,414,000	31,937,393
Conditions met - transferred to revenue	(19,477,274)	(30,652,218)
	18,221,901	**1,285,175**

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

This grant is for rehabilitation of infrastructure damaged due to a disaster occured.No funds were withheld.

Housing Accreditation

Balance unspent at beginning of year	1,288,088	1,033,362
Current-year receipts	1,868,035	1,804,790
Conditions met - transferred to revenue	(1,399,975)	(1,550,064)
	1,756,148	**1,288,088**

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

This grant is utilised to capacitate the Municipality in the construction of houses as part of the upgrading of informal settlement areas.

Eradication of Bucket System

Balance unspent at beginning of year	222,269	671,219
Conditions met - transferred to revenue	-	(448,950)
	222,269	**222,269**

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

This grant was allocated to the previous Indaka Local Municipality.

Expanded Public Works Programme

Current-year receipts	2,993,000	4,143,000
Conditions met - transferred to revenue	(2,993,000)	(4,143,000)
	-	**-**

Conditions met - remain liabilities (see note 12).

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development. No funds have been withheld. Last trench is to be transfered in March to offset the expenditure and the excess expenditure will be transfered to the Council funding where is it partialy budgeted.

Local Government Sector Education and Training Authority

	2023	2022

23. Government grants & subsidies (continued)

Current-year receipts	785,592	531,121
Conditions met - transferred to revenue	(785,592)	(531,121)
	-	-

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

This grant is utilised for learners, in terms of workplace based skills development, in scarce and critical skills areas.

24. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	2,785,491	1,643,185

25. Fines, Penalties and Forfeits

Overdue Books Fines	2,978	2,534
Pound Fees Fines	12,778	5,861
Municipal Traffic Fines	11,824,300	6,280,450
Retentions Forfeits	16,619,761	-
	28,459,817	**6,288,845**

The Municipality has forfeited long unclaimed retention fees R16 619 7619 as per the Approved Retention Policy.

26. Agency services

Vehicle registration	3,081,748	3,375,812

The Alfred Duma Local Municipality entered into an agreement with the KZN Department of Transport, to collect process and collect driver licenses on behalf of the Department. The municipality act as an agent to this transaction in accordance with GRAP 109, Principal agent arrangements.

A fee of 8.62% of the total revenue collected is payable to the Municipality by deducting the fee amount from the funds collected on a daily basis. R79 is paid over for evry drivers licence card manufactured.

27. Licences and permits

Trading licences	165,642	80,360
Road and transport licences	15,201	48,675
Learners licences	727,380	689,769
Drivers licences	2,225,894	1,956,302
	3,134,117	**2,775,106**

Notes to the Financial Statements

	2023	2022

28. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	1,462,550	1,697,703
Lease rentals on operating lease - Other		
Contractual amounts	42,581	36,439
	1,505,131	**1,734,142**

Minimum Lease Due		
Within one year	1,597,026	329,860
In second to fifth year	2,601,606	-
	4,198,632	**329,860**

The municipality entered into a lease agreement with ITECH to lease the photocopier machines. .The commencement of the lease was 01 February 2023 and expires in 01 February 2026.

29. Operational Revenue

Transactional handling fees	4,589	129,346
Incidental cash surpluses	468,077	4,903,471
Discounts and early settlements	-	6,325
Registration fees	197,744	49,740
Other income	4,614,814	2,478,696
Sale of property	197,500	65,131
Skills development levy refund	36	-
Insurance refund	504,424	272,297
Staff recoveries	341	32,454
	5,987,525	**7,937,460**

The sale of property increased as a result of the burial tariff increases on the sale of plots of land.

Other income increased due to the municipality billing the District municipality for the repairs relating to the damage of roads.

Registration fees relates to the collection of issuing of flammable certificates.

The remaining increases is due to minor tariff adjustments that have resulted in a positive impact in our revenue collection.

30. Fair value adjustments

Investment property (fair value model)	4,935,940	21,835,028

Notes to the Financial Statements

	2023	2022

31. Employee related costs

Basic	255,454,337	234,230,072
Bonus	19,345,953	17,278,047
Medical aid - company contributions	10,561,670	10,043,325
UIF	2,054,171	1,930,004
Post retirement medical aid contributions	8,366,002	7,666,425
Leave pay contributions	8,980,299	4,669,803
Standby Allowance	4,147,906	5,043,246
Overtime payments	3,118,433	3,537,593
Long-service awards	3,317,000	2,821,243
Acting allowances	2,183,849	1,592,490
Car allowance	21,214,120	19,837,633
Housing benefits and allowances	943,544	943,080
Tools allowances	5,835	6,720
Group life contributions	88,075	50,781
Uniforms/special/protective clothing	185,500	158,709
Bargaining council contributions	123,298	111,465
Cell phone allowances	16,847	63,459
Pension contributions	34,818,059	33,042,576
	374,924,898	**343,026,671**

Remuneration of Municipal Manager

Annual Remuneration	1,345,871	1,427,312
Car Allowance	240,000	240,000
Performance Bonuses	203,829	284,905
Contributions to UIF, Medical and Pension Funds	2,125	31,574
Leave pay	286,963	-
Backpay	59,201	-
	2,137,989	**1,983,791**

Remuneration of Chief Financial Officer

Annual Remuneration	749,112	-
Car Allowance	108,000	-
Performance Bonuses	-	159,102
Contributions to UIF, Medical and Pension Funds	1,594	-
Acting allowance	43,490	149,883
Subsistence and Travelling Allowance	25,527	-
	927,723	**308,985**

Remuneration of Executive Director: Corporate Services

Annual remuneration	1,045,515	1,210,100
Car allowance	164,000	240,000
Performance bonuses	142,746	255,515
Contributions to UIF, medical and pension funds	1,948	2,097
Subsistence and travelling allowance	-	11,574
Leave pay	198,302	-
	1,552,511	**1,719,286**

Remuneration of Executive Director: Public Safety and Disaster Management

	2023	2022

31. Employee related costs (continued)

Annual remuneration	1,094,630	1,234,100
Car allowance	180,000	180,000
Performance bonuses	171,295	285,664
Contributions to UIF, medical and pension funds	2,125	2,097
Acting / backpay	50,674	11,574
Leave pay	166,291	-
	1,665,015	**1,713,435**

Remuneration of Executive Director: Development, Planning and Human Settements

Annual remuneration	965,265	1,204,572
Car allowance	244,250	192,000
Performance bonuses	157,020	235,388
Contributions to UIF, medical and pension funds	1,948	31,199
Leave pay	273,600	-
	1,642,083	**1,663,159**

Remuneration of Executive Director: Technical and Infrastructure Services

Annual remuneration	1,294,709	1,127,738
Car allowance	144,000	144,000
Performance bonuses	99,922	166,013
Contributions to UIF, medical and pension funds	2,125	156,033
Acting / Backpay	50,674	-
	1,591,430	**1,593,784**

Remuneration of Executive Director: Community Services

Annual remuneration	1,317,966	1,267,151
Car allowance	120,000	120,000
Performance bonuses	128,471	159,067
Contributions to UIF, medical and pension funds	2,125	40,621
Acting / Back pay	50,674	-
	1,619,236	**1,586,839**

In-kind benefits (Provision of Security Services)

The Municipal Manager has four (4) bodyguards, two (2) drivers and four (4) security guards for the period July 2022 until June 2023. The 2022/2023 financial year expenditure amount to R2 376 007 (2022: R2 647 591). The Municipal Manager has access to a backup council owned vehilce with a value of R474 360

The Executive Director: Public Safety and Disater Management has three (3) bodyguards for the period July 2022 until June 2023. The 2022/2023 financial year expenditure amount to R 812 958.12. (2022: R829 055)

The Executive Director: Technical and Infrastructure Services has three (3) bodyguards for the period July 2022 until June 2023. The 2022/2023 financial year expenditure amount to R 812 958.12 (2022: R915 228).

