uMsinga Local Municipality
(Registration number KZN 244)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996).
Nature of business and principal activities	The provision of services to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 24 of 2024)

Mayoral committee

Mayor	Cllr. FJ SIKHAKHANE
Deputy Mayor	Cllr. TB MBATHA
Speaker	Cllr. SG MASIMULA
Chief whip	Cllr. MW SOKHELA
Section 79 committee chairperson	Cllr. P DLADLA
Mayoral Committee Members	Cllr. LB NTULI Cllr. SK RADEBE Cllr. TM NDLOVU Cllr. BP NGCOBO Cllr. N XABA Cllr. PA NKALA

General Information

Councillors	Cllr. H JALI Cllr. ME NGOBE Cllr. M BUTHELEZI Cllr. JB CHONCO Cllr. NM XIMBA Cllr. FF NDLOVU Cllr. F ZUMA Cllr. EM MDLULI Cllr. VS NDLOVU Cllr. M MASIKANE Cllr. SP LANGA Cllr. KJ MKHIZE Cllr. M NTSHAPHA Cllr. S ZONDI Cllr. TL KUNENE Cllr. TN SOKHELA Cllr. MN NDLOVU Cllr. ME MKHIZE Cllr. Z MCHUNU Cllr. MJ NDEBELE Cllr. MS KHOZA Cllr. B DUMAKUDE Cllr. B MTHETHWA Cllr. T MNTUNGWA Cllr. TM MABASO Cllr. MM MYEZA Cllr. DM NDLOVU Cllr. ZE SHANGE Cllr. GB SIKHAKHANE Cllr. P DLADLA Cllr. BE MVELASE Cllr. NC SITHOLE
Traditional Leaders	iNkosi. SW MTHEMBU iNkosi. NE MCHUNU iNkosi. ZD MAJOZI iNkosi. TDP MNTUNGWA
Grading of local authority	2
Accounting Officer	SL SOKHELA
Chief Finance Officer (CFO)	NG MVELASE
Business address	R 33 Main Road Tugela Ferry 3010
Postal address	Private Bag X530 Tugela Ferry 3010
Phone number	033 493 8000
Website	www.umsinga.gov.za
Bankers	ABSA Bank First National Bank Standard Bank

General Information

Auditors	Auditor - General South Africa Registered Auditors
Attorneys	Garlicke and Bousfield

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

Abbreviations used:

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on government grants 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.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note titled Remuneration of Councillors of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Offive 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 7 to 88, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

SL Sokhela
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2025.

Committee members and attendance

The Audit and Performance Committee consists of the members listed hereunder and should meet four (4) times per annum as per its approved terms of reference. During the current year, six (6) number of meetings were held.

Name of member	Number of meetings attended
S. KHANYILE (PERFORMANCE CHAIRPERSON) (appointment 15/08/2024)	6
S. MTHEMBU (appointment 15/08/2024)	6
N. SHABALALA (appointment 15/08/2024)	6
M. MAKHUNGA (appointment 15/08/2024)	6
S. MASILELA (appointment 15/08/2024)	2
S.Mbona (appointment 06/06/2025)	0

Committee responsibility

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

The Audit and Performance Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the Municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The Audit and Performance Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the Municipality during the year under review.

Evaluation of annual financial statements

The Audit and Performance Committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;on the 31 August 2025.

Internal audit

The Audit and Performance Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Statement of Financial Position as at 30 June 2025

Figures in Rand	Notes	2025 R	2024 Restated R
Assets			
Current Assets			
Receivables from exchange transactions	8	71 266 975	68 688 085
Receivables from non-exchange transactions	9	5 639 751	6 625 732
Cash and cash equivalents	10	85 176 984	72 767 859
		162 083 710	**148 081 676**
Non-Current Assets			
Property, plant and equipment	3	337 152 833	318 859 627
Intangible assets	4	6 603 399	7 333 213
Heritage assets	5	260 000	260 000
		344 016 232	**326 452 840**
Total Assets		**506 099 942**	**474 534 516**
Liabilities			
Current Liabilities			
Payables from exchange transactions	6	90 270 096	90 991 198
Unspent conditional grants and receipts	11	1 734 917	5 580 803
Provisions	12	978 022	978 022
		92 983 035	**97 550 023**
Non-Current Liabilities			
Employee benefit obligation	7	1 785 000	1 495 000
Provisions	12	8 912 516	7 802 622
		10 697 516	**9 297 622**
Total Liabilities		**103 680 551**	**106 847 645**
Net Assets		**402 419 391**	**367 686 871**
Reserves			
Revaluation reserve		260 000	260 000
Accumulated surplus		402 159 391	367 426 871
Total Net Assets		**402 419 391**	**367 686 871**

Statement of Financial Performance

Figures in Rand	Notes	2025 R	2024 R
Revenue			
Revenue from exchange transactions			
Service charges	14	1 179 606	1 039 397
INEP Construction contracts revenue	16	16 199 130	17 391 304
Rental of facilities and equipment	15	604 297	623 084
Other revenue	18	323 662	234 287
Licences and permits	19	368 113	345 281
Interest income	20	12 701 168	10 246 847
Total revenue from exchange transactions		**31 375 976**	**29 880 200**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	17 315 617	26 949 649
Traffic fines	22	179 350	160 950
Penalties Charged		62 500	-
Recoveries from Fruitless and wasteful Expenditure	46	1 006 738	-
Transfer revenue			
Government grants & subsidies	23	298 437 689	293 469 146
Total revenue from non-exchange transactions		**317 001 894**	**320 579 745**
Total revenue	13	**348 377 870**	**350 459 945**
Expenditure			
Employee related costs	24	(106 431 436)	(107 601 836)
Remuneration of councillors	25	(17 912 796)	(16 138 945)
Depreciation, amortisation and impairment of assets	26	(41 930 739)	(36 525 564)
Finance costs	28	(1 283 894)	(1 784 755)
Lease rentals on operating lease	17	(1 595 733)	(1 688 834)
Bad debt written off		-	(61 040 572)
Contributions to allowance (Impairment)	8&9	(8 076 062)	(20 369 172)
Impairment reversal	27	-	63 038 778
Free basic services	31	(137 922)	(28 262)
Operational costs	32	(84 172 568)	(70 504 647)
INEP Construction Contract Expenditure	16	(16 199 130)	(17 391 304)
General expenses	30	(35 843 811)	(45 772 160)
Total expenditure		**(313 584 091)**	**(315 807 273)**
Surplus before actuarial gains		**34 793 779**	**34 652 672**
Actuarial loss		(20 000)	(214 000)
Surplus for the year from continuing operations		**34 773 779**	**34 438 672**
(Loss)/Profit on disposal of asset		(41 259)	128 059
Surplus for the year		**34 732 520**	**34 566 731**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve R	Accumulated surplus / deficit R	Total net assets R
Opening balance as previously reported	260 000	324 279 141	324 539 141
Prior year error adjustment	-	8 581 000	8 581 000
Restated balance as at 01 July 2023	**260 000**	**332 860 141**	**333 120 141**
Surplus for the year	-	34 566 730	34 566 730
Balance at 01 July 2024	**260 000**	**367 426 871**	**367 686 871**
Surplus for the year	-	34 732 520	34 732 520
Balance at 30 June 2025	**260 000**	**402 159 391**	**402 419 391**