	2023	2022

32. Remuneration of Councillors

Executive Mayor	1,020,341	903,407
Deputy Mayor	825,789	749,404
Speaker	825,789	769,328
Chief Whip	512,127	474,930
Executive Committee Members	3,637,375	3,243,623
Councillors	22,067,144	19,842,074
	28,888,565	**25,982,766**

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 has two full time bodyguards and use of a Council owned vehicle.

The Deputy Mayor has two full time bodyguards and use of Council owned vehicle.

The Speaker has two full time bodyguards and use of a Council owned vehicle.

33. Contracted services

Outsourced Services		
Animal care	200,292	170,270
Burial services	108,105	117,739
Business and advisory	30,879	51,323
Cleaning services	11,500	-
Professional staff	5,123	443,940
Security Services	24,731,667	22,423,853
Transport services	69,130	415,050
Consultants and Professional Services		
Business and advisory	10,128,997	6,148,255
Infrastructure and planning	521,568	595,000
Legal cost	2,441,331	2,845,420
Contractors		
Catering Services	863,376	333,054
Electrical	1,961,979	1,907,573
Event promoters	344,200	-
Gardening services	10,589	-
Maintenance of buildings and facilities	718,577	679,808
Maintenance of equipment	836,732	454,283
Maintenance of unspecified assets	33,769,359	33,252,975
Pest control and fumigation	48,993	64,033
Traffic and street lights	73,865	100,103
Transportation	240,723	170,131
Sewerage services	-	4,016
Sports and recreation	2,441,438	2,836,496
	79,558,423	**73,013,322**

34. Bulk purchases

Electricity - Eskom	348,956,352	332,910,050

Notes to the Financial Statements

	2023	2022

34. Bulk purchases (continued)

Electricity losses

Units purchased (Kilowatt hours)	260,859,608	274,609,836
Units sold (Kilowatt Hours)	(219,188,900)	(228,382,519)
Total loss (Kilowatt Hours)	**41,670,708**	**46,227,317**
Comprising of:		
Technical losses (Monetary Amount)	14,086,419	13,593,187
Non-technical losses (Monetary Amount)	30,917,953	32,171,856
Total (Monetary Amount)	**45,004,372**	**45,765,043**
Percentage Loss:		
Total loss	16 %	17 %

35. Finance costs

Non-current borrowings	291,004	351,828
Finance leases	103,045	145,300
Interest on landfill site provision	3,061,870	2,539,023
	3,455,919	**3,036,151**

Notes to the Financial Statements

	2023	2022
36. Operational costs		
Advertising	664,590	539,816
Auditors remuneration	4,875,691	4,492,595
Bank charges	628,328	509,149
Cleaning and valet services	7,705	-
Commission paid	4,784,547	4,890,114
Asset less than Capitalisation	456,919	-
Discount allowed	1,763,254	1,186,356
Entertainment	5,637	13,055
Hire Charges	413,150	299,500
Insurance	4,634,972	4,068,982
External Computer Services	8,706,128	5,689,053
Skills Development Fund	2,763,337	2,451,959
Fuel and oil	13,571,195	8,681,517
Postage and courier	3,582,851	2,154,424
Printing and stationery	1,959,125	2,152,991
Protective clothing	3,347,995	3,019,055
Subscriptions and membership fees	4,297,480	3,108,482
Telephone and fax	4,713,728	4,496,952
Subsistence & Travel	2,140,627	1,304,694
Toll Gate Fees	9,303	13,490
Travel Agency Commision	52,260	39,592
Municipal Services	25,719,798	20,637,243
Licence fees	1,085,871	1,014,798
Conference and Seminars	1,262,461	1,452,781
Workmans Compensation Fund	2,247,680	1,519,026
Divers Licence and Permits	10,921	7,146
Vehicle Tracking	846,622	447,311
Communication and Satellite Signals	68,757	3,226
Employees Bursaries	876,980	219,465
Learnership and Internship	1,245,674	984,269
	96,743,586	**75,397,041**

37. Depreciation and amortisation

Property, plant and equipment	80,818,736	76,452,705
Intangible assets	525,462	217,770
	81,344,198	**76,670,475**

38. Impairment loss

Impairment		
Property, plant and equipment	4,559,939	7,345,904
Reversal of impairment		
Property, plant and equipment	(3,074,979)	-

The R2 498 161.95 is a reversal due to Circle Road being refurbished.

The R576 817.31 is due to the refurbishment of AG Magubane stadium and Ezakheni E swimming pool as well as the settlers park stadium cricket pitch.

Total impairment losses (recognised) reversed	**(3,074,979)**	**-**

	2023	2022

39. Transfer and subsidies

Transfers and subsidies		
Transfer to Public Corp-ESKOM	7,938,251	11,340,778
Educational Institution	134,610	-
	8,072,861	**11,340,778**

Due to the Material Irregularity that was raised by the Auditor-General, the Municipality took an item to Council in November 2022 to stop payments made in respect of the roll out of beneficiaries who were receiving tokens for Free Basic Electricity. Thereafter, ESKOM commenced with the de-configuration of meters of beneficiaries who had previously received tokens for Free Basic Electricity. Further items were submitted to Council in March and July 2023. The Municipal Manager has appointed a Committee to investigate this matter.

40. Debt impairment

Debt impairment	71,525,216	73,289,572

The municipality has considered the impairment of debtors in accordance with the revenue management and debt collection policy as well as the methodology that has been established. There has been a reduction in the provision based on Council's efforts to reduce outstanding debtors. .

41. Public contributions and donations

Public contributions and donations	939,544	14,505

2022/2023
The municipality received donated computer equipment from Department of Arts and Culture. A borehole was further donated by Department of Arts and Culture

2021/2022

Donated furniture for municipal library has been received by the Municipality from the Department of Arts and Culture.

Notes to the Financial Statements

	2023	2022

42. Cash generated from operations

	2023	2022
Surplus	103,250,258	114,575,020
Adjustments for:		
Depreciation and amortisation	81,344,198	76,670,475
Gain/Loss on sale of assets and liabilities	7,573,074	9,802,435
Fair value adjustments	(4,935,940)	(21,835,028)
Impairment on cash and non cash generating assets	1,484,960	7,345,904
Debt impairment	71,525,216	73,289,572
Bad debts written off	15,782,499	11,431,693
Contribution to annual bonus payable	842,167	385,964
Actuarial gains/losses	(6,232,942)	(5,989,495)
Contribution to Refuse Site Rehabilitation-Finance Costs	3,061,870	2,539,023
Contribution to employees benefit obligations included in employee	11,683,000	10,566,000
Forfeited deposits recognised to revenue	(16,619,761)	(3,645,821)
Inventory gains/losses or write-downs	(1,005,629)	12,050,685
Donation of land and assets received	(939,544)	(14,505)
Contribution to performance bonuses provision	1,116,496	787,025
Contribution to staff leave	8,980,299	74,406
Changes in working capital:		
Inventories	(4,942,633)	(5,574,425)
Receivables from exchange transactions	(35,003,462)	(58,971,518)
Other receivables from non-exchange transactions	(98,977,642)	(62,826,913)
Provision	-	(974,657)
Payables from exchange transactions	2,690,877	(3,940,396)
Unspent conditional grants and receipts	18,875,208	545,632
Consumer deposits	(1,282,140)	2,185,449
Employee benefits obligation	(4,833,058)	(5,008,504)
Housing operating Fund	5,356,966	3,185,752
Movement - Self insurance fund	655,826	606,556
Movement in Construction Contract	(568,283)	568,280
Cash generated from operations	**158,881,880**	**157,828,609**

43. Commitments

Authorised capital expenditure

	2023	2022
Already contracted for but not provided for		
• Property, plant and equipment	11,920,187	-
Total capital commitments		
Already contracted for but not provided for	11,920,187	-

This expenditure will be financed from:

	2023	2022
Already contracted for but not provided for		
• Municipal Infrastructure Grant (MIG)	4,078,003	-
• Informal Economic Development Grant	1,555,828	-
• Muncipal Disaster Relief Grant	4,499,694	-
• Internal Funding	542,662	-
• Integrated National Electrification Programme	1,244,000	-
	11,920,187	**-**

Notes to the Financial Statements

	2023	2022

44. Operating leases - as lessor (income)

Minimum lease payments due		
-within one year	1,312,976	889,063
-in second to fifth year inclusive	3,366,764	2,865,114
-later than five years	4,198,687	3,372,013
	8,878,427	**7,126,190**

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties.

45. Section 45 of Supply Chain Management Regulations - Awards made to close family members of persons in the service of the State

The Municipality conducted business during the financial period with the below mentioned service providers, of which the directors are closely related to a person employed in the service of the State.

Harvey Word Travel (Emakozweni) - spouse employed at Department of Trade and Industry.	76,366	738,953
Mivusa Trading (PTY)Ltd - Spouse employed at the Municipality in the Revenue Section. The spouse has no influence in terms of any awards in accordance with the post.	1,084,780	2,873,805
One Stop Computers - Spouse employed at the Municipality in Revenue Section. The spouse has no influence in terms of any awards in accordance with the post.	6,449,430	5,240,006
Nsizi Global Industries - Spouse employed at the Municipality in contract Management Section.	35,899	128,279
Munsoft - Spouse employed at the Department of Justice.	12,590,625	9,235,217
Dulis Trading - Spouse is an employee of the South African Police Service.	38,031	26,000
Emkhonjana - Spouse is employed at Zululand District Municipality.	56,543	395,900
Niphile Consulting Engeneers - Spouse employed at Ethekwini Municipality.	19,228,980	36,167,652
CYMEX - an employee of the State.	-	2,024,046
	39,560,654	**56,829,858**

46. Related parties

Related party transactions

Key Management Personnel and Councillors Remuneration.

Remuneration of Key Management Personnel and Councillors is set out in Note 32 & 33 to the Annual Financial Statements.

	2023	2022

47. Contingencies

Contingent liabilities

Contigent Liabilities		
The Municipality is defending a case for damages for allegations of unlawful arrest and defamation. The State Attorney's office is dealing with this matter. Case No. 11653/2015.	500,000	500,000
The Municipality is defending a case for damages involving a minor falling into a trench. The claim and the matter has not been set down for trial as yet. Case No. 9222/2010.	985,000	985,000
The Muncipality is defending a case for an outstanding payments to a service provider. The Municipality is defending the claim and the case is at discovery stage and awaiting trial. Case No. 6040/2015 .	1,900,000	1,900,000
The Municipality is defending a case for an outstanding payments relating to the release of retention. The matter is still pending. Case No. 491/2018.	219,450	219,450
The Municipality is defending a case for damages for allegations of unlawful arrest. The Municipality is defending the matter and the matter is on the pleading stage. Case No. 60/2021.	200,000	200,000
The Municipality is defending a case for an outstanding payments due and payable to a service provider. Defenedent has filed a pre-trial Notice. Case No. 87872020/P.	1,406,030	1,406,030
The Municipality is defending a case for allerged service rendered to have been rendered to the former Indaka Local Municipality which were not paid for. The matter is awaiting trial date. Case No. 13232/17P	763,780	763,780
The muicipality is defending the case for the damages made by the municipal driver who reversed into her vehicle. The municipality is defending the case using the internal legal practitioner	28,000	-
	6,002,260	**5,974,260**

It has been brought to the attention of the municipality, that three councillors exited from the Councillor Pension Fund, whilst in the employment of the municipality. Thereafter, a letter of demand was issued against the municipality in respect of arrear pension fund contributions. The municipality appointed an attorney to ligitate on behalf of the municipality. The municipality is challenging this obligation, as it acts as an agent by deducting the pension fund contributions and paying this over to the pension fund.

Contingent assets

No contingent assets exist for the period ended 30 June 2023 (2022: R0).

48. Risk management

Financial risk management

Due to the largely non trading nature of the activities and the way in which they are financed, the Municipalities are not exposed to the degree of financial risks faced by business entities.

The Municipality's finance section monitors and manages the financial risks relating to the operations of the Municipality. These risks include credit risk, liquidity risk, risk market relating to interest rate risk.

	2023	2022

48. Risk management (continued)

Liquidity risk

The Municipality’s risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

	2023	2022
Long term loans	842,716	780,878
Payables from exchange transactions	214,712,709	219,387,406
Finance lease obligation	801,919	1,048,934
Consumer Deposits	19,843,613	21,125,753

Credit risk

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

Except as detailed below, the carrying amount of financial assets recorded in the Financial Statements, which is net of impairment losses, represent the municipality's maximum exposure to credit without taking account of the value of any collateral obtained.

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

Financial instrument	2023	2022
Cah and cash equivalents	528,673,702	502,913,157
Receivables from exchange transactions	125,525,311	122,698,923
Receivables from non-exchange transactions	9,923,967	8,688,382

The change of the amount is based on the circular that indicated that the input VAT amount be disclosed together with the Receivables from exchange and output VAT is disclosed with the Payables from exchange

Market risk

Interest rate risk

The Municipality's interest rate risk arises from long term borrowings does not affect the Municipality as the interest is fixed.

Cash and cash equivalents	528,673,701	502,913,156

Price risk

Due to a legislation restriction, the Municipality does not trade these investments.

49. Going concern

We draw attention to the fact that at 30 June 2023, the entity had an accumulated surplus (deficit) of 2,505,898,061 and that the entity's total assets exceed its liabilities by 2,553,343,598.

49. Going concern (continued)

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 and that the sound financial management will remain in force for so long as it takes to maintain the solvency of the municipality.

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

Repayments of long-term debt - The Municipality has not defaulted in meeting its obligations to repay its long-term debt, and currently has the same two existing loans.

Grant funding in terms of DoRA - Capital projects as well as operational expenditure are partially funded through gazetted tranfers to the Municipality to ensure continued operations in terms of the budgeted expenditure for the 2022/2023 financial year.

Revenue Enhancement Strategy - The Municipality has implemented a Revenue Enhancement Strategy to ensure all money that is due is collected. It must also be noted that the Municipality has ongoing incentive drives for ratepayers and consumers to improve revenue collection.Further more the Municipality is continuing with the implementation of Credit Control and Legal action to reduce the outstanding debt. The Municipality has also adequately budgeted for the provision for bad debts in the 2022/2023.

Payment of Creditors within thirty (30) days - The Municipality has not defaulted in making creditors payaments timeously, except where there are delays in receiving the necessary documents to process payments and delays are experienced with service providers who are not adhering to disclosing the correct the correct and required information on invoices submitted.

Payment of Bulk Services - The Municipality has not defaulted in paying Eskom for bulk service supplied. All payments are made before the due date.

Investments and Positive Bank Balance - The Municipality has maintained a positive bank balance for a number of years, and surplus funds are invested on a regular basis or transferred to a "Call Account" to maximise interest revenue.

Cash Flow Monitoring - The Municipality prepares monthly cash flow report to monitor the cash resources in terms of revenue collection and payments. These reports are distributed to key managers to monitor the cash flow of the Municipality.

Transactions and events after reporting - Transactions after year end on the general legder were considered and no negative implications wre identified that could change the going concern assumption. No events were also identified that could change the ongoing concern.

The Municipality's budget for the 2022/2023 financial year indicates a surplus in terms of cash backed reserves, and budgeted cash flows. Furthermore, Provincial Treasury has confirmed that the Municipality's 2022/2023 budget is funded.

The current ratio of the -Municipality is 1:3.15, which shows that the Municipality can be able to honour its obligations.

% of Unspent Grants Funded is 100%.

Debts to total Assets ratio is 0.15, this reflects a strong results in terms of all debts covered by total assets, thus the Municipality is solvent.

Cash and Cash equivalent - The Municipality's cash and cash equivalent is sitting at R 528 673 702 as at 30 June 2023.