Notes

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024
Cash flows from operating activities			
Receipts			
Property rates and refuse removal		8 602 132	19 073 115
Government grants & subsidies		310 349 000	318 048 000
Interest received		12 113 149	8 914 456
Other Income		1 370 645	234 286
Rentals		606 863	556 498
VAT Received		17 141 685	16 114 837
Licences and permits		368 113	345 281
		350 551 587	363 286 473
Payments			
Employee costs and Councillors		(121 550 225)	(121 750 894)
Cash paid to suppliers		(138 422 921)	(133 657 110)
INEP Payment		(18 629 000)	(20 000 000)
		(278 602 146)	(275 408 004)
Net cash flows from operating activities	33	**71 949 441**	**87 878 469**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(54 917 007)	(63 011 126)
Proceeds from sale of property, plant and equipment	3	-	451 508
Purchase of other intangible assets	4	(4 623 312)	(4 753 852)
Net cash flows from investing activities		**(59 540 319)**	**(67 313 470)**
Net increase in cash and cash equivalents		**12 409 122**	**20 564 999**
Cash and cash equivalents at the beginning of the year		72 767 859	52 202 858
Cash and cash equivalents at the end of the year	10	**85 176 983**	**72 767 859**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	700 000	-	**700 000**	1 179 606	**479 606**	49
INEP Construction contracts revenue	18 629 000	-	**18 629 000**	16 199 130	**(2 429 870)**	49
Rental of facilities and equipment	800 000	-	**800 000**	604 297	**(195 703)**	49
Other income	600 000	26 000 000	**26 600 000**	323 662	**(26 276 338)**	49
License and permits	-	5 000 000	**5 000 000**	368 113	**(4 631 887)**	49
Interest received - investment	12 000 000	5 000 000	**17 000 000**	12 701 168	**(4 298 832)**	49
Total revenue from exchange transactions	**32 729 000**	**36 000 000**	**68 729 000**	**31 375 976**	**(37 353 024)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	26 526 000	6 474 000	**33 000 000**	17 315 617	**(15 684 383)**	49
Traffic fines	400 000	-	**400 000**	179 350	**(220 650)**	49
Penalties	-	-	**-**	62 500	**62 500**	49
Recoveries	-	-	**-**	1 006 738	**1 006 738**	49
Transfer revenue						
Government grants & subsidies	291 304 000	-	**291 304 000**	298 437 689	**7 133 689**	49
Total revenue from non-exchange transactions	**318 230 000**	**6 474 000**	**324 704 000**	**317 001 894**	**(7 702 106)**	
Total revenue	**350 959 000**	**42 474 000**	**393 433 000**	**348 377 870**	**(45 055 130)**	
Expenditure						
Employee related costs	(95 000 000)	(11 500 000)	**(106 500 000)**	(106 431 436)	**68 564**	49
Remuneration of councillors	(17 000 000)	(1 750 000)	**(18 750 000)**	(17 912 796)	**837 204**	49
Depreciation, amortisation and impairment of assets	(50 000 000)	(130 000)	**(50 130 000)**	(41 930 739)	**8 199 261**	49
Finance costs	-	(2 000 000)	**(2 000 000)**	(1 283 894)	**716 106**	49
Lease rentals on operating lease	(2 000 000)	-	**(2 000 000)**	(1 595 733)	**404 267**	49
Debt Impairment Contribution	(10 000 000)	-	**(10 000 000)**	(8 076 062)	**1 923 938**	49
Free basic services	-	(600 000)	**(600 000)**	(137 922)	**462 078**	49
Contracted Services	(50 670 000)	(39 243 000)	**(89 913 000)**	(84 172 568)	**5 740 432**	49
INEP Construction Contract Expenditure	(18 629 000)	-	**(18 629 000)**	(16 199 130)	**2 429 870**	49
General Expenses	(53 878 000)	(17 921 000)	**(71 799 000)**	(35 843 811)	**35 955 189**	49
Total expenditure	**(297 177 000)**	**(73 144 000)**	**(370 321 000)**	**(313 584 091)**	**56 736 909**	
Surplus for the year	**53 782 000**	**(30 670 000)**	**23 112 000**	**34 793 779**	**11 681 779**	
Actuarial loss	-	(100 000)	**(100 000)**	(20 000)	**80 000**	49
Surplus for the year from continuing operations	**53 782 000**	**(30 770 000)**	**23 012 000**	**34 773 779**	**11 761 779**	
Profit on disposal of assets	(90 000)	10 000	**(80 000)**	(41 259)	**38 741**	49

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**53 692 000**	**(30 760 000)**	**22 932 000**	**34 732 520**	**11 800 520**	
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	2 262 000	-	**2 262 000**	71 266 975	**69 004 975**	49
VAT receivable	4 446 000	-	**4 446 000**	-	**(4 446 000)**	49
Receivables from non-exchange transactions	26 526 000	(10 526 000)	**16 000 000**	5 639 751	**(10 360 249)**	49
Inventory	9 001 000	(9 001 000)	**-**	-	**-**	
Cash and cash equivalents	80 894 000	(9 491 000)	**71 403 000**	85 176 984	**13 773 984**	49
	123 129 000	**(29 018 000)**	**94 111 000**	**162 083 710**	**67 972 710**	
Non-Current Assets						
Property, plant and equipment	337 611 796	-	**337 611 796**	337 152 833	**(458 963)**	49
Intangible assets	7 162 000	-	**7 162 000**	6 603 399	**(558 601)**	49
Heritage assets	260 000	-	**260 000**	260 000	**-**	
	345 033 796	**-**	**345 033 796**	**344 016 232**	**(1 017 564)**	
Total Assets	**468 162 796**	**(29 018 000)**	**439 144 796**	**506 099 942**	**66 955 146**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	26 225 000	(20 990 000)	**5 235 000**	90 270 096	**85 035 096**	49
Unspent conditional grants and receipts	8 104 000	(7 224 000)	**880 000**	1 734 917	**854 917**	49
Provisions	991 000	(991 000)	**-**	978 022	**978 022**	49
	35 320 000	**(29 205 000)**	**6 115 000**	**92 983 035**	**86 868 035**	
Non-Current Liabilities						
Employee benefit obligation	6 487 000	-	**6 487 000**	1 785 000	**(4 702 000)**	49
Provisions	1 407 000	-	**1 407 000**	8 912 516	**7 505 516**	49
	7 894 000	**-**	**7 894 000**	**10 697 516**	**2 803 516**	
Total Liabilities	**43 214 000**	**(29 205 000)**	**14 009 000**	**103 680 551**	**89 671 551**	
Net Assets	**424 948 796**	**187 000**	**425 135 796**	**402 419 391**	**(22 716 405)**	
Reserves						
Revaluation reserve	-	260 000	**260 000**	260 000	**-**	49
Accumulated surplus	412 377 000	-	**412 377 000**	402 159 391	**(10 217 609)**	
Total Net Assets	**412 377 000**	**260 000**	**412 637 000**	**402 419 391**	**(10 217 609)**	