Taking the above into account, there were no factors identified that would cast significant doubt on the Municipality's ability to continue as a going concern. Therefore, the Financial Statements were on a going concern basis.

50. Accounting by principals and agents

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

Housing Development Project

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

Details of the arrangement is as follows:

The purpose of the arrangement is to construct low-cost houses for the identified beneficiaries. The funding is provided by the Provincial Department of Human Settlements.

Significant terms and conditions of the arrangement are as follows:

The municipality to manage and procure the implementation of the project.

Design the product in consultation with all stakeholders.

Investigate building systems and designs that are acceptable with the community, the municipality and the Department.

Construct the project in accordance with the drawings and specifications within the period of the agreement.

Significant risks have been identified as follows:

Delays in land acquisitions, and funding approval.

Social unrest, Inadequate funding to meet the requirements, and environmental risks.

Mitigation strategies and benefits associated with the relationship are as follows:

Negotiating with land owners prior to the construction.

Ensuring compliance with the agreements to ensure speedy release of the funding.

Constant communication with the community and ensuring public participation.

Be pro-active in the feasibilty study to be aware of the evironmental pre-conditions.

Entity as agent

The Municipality received funds totalling R12 028 504 in addition to the unspent opening balance of R41 854 900 and amount spent total to R 11 994 157. The unspent funds at end of the financial year is R-41 889 246. See note 12.

Revenue recognised

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

Liabilities and correcsponding rights of reimbursement recognised as assets

No liabilities have been incurred on behalf of Human Settlements have been recognised by the municipality.

	2023	2022

51. Events after the reporting date

2022/2023

Nature of Event

A notice of the Determination of Upper Limits of Salaries, Allowances and Benefits of different members of Municipal Councils' Gazette was published on 18 August 2023, and takes effective from 01 July 2022. The notice sets out the Upper Limits of Councillors' Salaries and Allowances. The Municipality is in the process of submitting a letter to the MEC for Co-Operative Governance and Traditional Affairs for approval after the end of the reporting date: 30 June 2023, however this is prior to the submission of the Annual Financial Statements on 31 August 2023.

The Municipality received a letter from the MEC for Co-Operative Governance and Traditional Affairs approving a 3% increase of the Councillors' Upper Limits on the 29th July 2022 after the end of the prior reporting date but before the submission of the Annual Financial Statements on 31 August 2022. Subsequent to this event, a Notice of Determination of Upper Limits of Salaries, Allowances and Benefits of different members of Municipal Councils' Gazette was published on the 02 November 2022, and takes effect as from 01 July 2022.

52. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	20,099,475	2,026,081
Add: Unauthorised expenditure - current	7,200,898	20,099,475
Less: Amount Approved/condoned/Authorised by Council	(20,099,475)	(2,026,081)
Closing balance	**7,200,898**	**20,099,475**

Notes to the Financial Statements

	2023	2022

52. Unauthorised expenditure (continued)

2022/2023 Incidents

The Municipality has incurred unauthorised expenditure amounting to R7 200 898 for the 2022/2023. financial year.

An amount of R20 099 475 incurred, as a result of non-cash items being processed in the finalisation of the annual financial statements for the 2021/2022 financial year, has been referred for an investigation in accordance with Section 32 of MFMA and written off by Council during the 2021/2022 financial year as irrecoverable.

An amount of R 5 212 188 was budgeted to be funded by Department of Sports and Infrastructure Grant,however the funds were not received by the municipality, therefore the expenditure is disclosed as unauthorised. The municipality has communicated with the Department and the funds were to be received before the end of the financial year 30 June 2023

An amount of R997 241 was incurred as unauthorised expenditure due to the loss on disposal of assets being higher that the estimated budget

For the year under review, the Municipality was required to declare output VAT on the proceeds received which the Municipality was not aware of this requirement until the National Treasury guidance was issued in August 2023.As a result, this reduced funds available to fund expenditure already committed to and therefore revenue recognition was limited to the funds received and available for use.A total amount of R991 469 was incurred as unauthorised expenditure due to a change in accounting treatment which occurred subsequent to financial year end.

2021/2022 Incidents

The Municipality has incurred unauthorised expenditure amount to R20 099 475 which of non cash items:

An amount R2 538 406.27 non cash item due to interest cost on Landfill site rehabilitation as the enginneers report.

An amount of R7 992 062 due to a disposal of land held for sale and provison for long service awards

An amount of R9 569 006 as a result a result of a decrease in Net Realisable Value on inventory.

Analysed as follows: non-cash

	2023	2022
Unwinding interest of Landfill site rehabilitation	-	2,538,406
Gains and losses	997,241	7,992,062
Net realisable value on inventory	-	9,569,006
	997,241	**20,099,474**

Analysed as follows: cash

	2023	2022
Capital expenditure funded by Sports Infrastructure Grant	5,212,188	-
Construction contract expenditure in terms of INEP overspending	991,469	-
	6,203,657	**-**

	2023	2022

53. Fruitless and wasteful expenditure

Opening balance as previously reported	1,480,962	8,365,700
Add: Fruitless and wasteful expenditure identified - current	342,239	553
Less: Amount recovered - current	(305)	(66,918)
Less: Amount recovered - prior period	(341)	-
Less: Amount written off - current	(340,539)	(6,818,373)
Less: Amount written off - prior period	(582,766)	-
Closing balance	**899,250**	**1,480,962**

2022/2023 Incidents

An amount of R342 239 relates to the penalties incurred from Eskom, Telkom, Municipal Councillors Pension Fund and Workmens Compensation Fund.

An amount of R340 539, relating to the Workmens Compensation Fund was written off by Council during the financial year under review.

An amount of R305, that relates to Telkom and Eskom penalties has been recovered from staff during the year under review.
The prior year amount of R 1 480 962 was investigated in terms of Section 32 of the MFMA and after the investigations the Council resolved to write off an amount R582 766.27 and R341 was recovered from staff during the year under review.

2021/2022 Incidents

An amount of R553 relates to the penalties incurred from Eskom and Department of KwaZulu Natal Revenue Services. R108 has been recovered after investigations as per Section 32 of MFMA. An amount of R446 is currently under the investigation. An amount of R514 876 has been written off during 2021/2022 financial year which relate to 2020/2021 financial year. A reminder of R6 303 497 relate to the prior period was also written off. An amount of R66 918 was recovered after investigations.

54. Irregular expenditure

Opening balance as previously reported	400,103	21,054,747
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	1,493,247	-
Less: Amount written off - current	(400,103)	(51,744)
Less: Amount written off - prior period	-	(20,602,900)
Closing balance	**1,493,247**	**400,103**

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

Non - compliance with SCM regulations - section 17(c)	1,493,247	-

	2023	2022

54. Irregular expenditure (continued)

2022/2023 Incidents

An amount of R1 493 247 was identified to be irregular expenditure during the audit process. The Municipality requested more than three service providers to submit quotations. However less than three quotations were received and the Municipality procured the goods/services.In terms of section 17(c) of the SCM regulations, the Municipality did not stipulate the reasons for obtaining less than three quotations

2021/2022 Incidents

No irregular expenditure incurred for the 2021/2022 financial year.

An amount of R14 234 003 has been written off by the Council after investigations as per Section 32 of MFMA. After the Council committee investigations, Council adopted the Council committee recommendation to write - off an amount of R14 234 003 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

55. Deviation from supply chain management regulations

Quotations: In terms of regulations 36 of the Municipal Supply Chain Management Regulations any deviations from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. These deviations refer to the instances- as stipulated in the regulations and relates mainly to emergencies and instances where it was impractical to follow SCM processes. There were no diviations incurred as at 30 June 2023.

	2023	2022
Quotations	-	28,750

56. In-kind donations and assistance

	2023	2022
Donations received	-	734,523

The municipality received no donations for 2022/2023 financial year. (2022: 734 523).

Notes to the Financial Statements

57. Prior Period Adjustments

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	501,976,881	936,276	-	502,913,157
Receivables from non-exchange transactions	231,391,417	8,720,710	-	240,112,127
Receivables from exchange transactions	98,662,604	(4,302,941)	31,716,033	126,075,696
Inventories	142,510,832	(115,231,435)	-	27,279,397
VAT receivable	21,777,622	-	(21,777,622)	-
	996,319,356	**(109,877,390)**	**9,938,411**	**896,380,377**
Non-Current Assets				
Investment property	86,363,377	85,362,686	-	171,726,063
Property, plant and equipment	1,916,776,366	(125,673,483)	-	1,791,102,883
Intangible assets	1,112,056	71,535	-	1,183,591
Heritage assets	21,400,526	-	-	21,400,526
Eskom Deposits	-	1,827,950	-	1,827,950
	2,025,652,325	**(38,411,312)**	**-**	**1,987,241,013**
Total Assets	**3,021,971,681**	**(148,288,702)**	**9,938,411**	**2,883,621,390**
Liabilities				
Current Liabilities				
Consumer deposits	21,125,753	-	-	21,125,753
Employee benefit obligation	3,939,000	-	-	3,939,000
Long term loans	780,878	-	-	780,878
Provisions	923,699	-	-	923,699
Payables from exchange transactions	207,555,576	980,340	10,851,490	219,387,406
Unspent conditional grants and receipts	46,542,909	129,205	(913,074)	45,759,040
Finance lease obligation	1,048,934	-	-	1,048,934
	281,916,749	**1,109,545**	**9,938,416**	**292,964,710**
Non-Current Liabilities				
Long term loans	3,365,679	(27,670)	-	3,338,009
Employee benefit obligation	67,877,000	4,069,000	-	71,946,000
Provisions	69,587,957	-	-	69,587,957
Finance lease obligation	801,919	-	-	801,919
	141,632,555	**4,041,330**	**-**	**145,673,885**
Total Liabilities	**423,549,304**	**5,150,875**	**9,938,416**	**438,638,595**
Net Assets	**2,598,422,377**	**(153,439,577)**	**(5)**	**2,444,982,795**
Net Assets				
Reserves				
Housing development fund	42,716,927	273,890	-	42,990,817
Accumulated surplus	2,555,705,450	(153,713,472)	-	2,401,991,978
Total Net Assets	**2,598,422,377**	**(153,439,582)**	**-**	**2,444,982,795**

57.1. Cash and cash equivalents

Notes to the Financial Statements

57. Prior Period Adjustments (continued)

Balance previously reported	501,976,881
Correction of error	936,275
	502,913,156

Interest corrections were effected to the cash book to correct the recognition in the relevant financial periods.

57.2 Receivables from exchange transactions

Balance previously reported	98,662,604
Reclassification	31,716,033
Correction of error	(4,302,941)
	126,075,696

The increase in Receivables from Exchange Transactions is due to the reclassification of the VAT Receivable account into their respective contractual and statutory receivable amounts, in accordance with National Treasury accounting guidance in terms of GRAP 108 and the Accounting Standards Board guidance.

In addition the correction of error relates to realignment of availability charges from exchange transactions to non-exchange transactions in accordance with GRAP 9 and GRAP 23.

57.3 Receivables from non-exchange transactions

Balance previously reported	231,391,417
Correction of error	8,720,710
	240,112,127

Interest and debtors balances relating to the recognition of availability charges as non-exchange were effected to enable alignment with GRAP 9 and GRAP 23.

57.4 Inventories

Balance previously reported	142,510,832
Correction of error	(115,231,435)
	27,279,397

Taking into account iGRAP 18, and the assessment of land, land was derecognised where land could be demonstrated to be no longer under the control of the municipality.

57.5 VAT receivable

Balance previously reported	21,777,622
Correction of error	(21,777,622)
	-

The reduction in the VAT receivable is due to the reclassification of the VAT receivable account into their respective contractual and statutory receivables and payables amounts, in accordance with the National Treasury Accounting Guidance in terms of GRAP 108 and the Accounting Standard Board guidance

57.6 Property, plant and equipment

Balance previously reported	1,916,776,366
Correction of error	(125,673,483)
	1,791,102,883

The decrease is because of the write-offs, amortization and depreciation as well as the de-recognition of iGRAP 18 properties.

57.7 Intangible assets

Notes to the Financial Statements

57. Prior Period Adjustments (continued)

Balance previously reported	1,112,056
Correction of error	71,535
	1,183,591

Correction of take-on software that were previously not included in the register.

57.8 Investment property

Balance previously reported	86,363,377
Correction of error	85,362,686
	171,726,063

Inventory was corrected to investment property where land was identified to be held for undetermined use.

57.9 Eskom Deposits

Correction of error	1,827,950

Eskom deposits have been recognised as a prior period adjustment from 2017/18 financial year, due to these deposits being refundable to the municipality.

Paragraph 47 of GRAP 3 states that, when it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

Based on the above, the Municipality could only go back for five (5) financial years, to account for the prior period error. This was the earliest date that is practical.

The Municipality could only go back for five (5) years based on the following:

The Municipality changed financial systems from SAMRAS to Munsoft in the 2016/2017 financial year and records had to be taken on as take on balances. Credible information prior to the change of financial system will be impractical to obtain.

Furthermore, some documents such as payment vouchers, files etc were also damaged in the basement of the Lister Clarence Building when flooding occurred in the prior periods.

The Municipality was also guided by the fact that documents need to be retained for a period of five (5) years as documented above. The Municipality is satisfied that it had looked at all information from the 2017/2018 financial year when an adjustment was made.

57.10 Payables from exchange transactions

Balance previously reported	207,555,576
Reclassification	10,851,490
Correction of error	980,340
	-
	219,387,406

Output VAT Accrual was reclassified from VAT receivable to payables, as well as prior year creditors being identified.

Salary clearing control was further reconciled and adjusted to take into account incorrect postings in the prior years.

Retention adjustments were processed based on the reconciliation.

57.11 Unspent conditional grants and receipts

Balance previously reported	46,542,909
Correction of error	129,205

Notes to the Financial Statements

57. Prior Period Adjustments (continued)

Reclassification	(913,074)
	45,759,040

Interest corrections were effected to the unspent grants as interest is capitalised to certain grants.

57.12 Employee benefit obligation

Balance previously reported	67,877,000
Correction of error	4,069,000
	71,946,000

The valuator identified that a change in municipal policy that required restatement to the employee benefit obligation for the previous financial year.

57.13 Long term loans

Balance previously reported	3,365,679
Correction of error	(27,670)
	3,338,009

Interest was incorrectly recognised in the prior year, therefore disorting the recognitiion of the liability.

57.14 Housing development fund

Balance previously reported	42,716,927
Correction of error	273,890
	42,990,817

This relates to recognition of the housing interest of the which was not accounted for previously.

57.15 Accumulated surplus

Balance previously reported	2,555,705,450
Correction of errors	(153,713,472)
	2,401,991,978

The above mentioned prior period errors impacted the accumulated surplus in relation to Property,Plant and Equipment,Unspent Conditional Grants (INEP) and Payables from Exchange Transactions.