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Cash Flow						
Receipts						
Property rates and refuse removal	17 000 000	-	**17 000 000**	8 602 132	**(8 397 868)**	49
Other income	2 118 000	6 000 000	**8 118 000**	1 370 645	**(6 747 355)**	49
Government grants and subsidies	310 473 000	5 000 000	**315 473 000**	310 349 000	**(5 124 000)**	49
Interest income	12 000 000	5 000 000	**17 000 000**	12 113 149	**(4 886 851)**	49
Vat received	-	20 000 000	**20 000 000**	17 141 685	**(2 858 315)**	49
Rentals	-	1 000 000	**1 000 000**	606 863	**(393 137)**	49
License and permits	-	130 000	**130 000**	368 113	**238 113**	49
	341 591 000	**37 130 000**	**378 721 000**	**350 551 587**	**(28 169 413)**	
Payments						
Employee costs and Councillors	(112 000 000)	(10 150 000)	**(122 150 000)**	(121 550 225)	**599 775**	49
Cash paid to suppliers	(144 594 000)	(34 021 000)	**(178 615 000)**	(138 422 921)	**40 192 079**	49
INEP Payment	(18 629 000)	-	**(18 629 000)**	(18 629 000)	**-**	
Finance Charges	(700 000)	700 000	**-**	-	**-**	
	(275 923 000)	**(43 471 000)**	**(319 394 000)**	**(278 602 146)**	**40 791 854**	
Net cash flows from operating activities	**65 668 000**	**(6 341 000)**	**59 327 000**	**71 949 441**	**12 622 441**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(56 886 000)	(1 824 000)	**(58 710 000)**	(54 917 007)	**3 792 993**	49
Purchase of other intangible assets	(4 000 000)	(3 162 000)	**(7 162 000)**	(4 623 312)	**2 538 688**	49
Net cash flows from investing activities	**(60 886 000)**	**(4 986 000)**	**(65 872 000)**	**(59 540 319)**	**6 331 681**	
Cash and cash equivalents at the beginning of the year	72 203 000	565 000	**72 768 000**	72 767 859	**(141)**	
Cash and cash equivalents at the end of the year	**76 985 000**	**(10 762 000)**	**66 223 000**	**85 176 983**	**18 953 981**	

Accounting Policies and Notes to the Annual Financial Statements

	Notes	2025	2024

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest Rand.

1.2 Going concern assumption

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

1.3 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budged amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending online items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2024 to 30 June 2025.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are considered if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

1.4 Current year comparatives

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When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

Accounting Policies and Notes to the Annual Financial Statements

1.5 Significant judgements and sources of estimation uncertainty

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

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment testing

The Municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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 12 - Provisions.

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management’s estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed, availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

Allowance for doubtful debts

The Municipality’s management in exercising reasonable judgement in determining the provision for doubtful debt has considered GRAP 104, the assessment of the debtors and taking into account the risk factors presented by the debtors (type of debtor, amounts owing, payments history, economic indicators).

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date.
Some assets are commonly described as “infrastructure assets”.While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

a) they are part of a system or network;
(b) they are specialised in nature and do not have alternative uses;
(c) they are immovable; and
(d) they may be subject to constraints on disposal.

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.

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one accounting period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	10-30 years
Roads and pavings	Straight-line	10-30 years
Air conditioners	Straight-line	5 - 7 years
Furniture and fixtures	Straight-line	3 -10 years
Vehicles and tractors	Straight-line	3-10 years
Office equipment	Straight-line	3-10 years
IT equipment	Straight-line	3-5 years
Machinery and equipment	Straight-line	3-10 years
Radio	Straight-line	3-5 years
Electricity	Straight-line	5-25 years
Pedestrian Malls	Straight-line	10-30 years
Recreational facilities	Straight-line	5-10 years
Sewerage	Straight-line	20-30 years

Accounting Policies and Notes to the Annual Financial Statements

1.6 Property, plant and equipment (continued)

Landfill site	Straight-line	21 years
Tools and loose gear	Straight-line	5 years
Water network	Straight-line	20 years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.7 Site rehabilitation and restoration costs

Where the Municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions"’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the Municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As 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 municipality 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.

1.8 Intangible assets

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

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

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

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

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

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

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

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
Licenses	Straight-line	1-5 years

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

1.8 Intangible assets (continued)

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

1.9 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

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

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

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

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

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 should initially be measured at cost or fair value. Where heritage assets are acquired for no cost or nominal cost, its cost should be measured at its fair value as at date of acquisition.

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.

Heritage assets are not depreciated.

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

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

Recognition

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

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 a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment losses, provided that fair value can be measured reliably.

Impairment

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

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (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 municipality and a financial liability or a residual interest of another municipality.

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 a municipality 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 a municipality's statement of financial position.

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

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

1.10 Financial instruments (continued)
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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 a municipality 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 a municipality 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 a municipality’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 a municipality.

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 municipality 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 municipality 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 assets include:
- Receivables from exchange transactions;
- Receivables from non-exchange transactions; and
- Cash and cash equivalents.

Financial liabilities include:
- Payables from exchange transactions; and
- Unspent conditional grants.

Initial recognition
The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities
The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.10 Financial instruments (continued)

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities
The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets
The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

- **Financial assets measured at amortised cost:**

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

- **Financial assets measured at cost:**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition
- **Financial assets**

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Accounting Policies and Notes to the Annual Financial Statements

1.10 Financial instruments (continued)

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

- **Financial liabilities**

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Financial instruments (continued)

Classification

The municipality 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	Financial asset measured at amortised cost

The municipality 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
Trade payables	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

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

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

Initial measurement

The Municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

1.11 Statutory receivables (continued)

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

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

Impairment

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the Municipality considers, as a minimum, the following indicators:

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

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

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

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

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

Derecognition

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

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

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

Accounting Policies and Notes to the Annual Financial Statements

1.12 Value-Added Tax (VAT)

Current tax assets and liabilities

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value Added Tax Act No 89 of 1991.

1.13 Income Tax

The Municipality is exempted from income tax in terms of section 10(1)(a) of the Income Tax Act.

1.14 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.

Operating leases - lessor

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

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.

1.15 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.

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.

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.

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 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.

1.16 Impairment of cash-generating assets (continued)

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

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

Recoverable 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 municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also 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 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:

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

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

1.18 Provisions and contingencies

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

1.18 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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.