Notes to the Financial Statements

57. Prior Period Adjustments (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	456,739,961	(2,340,840)	-	454,399,121
Sale of goods and rendering of services	1,576,783	-	-	1,576,783
Operational revenue	7,890,216	47,244	-	7,937,460
Rental of facilities and equipment	1,643,185	-	-	1,643,185
Interest received - receivables	9,092,868	(721,307)	-	8,371,561
Agency services	3,354,239	21,573	-	3,375,812
Licences and permits	2,775,106	-	-	2,775,106
Fair value adjustments	4,458,539	17,376,489	-	21,835,028
Construction contract revenue	-	-	14,301,285	14,301,285
Actuarial gains	5,989,495	-	-	5,989,495
Interest received - investment	18,522,045	-	-	18,522,043
Total revenue from exchange transactions	**512,042,437**	**14,383,159**	**14,301,285**	**540,726,879**
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	216,986,727	-	-	216,986,727
Property rates - penalties and interest	36,252,541	-	-	36,252,541
Transfer revenue				
Government grants & subsidies	398,107,565	180,222	-	398,287,788
Public contributions and donations	14,505	-	-	14,505
Fines, Penalties and Forfeits	5,905,986	382,859	-	6,288,845
Electricity availability charges	-	2,340,840	-	2,340,840
Interest on availability charges	-	721,307	-	721,307
Total revenue from non-exchange transactions	**657,267,324**	**3,625,228**	**-**	**660,892,553**
Total revenue	**1,169,309,761**	**18,008,387**	**14,301,285**	**1,201,619,432**
Expenditure				
Employee related costs	(343,098,044)	71,373	-	(343,026,671)
Remuneration of councillors	(25,982,766)	-	-	(25,982,766)
Construction contract expenditure	-	-	(14,301,285)	(14,301,285)
Depreciation and amortisation	(78,668,505)	1,998,031	-	(76,670,475)
Impairment of cash and non-cash generating assets	(7,345,904)	-	-	(7,345,904)
Finance costs	(3,039,277)	3,126	-	(3,036,151)
Debt impairment	(73,333,424)	43,852	-	(73,289,572)
Lease rentals on operating lease	(1,734,142)	-	-	(1,734,142)
Bad debt written off	(11,431,693)	-	-	(11,431,693)
Bulk Purchases	(332,910,050)	-	-	(332,910,050)
Contracted services	(78,132,271)	5,118,949	-	(73,013,322)
Transfers and subsidies	(11,340,778)	-	-	(11,340,778)
Losses on disposals of assets and liabilities	(9,802,435)	-	-	(9,802,435)
Inventory consumed	(13,330,249)	(2,381,192)	-	(15,711,441)
Operational expenditure	(72,259,557)	(3,137,484)	-	(75,397,041)
Inventory losses/write downs	(12,050,685)	-	-	(12,050,685)
Total expenditure	**(1,074,459,780)**	**1,716,656**	**(14,301,285)**	**(1,087,044,411)**
Operating surplus	**94,849,981**	**19,725,043**	**-**	**114,575,021**
Surplus for the year	**94,849,981**	**19,725,043**	**-**	**114,575,021**

Notes to the Financial Statements

57. Prior Period Adjustments (continued)

57.16 Service charges

Balance previously reported	456,739,961
Correction of error	(2,340,840)
	454,399,121

Electricity availability charges has been previously disclosed as revenue from exchange transactions, however, based on NT accounting guidance for GRAP 9, the municipality has corrected the portion of electricity charges that relate to availability to non-exchange transactions.

57.17 Interest received - receivables

Balance previously reported	9,092,868
Correction of error	(721,307)
	8,371,561

Interest earned on receivables were corrected in accordance with the nature of the originating debt, being property rates and service charges.

57.18 Agency services

Balance previously reported	3,354,239
Correction of error	21,573
	3,375,812

Correction of job evaluation unspent amount from expenditure.

57.19 Operational revenue

Balance previously reported	7,890,216
Correction of error	47,244
	7,937,460

Recognition of prior year revenue allocated to unidentified deposits.

57.20 Construction contract revenue

Reclassification	14,301,285

In accordance with National Treasury guidance issued in August 2023, the Integrated National Electrification Progamme Grant and its associated expenditure was reclassified as construction contract revenue and expenditure in the prior financial year. This is due to the Municipality implementing projects within the Eskom area and the assets being transferred to Eskom.

57.21 Construction contract expenditure

Reclassification	(14,301,285)

In accordance with National Treasury guidance issued in August 2023, the Integrated National Electrification Progamme Grant and its associated expenditure was reclassified as construction contract revenue and expenditure in the prior financial year. This is due to the Municipality implementing projects within the Eskom area and the assets being transferred to Eskom.

57.22 Government grants & sudsidies

Balance previously reported	398,107,565
Correction of error	180,223
	398,287,788

Notes to the Financial Statements

57. Prior Period Adjustments (continued)

The Municipality entered into agreements with some District and Local Municipalities to provide support to the identified Local and District Municipalities to finalise the job evaluation of employees in these Municipalities. This amount was incorrectly classified under expenditure and has been subsequently corrected under government grants and subsidies.

57.23 Fines, Penalties and Forfeits

Balance previously reported	5,905,986
Correction of error	382,859
	6,288,845

Interest earned on receivables were corrected in accordance with the nature of the originating debt, being property rates and service charges. Additionally, revenue on fines were adjusted in accordance with amended working papers and traffic reports.

57.24 Electricity Availability Charges

Correction of error	2,340,840

Electricity availability charges has been previously disclosed as revenue from exchange transactions, however, based on NT accounting guidance for GRAP 9, the municipality has corrected the portion of electricity charges that relate to availability to non-exchange transactions.

57.25 Interest on availability charges

Correction of error	721,307

Interest on electricity availability charges has been previously disclosed as revenue from exchange transactions, however, based on NT accounting guidance for GRAP 9, the municipality has corrected the interest on electricity charges that relate to availability to non-exchange transactions.

57.26 Employee related costs

Balance previously reported	(343,098,044)
Correction of error	71,373
	(343,026,671)

The adjustment relates to the corrections made on performance bonus.

57.27 Depreciation and amortisation

Balance previously reported	(78,668,505)
Correction of error	1,998,030
	(76,670,475)

Restatement of comparative amount due to change in useful life of assets.

.

57.28 Finance costs

Balance previously reported	(3,039,277)
Correction of error	3,126
	(3,036,151)

The interest relating to the prior year in respect of the DBSA loan was not accrued for.

57.29 Debt impairment

Notes to the Financial Statements

57. Prior Period Adjustments (continued)

Balance previously reported	(73,333,424)
Correction of error	43,852
	(73,289,572)

Adjustments processed due to changes in audit dump as at 30/06/2022 - Live system

57.30 Inventory Consumed

Balance previously reported	(13,330,249)
Correction of error	(2,381,192)
	(15,711,441)

Restatement of comparative amount due to misallocation of expenses in accordance with mSCOA guidelines.

57.31 Contracted services

Balance previously reported	(78,132,271)
Correction of error	5,118,949
	(73,013,322)

Restatement of comparative amount due to misallocation of expenses in accordance with mSCOA guidelines.

57.32 Operational costs

Balance previously reported	(72,259,557)
Correction of error	(3,137,484)
	-
	(75,397,041)

Restatement of comparative amount due to misallocation of expenses in accordance with mSCOA guidelines.

57.33 Fair value adjustments

Balance previously reported	4,458,539
Correction of error	17,376,489
	21,835,028

Fair value was adjusted due to prior period adjustment relating to usage of the land as well as disposal of investment properties with the FAR.

58. Segment information

General information

Identification of segments

In accordance with GRAP 18, Segment Reporting, a segment as an activity of the municipality that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity); whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing it’s performance; and for which separate financial information is available. The municipality has identified various activities within the municipality that meets the definition of a segment.

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

Notes to the Financial Statements

58. Segment information (continued)

Aggregated segments

The municipality operates throughout Alfred Duma jurisdiction. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the municipality jurisdiction were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Public Safety
Segment 2	Town Planning and Local Economic Development
Segment 3	Solid Waste and Cleaning
Segment 4	Public Works and Roads
Segment 5	Community Facilities
Segment 6	Electricity

58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Community	Electricity	Public Safety	Public Works and Roads	Solid Waste and Cleansing	Town Planning and LED	Total
Revenue							
Revenue from non-exchange transactions	952,323	21,971,412	11,824,300	-	62,373,300	114,267,782	211,389,117
Revenue from exchange transactions	1,169,960	453,601,191	8,069,768	-	37,488,629	253	500,329,801
Total segment revenue	**2,122,283**	**475,572,603**	**19,894,068**	**-**	**99,861,929**	**114,268,035**	**711,718,918**
Unallocated - Revenue from non-exchange transactions							492,858,110
Unallocated - Revenue from exchange transactions							53,462,893
Total revenue reconciling items							**546,321,003**
Entity's revenue							**1,258,039,921**
Expenditure							
Bulk purchases	-	(348,956,352)	-	-	-	-	(348,956,352)
Contracted services	(709,023)	(8,563,719)	(6,648,502)	-	(1,110,300)	(25,708,892)	(42,740,436)
Depreciation and amortisation	(16,006,103)	(7,374,576)	(163,184)	(3,047,961)	(3,216,202)	(43,912,839)	(73,720,865)
Employee related costs	(30,218,847)	(38,757,727)	(39,012,362)	(9,993,673)	(25,433,996)	(33,231,660)	(176,648,265)
Finance costs	-	(291,004)	-	-	-	-	(291,004)
Loss on disposal of assets	(387)	-	-	-	-	-	(387)
Inventory consumed	(2,896,903)	(9,910,851)	(3,342,151)	(163,598)	(995,421)	(5,149,369)	(22,458,293)
Lease rentals on operating lease	(90,918)	(50,157)	(105,850)	-	-	(42,691)	(289,616)
Construction contract expenditure	-	(11,300,588)	-	-	-	-	(11,300,588)
Impairment on cash and non - cash generating assets	576,817	-	-	-	-	-	576,817
Operational costs	(5,790,487)	(20,187,955)	(15,702,532)	(22,014)	(638,770)	(3,319,802)	(45,661,560)
Bad debts written off	-	(262,093)	-	-	(3,414,964)	-	(3,677,057)
Debt impairment	-	(9,089,468)	-	-	(16,392,740)	-	(25,482,208)
Transfers and Subsidies	-	(7,938,251)	-	-	-	-	(7,938,251)
Total segment expenditure	**(55,135,851)**	**(462,682,741)**	**(64,974,581)**	**(13,227,246)**	**(51,202,393)**	**(111,365,253)**	**(758,588,065)**

	Community	Electricity	Public Safety	Public Works and Roads	Solid Waste and Cleansing	Town Planning and LED	Total
58. Segment information (continued)							
Total segmental surplus/(deficit)							**-**
Unallocated - Contracted services							(36,817,983)
Unallocated - Employee related cost							(198,276,633)
Unallocated - Finance costs							(3,164,916)
Unallocated - Inventory Consumed							(1,215,103)
Unallocated - Lease rentals on operating lease							(1,215,519)
Unallocated - Operational cost							(51,082,023)
Unallocated - Remuneration of Councillors							(28,888,566)
Unallocated - Depreciation and amortisation							(7,623,333)
Unallocated - Bad Debts Written Off							(12,105,442)
Unallocated - Transfers and Subsidies							(134,610)
Unallocated - Impairment on cash and non - cash generating assets							(2,061,777)
Unallocated - Debt impairment							(46,043,009)
Unallocated - Loss on disposal of fixed and intangible assets							(7,572,687)
Entity's surplus (deficit) for the period							**103,250,258**
Assets							
Segment assets acquisitions	24,789,229	36,541,393	2,567,271	12,038,960	-	11,306,294	87,243,147
Unallocated - assets acquisitions							43,086,376
Total assets as per Statement of financial Position							**130,329,523**

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

2022

	Community	Electricity	Public Safety	Public Works and Road	Solid Waste and Cleansing	Town Planning and LED	Total

Notes to the Financial Statements

58. Segment information (continued)

Revenue							
Revenue from non-exchange transactions	5,861	18,304,415	6,280,450	-	56,795,856	124,969,846	206,356,428
Revenue from exchange transactions	763,920	439,850,757	6,750,951	-	36,071,903	94,179	483,531,710
Total segment revenue	**769,781**	**458,155,172**	**13,031,401**	**-**	**92,867,759**	**125,064,025**	**689,888,138**
Unallocated - Revenue from non-exchange transactions							454,536,126
Unallocated - Revenue from exchange transactions							57,195,173
Total revenue reconciling items							**511,731,299**
Entity's revenue							**1,201,619,437**
Expenditure							
Employee related costs	(31,274,204)	(38,312,214)	(35,673,534)	(8,886,398)	(22,703,365)	(30,376,894)	(167,226,609)
Contracted services	(224,176)	(12,276,419)	(5,166,571)	-	(1,030,947)	(25,903,778)	(44,601,891)
Depreciation and amortisation	(17,365,741)	(7,028,379)	(21,271)	-	-	(45,481,228)	(69,896,619)
Bulk purchases	-	(332,910,050)	-	-	-	-	(332,910,050)
Inventory consumed	(1,459,818)	(5,609,641)	(3,944,866)	(75,979)	(765,322)	(2,722,463)	(14,578,089)
Tranfers and subsidies	-	(11,340,778)	-	-	-	-	(11,340,778)
Lease rental on operating lease	(117,461)	(53,986)	(117,461)	-	-	(53,986)	(342,894)
Operational costs	(4,440,332)	(16,403,928)	(9,934,748)	(288,096)	(661,125)	(2,592,281)	(34,320,510)
Finance costs	-	(351,827)	-	-	-	-	(351,827)
Debt impairment	-	3,694,694	-	-	(17,928,116)	-	(14,233,422)
Construction contract expenditure	-	(14,301,285)	-	-	-	-	(14,301,285)
Bad Debts Written Off	-	(1,215,240)	-	-	(2,603,037)	-	(3,818,277)
Total segment expenditure	**(54,881,732)**	**(436,109,053)**	**(54,858,451)**	**(9,250,473)**	**(45,691,912)**	**(107,130,630)**	**(707,922,251)**
Total segmental surplus/(deficit)							**-**

	Community	Electricity	Public Safety	Public Works and Road	Solid Waste and Cleansing	Town Planning and LED	Total
58. Segment information (continued)							
Unallocated - Contracted Services							(28,411,431)
Unallocated - Depreciation and Armotisation							(6,773,855)
Unallocated - Debt impairment							(59,056,151)
Unallocated - Impairment loss on cash and non cash generating assets							(7,345,904)
Unallocated - Loss on disposal of fixed and intangible assets							(9,802,435)
Unallocated - Inventories losses/write-downs							(12,050,685)
Unallocated - Employee related cost							(175,800,052)
Unallocated - Finance costs							(2,684,323)
Unallocated - Inventory consumed							(1,133,353)
Unallocated - Lease rentals on operating leases							(1,391,250)
Unallocated - Operational costs							(41,076,528)
Unallocated - Bad debts written off							(7,613,415)
Unallocated - Remuneration of Councillors							(25,982,767)
Entity's surplus (deficit) for the period							**114,575,038**
Assets							
Segment assets	35,116,614	9,248,105	12,245,558	43,767,823	3,483,000	495,807	104,356,907
Unallocated - assets acquisitions							3,487,375
Total assets as per Statement of financial Position							**107,844,282**

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

	2023	2022

59. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2023	2022
Current year subscription / fee	4,166,819	4,047,614
Amount paid - current year	(4,166,819)	(4,047,614)
	-	-

Audit fees

	2023	2022
Current year subscription / fee	5,607,045	5,166,484
Amount paid - current year	(5,607,045)	(5,166,484)
	-	-

PAYE, SDL and UIF

	2023	2022
Current year subscription / fee	54,573,237	51,495,582
Amount paid - current year	(54,573,237)	(51,495,582)
	-	-

Pension and Medical Aid Deductions

	2023	2022
Current year subscription / fee	45,176,603	45,671,596
Amount paid - current year	(45,176,603)	(45,671,596)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023 relating to consumer accounts as well as cellphone accounts