1.18 Provisions and contingencies (continued)

The municipality 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 municipality 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 municipality considers that an outflow of economic resources is probable, an municipality 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.

1.19 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:

- 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.

1.20 Revenue from exchange transactions

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

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

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).

1.20 Revenue from exchange transactions (continued)

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 municipality;
- 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 .

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 municipality, and
- The amount of the revenue can be measured reliably.

1.21 Revenue from non-exchange transactions

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

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

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

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, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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

1.21 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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.

1.22 Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable.A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Accounting Policies and Notes to the Annual Financial Statements

1.23 Government grants and receipts

Unconditional Grants.

Equitable share allocations are recognised in revenue as and when the allocation is received.

Conditional Grants.

Conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of noncompliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

1.24 Investment income

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

1.25 Bad debts written off

Before any debt is written off, it is proved that the debt has become irrecoverable.

Irrecoverable debt is debt which cannot be traced successfully; and after all reasonable steps were taken to recover the debt.

Bad debt write offs are considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are remote, a write off is considered.

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.

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

1.28 Fruitless and wasteful expenditure

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

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

1.29 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is;
(a) expenditure incurred by the Municipality or Municipal entity incontravention of, or that is not in accordance with, requirement of this act, and which has not been condoned in terms of section 170.
(b) expenditure incurred by a Municipality or municipal entity incontravention of, or that is not in accordance with, requirement of the Municipal System Act, and which has not been condoned in terms of that Act.
(c) expenditure incurred by a Municipality incontravention of, or that is not in accordance with, a requirement of the Public Office - Berears Act, 1998 (Act No. 20 of 1998)

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

1.30 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Accounting Policies and Notes to the Annual Financial Statements

1.30 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.31 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.

Measurement

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

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

1.32 Budget information

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

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budged amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending online items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2024 to 30 June 2025.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are considered if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

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

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

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30.

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

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.

1.33 Related parties

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

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

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

Only transactions with related parties that are not at arm's length or not in the ordinary course of business are disclosed.

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

The municipality 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.

Accounting Policies and Notes to the Annual Financial Statements

1.35 Expenditure

An expense is a decrease in the net financial position of the entity, other than decreases arising from ownership distributions.

An expense arises from exchange and non-exchange transactions, other events such as unrealised increases and decreases in the value of assets and the consumption of assets through depreciation and erosion of service potential and ability to generate economic benefits through impairments.

An expense may arise from individual transactions or groups of transactions.

Expenses are recognised in the Statement of Financial Performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. The recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets.

Expenses encompasses losses as well as those expenses that arise in the course of the operating activities of the Municipality.

Losses represent other items that meet the definition of expenses and may, or may not, arise in the course of the operating activities of the entity. Losses represent decreases in economic benefits or service potential and as such, they are no different in nature from other expenses.

1.36 Construction Contracts

Construction contracts are those contracts entered between the Municipality and a customer (or third party) whereby the Municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the Municipality or through the use of a sub-contractor. The benefit of the constructed item (or group of items) must be received by such party and not the Municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably. Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the Municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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 either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work. 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.

The Municipality assessed all of the contracts in place and found that those contacts pertaining to the Integrated National electrification programme (INEP) where the Municipality is not licensed would meet the definition in terms of construction contracts Construction Contracts. All of these contracts for the Municipality are fixed-price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

In exceptional cases, if any, for a cost-plus or cost-based contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably. An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

1.36 Construction Contracts (continued)

1.37 Land Held for Strategic Use and Land Subject to Restrictions

Classification
Land that is owned by the Municipality and held for strategic municipal purposes—including future human settlement projects, infrastructure development, and other service-delivery objectives—is classified as Property, Plant and Equipment (PPE) in accordance with GRAP 17. Such land is not held for sale, commercial development, or capital appreciation.

Recognition

Land is recognised as an asset when:

the Municipality controls the land through legal ownership (evidenced by title deeds);
it is probable that future service potential or economic benefits associated with the land will flow to the Municipality; and
the cost or fair value of the land can be measured reliably.

Restricted Land

Certain land parcels are subject to restrictions contained in the title deeds, including:

requirements that the land be utilised only for the creation of sustainable human settlements and/or projects approved by the Provincial Government of KwaZulu-Natal; and

prohibitions on selling or alienating the land without prior written consent of the MEC: Human Settlements and Public Works.

These restrictions limit how the Municipality may use or dispose of the land, but they do not affect control or the recognition of the land as PPE.

Measurement

Land is initially measured at cost, which includes all costs directly attributable to bringing the asset into use.
Where land is acquired at no or nominal cost (e.g., transfers from government), it is recognised at its fair value on the date of acquisition.

After initial recognition, land is measured at cost less any accumulated impairment losses. Land is not depreciated due to its indefinite useful life.

Restrictions Disclosure

All legal or operational restrictions affecting the use, transfer, or development of the land are disclosed in the notes to the financial statements, including the specific title deed clauses.

Derecognition

Land is derecognised when the Municipality:

loses control of the asset; or

disposes of it with the required approvals from the relevant authorities (where restrictions apply).

Any gain or loss arising on derecognition is recognised in the Statement of Financial Performance.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage assets	01 April 2025	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 581 000	-	8 581 000	8 581 000	-	8 581 000
Buildings	26 896 454	(13 566 280)	13 330 174	25 546 633	(12 504 131)	13 042 502
Plant and machinery	16 756 840	(13 275 405)	3 481 435	16 692 745	(12 333 170)	4 359 575
Furniture and fixtures	5 725 250	(3 837 414)	1 887 836	5 849 511	(3 788 910)	2 060 601
Motor vehicles	22 933 268	(16 068 524)	6 864 744	20 879 768	(14 782 199)	6 097 569
Office equipment	8 882 504	(6 681 626)	2 200 878	8 025 831	(5 742 389)	2 283 442
Infrastructure	405 906 543	(231 113 065)	174 793 478	378 032 153	(208 177 303)	169 854 850
Community Assets	164 628 471	(38 686 972)	125 941 499	142 558 922	(30 105 423)	112 453 499
Refuse dump	4 821 648	(4 749 859)	71 789	4 821 648	(4 695 059)	126 589
Total	**665 131 978**	**(327 979 145)**	**337 152 833**	**610 988 211**	**(292 128 584)**	**318 859 627**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Work in Progress	Disposals	Depreciation	Total
Land	8 581 000	-	-	-	-	8 581 000
Buildings	13 042 502	179 263	1 175 864	(8)	(1 067 447)	13 330 174
Plant and machinery	4 359 575	120 879	-	(4 136)	(994 883)	3 481 435
Furniture and fixtures	2 060 601	397 136	-	(17 630)	(552 271)	1 887 836
Motor vehicles	6 097 569	2 071 000	-	(2 597)	(1 301 228)	6 864 744
Office equipment	2 283 442	921 098	-	(3 084)	(1 000 578)	2 200 878
Infrastructure	169 854 850	-	27 884 919	(404)	(22 945 887)	174 793 478
Community Assets	112 453 499	144 293	22 022 555	(13 405)	(8 665 443)	125 941 499
Refuse dump	126 589	-	-	-	(54 800)	71 789
	318 859 627	**3 833 669**	**51 083 338**	**(41 264)**	**(36 582 537)**	**337 152 833**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Work in Progress	Disposals	Newly identified assets	Depreciation	Total
Land	-	-	-	-	8 581 000	-	8 581 000
Buildings	11 726 287	1 084 806	1 127 443	-	-	(896 034)	13 042 502
Plant and machinery	5 070 355	301 344	-	(10 417)	-	(1 001 707)	4 359 575
Furniture and fixtures	1 782 287	817 154	-	(4 864)	-	(533 976)	2 060 601
Motor vehicles	7 404 747	103 300	-	-	-	(1 410 478)	6 097 569
Office equipment	2 769 921	471 703	-	(7 546)	-	(950 636)	2 283 442
Infrastructure	160 122 025	-	31 661 849	(300 622)	-	(21 628 402)	169 854 850
Community Assets	92 112 371	-	27 443 527	-	-	(7 102 399)	112 453 499
Refuse dump	223 222	-	-	-	-	(96 633)	126 589
	281 211 215	**2 778 307**	**60 232 819**	**(323 449)**	**8 581 000**	**(33 620 265)**	**318 859 627**

Notes to the Annual Financial Statements

	2025	2024

3. Property, plant and equipment (continued)

Pledged as security

There were no items of property,plant and equipment that was pledged as security during the current financial year.

Land Held for Strategic Use and Land Subject to Restrictions

Land Held for Strategic Use

The Municipality owns land held for strategic municipal purposes, primarily to support human settlement projects and long-term development planning. The related title deeds include restrictions requiring that:

The land must be utilised for the creation of sustainable human settlements and/or projects approved by the Provincial Government of KwaZulu-Natal; and

The land may not be sold or alienated without the prior consent of the MEC: Human Settlements and Public Works.

These restrictions limit disposal and prescribe permitted use, but the Municipality retains full control and continues to benefit from the land. The properties are therefore recognised as PPE (Land) in accordance with GRAP 17, and the restrictions do not affect their measurement.

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Building	Total
Opening balance	30 918 854	19 524 042	1 127 443	51 570 339
Additions/capital expenditure	27 884 920	22 022 555	1 175 864	51 083 339
Transferred to completed items	(47 791 541)	(29 587 658)	(2 303 307)	(79 682 506)
	11 012 233	**11 958 939**	**-**	**22 971 172**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Building	Total
Opening balance	8 964 039	14 875 946	-	23 839 985
Additions/capital expenditure	31 661 849	27 443 527	1 127 443	60 232 819
Transferred to completed items	(9 707 034)	(22 795 431)	-	(32 502 465)
	30 918 854	**19 524 042**	**1 127 443**	**51 570 339**

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		
Motor Vehicles	1 683 796	2 023 992
Buildings	1 062 687	753 646
Plant and Machinery	5 775 001	4 324 407
Community Assets	1 120 888	649 750
Refuse Dump	4 903 200	2 147 500
Office equipment	172 150	478 262
Furniture and Fixture	28 300	-
Infrastructure	19 071 330	10 753 197
	33 817 352	**21 130 754**

3. Property, plant and equipment (continued)

Disclosure for Work in Progress – Significant Delays

Machunwini Cemetery Development

The Municipality initiated the Machunwini Cemetery Development project in prior years, incurring R809,300 for environmental and geotechnical studies to assess land suitability.All studies have been completed; however, the project is delayed pending the transfer of the identified land from the church to the Municipality.The project remains recognized as Work in Progress under GRAP 17, as it is expected to provide service potential upon completion. Management assessed for impairment under GRAP 21 and GRAP 26, and no impairment was required as the project remains viable.

Construction of Cannan Gravel Access Road

The project has taken longer than expected due to procurement and site challenges. To date, payments amounting to R5 864 214.53 have been made, and the expenditure is recognised as Work-in-Progress (WIP) in line with GRAP 17. The Municipality assessed the project for impairment and concluded that no impairment is required.

Rehabilitation of Magoso Access Road

The project relates to the rehabilitation of the Magoso Access Road. To date, payments amounting to R974 577.71 have been made, and the expenditure is recognised as Work-in-Progress (WIP) in accordance with GRAP 17. The Municipality has assessed the project for impairment and determined that no impairment is required.

Rehabilitation of Amoibe Access Road

The project relates to the rehabilitation of the Amoibe Access Road. To date, payments amounting to R928 436.58 have been made, and the expenditure is recognised as Work-in-Progress (WIP) in accordance with GRAP 17. The Municipality has assessed the project for impairment and concluded that no impairment is required.

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	17 094 169	(10 490 770)	6 603 399	12 475 781	(5 142 568)	7 333 213

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	7 333 213	4 623 312	(5 353 126)	6 603 399

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software,	5 485 840	4 753 852	(2 906 479)	7 333 213

Pledged as security

There were no items of intangible assets that were pledged as security in the current financial year.

Restricted title

There were no items of intangible assets that thave a restricted title in the current financial year.

Notes to the Annual Financial Statements

Figures in Rand

5. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayors' Chain	260 000	-	260 000	260 000	-	260 000

Reconciliation of heritage assets 2025

	Opening balance	Total
Mayors' Chain	260 000	260 000

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayors' Chain	260 000	260 000

Pledged as security

There were no items of heritage assets that were pledged as security in the current financial year.

Notes to the Annual Financial Statements

	2025	2024

6. Payables from exchange transactions

Trade payables	763 190	287 224
Payments received in advance	4 402 177	5 457 240
Accrued leave pay	10 672 539	9 683 427
Employee Cost	-	8 761
Output Vat Accrual	64 036 447	63 798 446
Employee Bonus Accrual	2 081 576	1 885 570
Retention & Surity	5 745 337	7 301 700
Unallocated deposits	2 568 830	2 568 830
	90 270 096	**90 991 198**

Payables are being recognised net of any discounts received.

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.

Staff leave is accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.

Notes to the Annual Financial Statements

	2025	2024

7. Employee benefit obligations

Defined benefit plan

Carrying value		
Opening Balance	1 495 000	1 344 000
Interest Cost	174 000	178 000
Current Service Cost	172 000	164 000
Benefit Payment	(76 000)	(117 000)
Actuarial Loss/(Gain)	20 000	(74 000)
	1 785 000	**1 495 000**

Net expense recognised in the statement of financial performance

Current service cost	172 000	164 000
Interest cost	174 000	178 000
Bnefit Payment	(76 000)	(117 000)
Actuarial Loss/(Gain)	20 000	(74 000)
	290 000	**151 000**

Nature of Liability

The employer's long service bonus awards consist of an obligation to pay out a bonus in the year of the employee attaining the required service. This obligation represents a liability to the employer and the value is represented by the calculated Accrued Liability.