30 June 2023	Outstanding more than 90 days	Total
Cllr. LG Hlomuka	10,365	10,365
Cllr. LG Hlongwane	10,337	10,337
Cllr. SE Kubheka	10,337	10,337
Cllr. GS Kubheka	10,460	10,460
Cllr. ZI Madondo	11,107	11,107
Cllr. S Makhathini	443	443
Cllr. VF Memela	7,954	7,954
Cllr. SE Mbhele	4,093	4,093
Cllr. XF Mhlongo	7,284	7,284
Cllr. NP Mlotshwa	9,923	9,923
Cllr. N Mlotshwa	9,923	9,923
Cllr. P Nsele	1,805	1,805
Cllr. A Rajkoomar	9,253	9,253
Cllr. NJ Sithebe	9,923	9,923
Cllr. NB Shabalala	9,923	9,923
Cllr. NB Dlamini	10,160	10,160

Notes to the Financial Statements

	2023	2022

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

Cllr. S Sithole	10,378	10,378
Cllr. T Xaba	9,923	9,923
Cllr. MP Zungu	6,319	6,319
Cllr. F Zuma	6,361	6,361
Cllr. SX Zwane	10,460	10,460
Cllr. MM Khoza	10,365	10,365
Cllr. OS Nxumalo	10,027	10,027
Cllr LB Kubheka	10,298	10,298
Cllr. MN Mbhense	9,923	9,923
Cllr. LBM Mavuso	11,017	11,017
Cllr. S & N Makhathini	17,273	17,273
	245,634	**245,634**

30 June 2022	Outstanding more than 90 days	Total
Cllr. LBM Mavuso	3,894	3,894
Cllr. S&N Makhathini	4,046	4,046
Cllr. TP Khumalo	7,722	7,722
Cllr. B Gwala	7,722	7,722
Cllr. LG Hlomuka	7,722	7,722
Cllr. BB Biyela	7,722	7,722
Cllr. LG Hlongwane	7,722	7,722
Cllr. SS Khumalo	7,722	7,722
Cllr. SE Kubheka	7,947	7,947
Cllr. SE Madondo	7,722	7,722
Cllr. XO Kubheka	7,947	7,947
Cllr. ZI Madondo	7,722	7,722
Cllr. VF Memela	7,947	7,947
Cllr. M Magasela	7,722	7,722
Cllr. PP Mbambo	7,722	7,722
Cllr. SE Mbhele	5,799	5,799
Cllr. K Mdluli	7,722	7,722
Cllr. XF Mhlongo	7,722	7,722
Cllr. KE Mjiyako	7,722	7,722
Cllr TC Mlaba	7,722	7,722
Cllr. NP Mlotshwa	7,722	7,722
Cllr. N Mlotshwa	7,722	7,722
Cllr. XP Mngadi	7,722	7,722
Cllr. MS Mngadi	7,722	7,722
Cllr. SL Msimango	7,722	7,722
Cllr. SL Mswane	7,722	7,722
Cllr. SM Nene	7,639	7,639
Cllr. SE Ngubane	7,947	7,947
Cllr. L Nkosi	7,722	7,722
Cllr. P Nsele	7,947	7,947
Cllr. K Ntini	7,722	7,722
Cllr. BM Nzuza	7,722	7,722
Cllr. A Rajkoomar	6,225	6,225
Cllr. NJ Sithebe	7,722	7,722
Cllr. NS Sithole	7,722	7,722
Cllr. ZT Thabethe	7,722	7,722
Cllr. NB Shabalala	7,722	7,722
Cllr. KE Shabala	7,722	7,722
Cllr. AB Xaba	7,947	7,947
Cllr. NB Dlamini	7,722	7,722
Cllr. TN Ngcobo	7,722	7,722

Notes to the Financial Statements

	2023	2022
59. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Cllr. S Sithole	7,912	7,912
Cllr T Xaba	10,356	10,356
Cllr. MG Zikalala	7,722	7,722
Cllr. NP Zungu	7,722	7,722
Cllr.F Zuma	7,912	7,912
Cllr SX Zwane	7,947	7,947
Cllr NE Zwane	7,947	7,947
Cllr XS Zwane	7,722	7,722
Cllr. AS Warasally	8,006	8,006
Cllr. ZJ Sibisi	7,744	7,744
Cllr. NC Mtshali	7,722	7,722
Cllr. TP Dlamini	7,722	7,722
Cllr. S Simelane	7,744	7,744
Cllr. BC Majola	7,722	7,722
Cllr. MM Khoza	7,722	7,722
Cllr. BP Sithole	8,028	8,028
Cllr. OS Nxumalo	6,225	6,225
Cllr. A Mchunu	7,947	7,947
Cllr. T Hadebe	284	284
Cllr. LB Kubheka	6,225	6,225
Cllr. MN Mbhense	9,127	9,127
Cllr. LBM Kubheka	953	953
Cllr. N Mbhense	7,722	7,722
	473,078	**473,078**

60. Construction contracts

Contracts in progress at financial year end

	2023	2022
Construction contract revenue	10,309,119	14,301,285
Construction contract expenditure	(11,300,588)	(14,301,285)
	(991,469)	**-**

	2023	2022
Contract amounts included in trade and other payables		
Deferred construction revenue	-	(568,280)

In accordance with National Treasury guidance issued in August 2023,the Integrated National Electrification Progamme Grant and its associated expenditure was reclassified as construction contract revenue and expenditure in the prior financial year. This is due to the Municipality implementing projects within the Eskom area and the assets being transferred to Eskom.

On receipt of the grant, the amount is recorded as an advance payment. Revenue is recognised as construction contract revenue in accordance with expenditure being incurred.

The remaining balance on advances received in excess of work completed are included in trade and other payables. For the year under review, the Municipality was required to declare output VAT on the proceeds received which the Municipality was not aware of this requirement until the National Treasury guidance was issued in August 2023.As a result, this reduced funds available to fund expenditure already committed to and therefore revenue recognition was limited to the funds received and available for use.

Additionally, the Municipality was required to payback to the National Treasury unspent funds from the previous financial year in the amount of R913 074 which was the unspent balance of the grant before the change in accounting treatment of the grant. This resulted in reduction of the funds available for recognition of revenue in the current year.

61. Eskom Deposits

The above deposits relates to Streetlighting and Highmast lights held with Eskom

	2023	2022

61. Eskom Deposits (continued)

	2023	2022
Eskom Deposits	3,003,430	1,827,950

62. Interest on Electricity on Availability Charges

	2023	2022
Interest on electricity availability charges	862,846	721,307

63. Sale of goods and rendering of services

	2023	2022
Advertisements	62,201	127,244
Entrance Fees	172,148	101,767
Fire Services	142,849	122,925
Health and cleaning services	339,216	201,275
Town planning and building fees	308,146	456,421
Sundry revenue	138,939	94,719
Clearance certificates	335,523	331,655
Traffic Control and Parking	92,267	95,992
Legal fees	-	44,785
	1,591,289	**1,576,783**

64. Auditors' remuneration

	2023	2022
Fees	4,875,691	4,492,595

65. Change in estimate

Property, plant and equipment

The Municipality has revised the remaining useful livesof assets which had reached the end of their useful lives. based on the asset conditions in terms of GRAP 17 paragraph 56.

The effect of of the revision has increased a depreciation by R2 350 645

Depreciation	Depreciation before change in estimate	Less: Depreciation after change in estimate	Change in depreciation per annum
Electricity	7,406,509	(7,406,509)	-
Roads	42,771,162	(43,910,476)	(1,139,314)
Street Furniture	204,152	(162,659)	41,493
Storm Water	2,312,315	(3,041,637)	(729,322)
Buildings	977,012	(977,012)	-
Community buildings	13,914,507	(13,863,329)	51,178
Computer Equipment	1,630,568	(1,667,815)	(37,247)
Furniture and Office Equipment	1,023,470	(1,109,448)	(85,978)
Motor Vehicles	2,970,696	(3,349,457)	(378,761)
Plant and Equipment	2,071,212	(2,143,906)	(72,694)
Solid waste	3,216,202	(3,216,202)	-
	78,497,805	**(80,848,450)**	**(2,350,645)**

66. Bad debts written off

	2023	2022
Bad debts written off	15,782,499	11,431,693