The Accrued Liability is determined on the basis that each employee’s long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. For example, if an employee is expected to have a working lifetime of 10 years, their accrued liability would increase by a 10th of their total liability each year.

The total liability represents the expected amount of awards offered to employees, which are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.

Financial variable	**Assumed value 30 June 2025**	**Assumed value 30 June 2024**
Discount rates	9,78 %	11,35 %
CPI (Consumer Price Inflation)	4,46 %	5,88 %
Normal Salary Increase Rate	5,46 %	6,88 %
Net Effective Discount Rate	4,09 %	4,18 %

Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Financial Variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Sensitivity Analysis

The valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership. To illustrates the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following options:

7. Employee benefit obligations (continued)

- 20% increase/decrease in the assumed level of withdrawal rates.
- 1% increase/decrease in the normal salary cost inflation.
- 1% increase/decrease in the discount rate
-1-year increase/decrease in the average retirement age

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rate of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality win the form of benefits will reduce and vice versa.

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	1 899 000	1 785 000	1 683 000
Current Service Cost	210 000	193 000	178 000
Interest Cost	192 000	181 000	170 000
	2 301 000	**2 159 000**	**2 031 000**

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% per annum change in the Normal Salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	1 672 000	1 785 000	1 910 000
Current Service Cost	179 000	193 000	209 000
Interest Cost	169 000	181 000	194 000
	2 020 000	**2 159 000**	**2 313 000**

Valuation Assumption

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long Service Awards Liabilities

Long service benefits are awarded in the form of several leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 249 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing future salary growth.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements, and withdrawals from service.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

7. Employee benefit obligations (continued)

Valuation of Assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

Discount Rate

We use the nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2025 of 5,01%. The next salary increase was assumed to take place on 01 July 2026.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

8. Receivables from exchange transactions

	2025	2024
Accrued interest income	588 019	1 334 891
Building Deposit	300 000	300 000
Input Vat Accrual	67 400 366	64 370 677
Prepayments	2 381 924	2 413 524
Rentals	219 863	182 338
Refuse	376 803	86 655
	71 266 975	**68 688 085**

Prepayments

	2025	2024
Opening Balance	2 413 524	4 306 573
Impairment	(518 822)	(1 893 049)
Movement for the year	487 222	(1 893 049)
	2 381 924	**2 413 524**

The current year movement relates to materials that have been purchased in advance.

Notes to the Annual Financial Statements

	2025	2024

8. Receivables from exchange transactions (continued)

Rentals

	2025	2024
Gross balance	354 577	744 686
Bad debt written off	-	(464 046)
Consumer debtors - Provision for bad debts impairment rental - 121 - 365 days	(134 714)	(98 302)
Net Balance	**219 863**	**182 338**

Refuse

	2025	2024
Gross balance	1 438 718	1 638 194
Bad debt written off	-	(359 732)
Impairment	(1 061 915)	(1 191 807)
Net Balance	**376 803**	**86 655**

Notes to the Annual Financial Statements

	2025	2024
Refuse		
Current (0-30 days)	159 832	163 217
31 - 60 days	61 006	63 609
61 - 90 days	61 006	63 609
91 - 120 days	61 006	63 609
121 - 365 days	1 095 867	924 420
	1 438 717	**1 278 464**

Summary of debtors by customer calassification

	2025	2024
Consumers		
Current (0-30 days)	20 504	22 528
31 - 60 days	10 252	11 264
61 - 90 days	10 252	11 264
91 - 120 days	10 252	11 264
121 - 365 days	402 744	115 710
	454 004	**172 030**
Less: Allowance for impairment	(454 004)	(168 283)
	-	**3 747**
Industrial / Commercial		
Current (0-30 days)	108 090	124 734
31 - 60 days	35 745	44 367
61 - 90 days	35 745	44 367
91 - 120 days	35 745	44 367
121 - 365 days	603 819	707 270
	819 144	**965 105**
Less: Allowance for impairment	(485 124)	(903 046)
	334 020	**62 059**
National and provincial government		
Current (0-30 days)	31 238	15 956
31 - 60 days	15 009	7 978
61 - 90 days	15 009	7 978
91 - 120 days	15 009	7 978
121 - 365 days	89 304	101 439
	165 569	**141 329**
Less: Allowance for impairment	(122 787)	(120 476)
	42 782	**20 853**
Total		
Current (0-30 days)	159 832	163 218
31 - 60 days	61 006	63 609
61 - 90 days	61 006	63 609
91 - 120 days	61 006	63 609
121 - 365 days	1 095 867	924 419
	1 438 717	**1 278 464**
Less: Allowance for impairment	(1 061 915)	(1 191 805)
	376 802	**86 659**

Notes to the Annual Financial Statements

	2025	2024

. **Receivables from non-exchange transactions (continued)**

Service charges impairment

The creation and release of allowance for impaired receivables have been included in the operating expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of the recovering additional cash. Refuse debtors are impaired as a result of non collectability of the debtors due to the fact that people do not have title deeds and no basic services are offered including sewer system and refuse remove.

9. Receivables from non-exchange transactions

Gross balances		
Rates	29 761 190	81 356 631
Statutory Receivables - VAT Control(Receivable) due from SARS	2 268 043	4 260 778
Traffic fines	340 300	160 950
Other	-	143 230
	32 369 533	**85 921 589**
Less: Allowance for impairment		
Rates - Impairment	(26 515 332)	(18 918 113)
Rates - Bad bebt written off	-	(60 073 563)
Other - Bad debt written off	-	(143 230)
Traffic fines - Impairment	(214 450)	(160 950)
	(26 729 782)	**(79 295 856)**
Net balance		
Rates	3 245 858	2 364 954
Statutory Receivables - VAT Control(Receivable) due from SARS	2 268 043	4 260 778
Traffic Fines	125 850	-
	5 639 751	**6 625 732**
Included in above is receivables from exchange transactions		
Rates	3 245 858	2 364 954
Statutory Receivables - VAT Control(Receivable) due from SARS	2 268 043	4 260 778
Traffic Fines	125 850	-
	5 639 751	**6 625 732**
Net balance	**5 639 751**	**6 625 732**
Rates		
Current (0 -30 days)	2 246 055	2 856 403
31 - 60 days	832 587	1 258 842
61 - 90 days	822 163	1 202 446
91 - 120 days	764 016	1 170 571
121 - 365 days	25 096 369	14 794 803
	29 761 190	**21 283 065**

Notes to the Annual Financial Statements

	2025	2024

9. Receivables from non-exchange transactions (continued)

	2025	2024
Traffic fines		
Current (0 -30 days)	111 750	4 800
31 - 60 days	14 100	5 200
61 - 90 days	11 700	12 800
91 - 120 days	5 600	-
121 - 365 days	36 200	135 750
> 365 days	160 950	2 400
	340 300	**160 950**
Less: Allowance for impairment	(214 450)	(160 950)
	125 850	**-**

	2025	2024
Statutory Receivables - VAT Control(Receivable) due from SARS		
Current (0 -30 days)	2 268 043	4 260 778
	2 268 043	**4 260 778**

Summary of debtors by customer classification

	2025	2024
Consumers		
Current (0 -30 days)	117 126	145 927
31 - 60 days	39 955	72 963
61 - 90 days	38 824	72 963
91 - 120 days	36 110	72 963
121 - 365 days	3 169 275	2 443 531
	3 401 291	2 808 348
Less: Allowance for impairment	(3 401 291)	(2 808 348)
	-	-

	2025	2024
Industrial/ commercial		
Current (0 -30 days)	962 317	1 384 167
31 - 60 days	372 206	630 674
61 - 90 days	371 491	630 324
91 - 120 days	320 210	630 324
121 - 365 days	14 511 535	8 342 067
	16 537 759	11 617 556
Less: Allowance for impairment	(15 741 813)	(11 000 910)
	795 946	**616 646**

	2025	2024
National and provincial government		
Current (0 -30 days)	1 166 611	1 326 308
31 - 60 days	420 425	555 204
61 - 90 days	411 848	499 158
91 - 120 days	407 696	467 283
121 - 365 days	7 415 559	4 009 204
	9 822 139	6 857 157
Less: Allowance for impairment	(7 372 229)	(5 108 852)
	2 449 910	**1 748 305**

Notes to the Annual Financial Statements

	2025	2024

9. Receivables from non-exchange transactions (continued)

Total		
Current (0 -30 days)	2 246 054	2 856 402
31 - 60 days	832 586	1 258 841
61 - 90 days	822 163	1 202 445
91 - 120 days	764 016	1 170 570
121 - 365 days	25 096 369	14 794 802
	29 761 188	21 283 060
Less: Allowance for impairment	(26 515 333)	(18 918 110)
	3 245 855	**2 364 957**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(19 079 063)	(61 642 903)
Contributions to allowance	(7 650 720)	(17 652 953)
Debt impairment written off against allowance	-	60 216 793
	(26 729 783)	**(19 079 063)**

Statutory receivables general information

Determination of transaction amount - Traffic fines

The two types of traffic fines that are issued are:
1) Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO Act).
2) Traffic fines issued in terms of the Criminal Procedures Act.

There is no interest charged on traffic fine debtors

Determination of transaction amount - Rates

Property rates are levied in terms of the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004). The values are determined based on the market value of properties as reflected in the applicable valuation roll approved by the Municipality.

In accordance with GRAP 23: Revenue from Non-Exchange Transactions, the transaction amount for property rates is recognised when the Municipality has the legal right to levy and collect such revenue.

A provision for impairment of statutory debtors relating to property rates is determined based on the risk profile of each customer and the historical default rates identified by the Municipality.

No interest is charged on outstanding property rates debtors.

Determination of transaction amount - Statutory Receivables – VAT

At year-end, the Municipality had a receivable from the South African Revenue Service (SARS) relating to VAT refunds due. In line with GRAP 108: Statutory Receivables and MFMA Circular 38 of 2025, this balance has been classified as a statutory receivable.

The receivable is measured at the transaction amount determined in accordance with the VAT Act and is considered fully recoverable.

No interest charged.

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

Statutory receivables are assessed for impairment in accordance with GRAP 108. Refer to the impairment methodology document.

	2025	2024

9. Receivables from non-exchange transactions (continued)

Discount rate applied to the estimated future cash flows

A discount rate of 10% was used against the Municipality's future cash flow to be derived from gross receivable.

Receivables past due but not impaired

Relating specifically to Statutory Receivables

Receivable accounts that have no balance outstanding longer than 30 days at reporting date are not subject to impairment. At 30 June 2025, R 1 066 260 (2024:R 2 295 738) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	373 989	649 185
2 months past due	179 293	104 929
3 months past due and above	616 462	560 655
	1 169 744	**1 314 769**

1 month past due	279 915	776 032
2 month past due	53 828	298 789
3 month past due	53 302	249 738
4-5 months past due	105 225	397 918
6 months and above	573 990	573 261
	1 066 260	**2 295 738**

Receivables impaired

Relating specifically to Statutory Receivables

As of 30 June 2025, statutory receivables of 28 694 930 (2024: 18 987 328) were impaired and provided for.

The amount of the provision was 26 515 332 30 June 2025 (2024: 18 918 114).

The ageing of these receivables is as follows:

3 to 6 months	4 844 162	3 242 821
Over 6 months	65 177 437	53 552 174
	70 021 599	**56 794 995**

Heading		
1 month past due	4 553 394	2 080 372
2 month past due	778 759	960 054
3 month past due	768 861	952 708
4-5 months past due	1 418 152	1 905 416
6 months and above	21 175 764	13 088 779
	28 694 930	**18 987 329**

Factors the entity considered in assessing statutory receivables impaired

The Municipality took into account past trends in terms of collections.
Financial difficulties faced by ratepayers due to the current economic cliamte.
Probability of recovery considering processes available to the Municipality.

	2025	2024

9. Receivables from non-exchange transactions (continued)

Consumer debtors impaired

The creation and release of allowance for impaired receivables have been included in the operating expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of the recovering additional cash. Consumer debtors are impaired as a result of non collectability of the debtors due to the fact that people do not have title deeds and no basic services are offered including sewer system.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Bank balances	85 176 984	72 767 859

Notes to the Annual Financial Statements

	2025	2024

10. Cash and cash equivalents (continued)

Cash held at banks earns interest at floating rates, which are determined based on daily bank deposit rates.

Short-term deposits are made for varying periods based on the Municipality's immediate cash requirements and earn interest at the prevailing rates applicable to each deposit term.

The following short-term investment accounts were opened and closed during the year under audit. These accounts were structured to mature over fixed terms, and were closed upon reaching their respective maturity dates in line with the Municipality's cash flow requirements:

Standard bank - Fixed Deposit - 248875914-026
Standard bank - Fixed Deposit - 248875914-022
Standard bank - Fixed Deposit -248875914-027
Nedbank - Fixed Deposit - 03/7881164492/000015
Nedbank - Fixed Deposit - 03/7881164492/000016
Nedbank - Fixed Deposit - 03/7881164492/000012
Nedbank - Fixed Deposit - 03/7881164492/000005
ABSA - Call Account - 9372793217
ABSA - Call Account - 9389818503
ABSA - Call Account - 9390001349
Standard bank - Fixed Deposit - 248875914-031
ABSA - Fixed Deposit - 2081672111
Standard bank - Fixed Deposit - 248875914-030
Standard bank - Fixed Deposit - 248875914-029
Standard bank - Fixed Deposit - 248875914-032
ABSA - Fixed Deposit - 2081672080
ABSA - Call Account - 9393962027
ABSA - Call Account - 9393961958
Nedbank - 03/7881164492/000017
Standard bank - Fixed Deposit - 248875914-033
ABSA - Call Accoun - 9394840840
Standard bank - Fixed Deposit - 248875914-035
Standard bank - Fixed Deposit - 248875914-034
Standard bank - Fixed Deposit - 248875914-036
Standard bank - Fixed Deposit - 248875914-037
ABSA - Call Account - 93965205-81
ABSA - Call Account - 93965330-79
Standard bank - Fixed Deposit - 248875914-038
Standard bank - Fixed Deposit - 248875914-039
Standard bank - Fixed Deposit - 248875914-041
Standard bank - Fixed Deposit - 248875914-039
Standard bank - Fixed Deposit - 248875914-040
Standard bank - Fixed Deposit - 248875914-039
Standard bank - Fixed Deposit - 248875914-043
Standard bank - Fixed Deposit - 248875914-042

Notes to the Annual Financial Statements

	2025	2024

10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	**30 June 2024**	**30 June 2023**	**30 June 2025**	**30 June 2024**	**30 June 2023**
-Absa Bank Acount - Current Account - 4053635886	451 507	244 813	3 710 325	451 507	244 813	3 461 972
FNB Bank - Money On Call- 62499591777	-	-	1 466 542	-	-	1 466 542
FNB - Call Account - 63011161104	-	-	10 175 575	-	-	10 175 575
FNB - Call Account - 63037647055	52 807	49 401	45 833	52 807	49 401	45 833
Absa Bank - Fixed Deposit - 9372793217	-	5 571 133	5 134 979	-	5 571 133	5 134 979
Nedbank - Call Account 03/7881164492/005	-	48 168	10 537 198	-	48 168	10 537 198
Absa Bank - Fixed deposit 2080807139	-	-	865 622	-	-	865 622
FNB - Fixed Deposit - 76202687699	-	-	5 207 039	-	-	5 207 039
Standard Bank - Fixed Deposit - 248875914 009	-	-	15 308 100	-	-	15 308 100
Nedbank-Call Deposit 03/7881164492/000012	-	82 651	-	-	82 651	-
Nedbank - Fixed Deposit 03/7881164492/000015	-	20 974 948	-	-	20 974 948	-
Standard Bank - Fixed Deposit- 248875914-022	-	10 754 024	-	-	10 754 024	-
Standard Bank - Fixed Deposit - 248875914-026	-	10 386 411	-	-	10 386 411	-
Standard Bank - Fixed Deposit - 248875914 027	-	10 386 411	-	-	10 386 411	-
Standard Bank - BUSINESS CURRENT ACCOUNT 243176074	367 511	14 257 428	-	(191 762)	13 611 182	-
Standard Bank - 25 199 000 1 Debit Order account	6 630	658 716	-	6 630	658 716	-
ABSA - Fixed Deposit - 2081672218	10 747 526	-	-	10 747 526	-	-
ABSA - Fixed Deposit - 2081957022	21 430 849	-	-	21 430 849	-	-
Standard Bank - Fixed Deposit - 248875914-044	10 427 012	-	-	10 427 012	-	-
Standard Bank - Fixed Deposit - 248875914-045	10 211 726	-	-	10 211 726	-	-
Standard Bank - Fixed Deposit - 248875914-046	10 211 726	-	-	10 211 726	-	-
Standard Bank - Fixed Deposit- 248875914-047	10 427 012	-	-	10 427 012	-	-
Standard Bank - Call Deposit - 248875914-003	11 401 951	-	-	11 401 951	-	-
Total	**85 736 257**	**73 414 104**	**52 451 213**	**85 176 984**	**72 767 858**	**52 202 860**

Notes to the Annual Financial Statements

	2025	2024

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Disaster Relief Grant	117 042	5 489 865
Economic Development Grant	-	90 939
Library Grant	1 167 999	-
LG SETA - Mandatory Grant	200 326	-
Disaster Response Grant	249 550	-
	1 734 917	**5 580 804**

The Municipality recognises government grants and other forms of assistance in accordance with applicable accounting standards when there is reasonable assurance that the grants will be received and all attached conditions will be complied with.

Unspent conditional grants received during the year are disclosed separately and represent amounts that are subject to specific conditions and obligations that have not yet been fulfilled. These amounts are invested in a ring-fenced investment until utilised. The Municipality has applied for the rollover of unutilised funds to be used in the next financial year. The Municipality monitors these unfulfilled conditions and contingencies to ensure compliance with grant requirements.

The nature and extent of government grants recognised and for which all conditions have been fulfilled are disclosed in a separate revenue note.

12. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Finance costs	Utilised during the year	Total
Environmental rehabilitation	-	-	-	-	-
Landfill site rehabilitation	7 802 622	-	1 109 894	-	8 912 516
Performance bonus provision	978 022	978 022	-	(978 022)	978 022
	8 780 644	**978 022**	**1 109 894**	**(978 022)**	**9 890 538**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Finance costs	Utilised during the year	Total
Landfill site rehabilitation	6 195 867	-	1 606 755	-	7 802 622
Performance bonus provision	946 778	792 571	-	(761 327)	978 022
	7 142 645	**792 571**	**1 606 755**	**(761 327)**	**8 780 644**

	2025	2024
Non-current liabilities	8 912 516	7 802 622
Current liabilities	978 022	978 022
	9 890 538	**8 780 644**

Notes to the Annual Financial Statements

	2025	2024

12. Provisions (continued)

Landfill site rehabilitation

The provision for rehabilitation of the landfill site relates to the Municipality's legal obligation to rehabilitate land used for waste disposal, in accordance with the National Environmental Management Act No. 107 of 1998 and the Environment Conservation Act No. 73 of 1989. The provision is calculated at the present value of the expected future costs to be incurred in fulfilling the rehabilitation obligations at the end of the landfill's useful life.

The provision is calculated as the net present value of future cash flows expected to be incurred to rehabilitate the site. This calculation is based on the estimated remaining useful life of the landfill site and the portion of the site utilised as at 30 June 2025. As of this date, approximately 5,600 m² of the uMsinga Landfill Site has been used, with the remaining life of the site estimated at 2.31 years.

Assumptions	**30 June 2025**	**30 June 2024**
Consumer Price Inflation (CPI)	2,80 %	5,26 %
Discount rate	5,75 %	5,32 %
Net discount rate	4,28 %	5,36 %

Performance bonus

The provision relates to performance bonuses for Section 57 employees. These bonuses are paid one year in arrears, as the assessment of performance is conducted after the financial year-end. The evaluation process is carried out in accordance with applicable performance management regulations and is subject to Council approval following a formal performance review.

13. Revenue

	2025	2024
Service charges	1 179 606	1 039 466
Construction contracts	16 199 130	17 391 304
Rental of facilities and equipment	604 297	623 084
Other income	323 662	234 217
Licences and permits	368 113	345 281
Interest received - investment	12 701 168	10 246 847
Property rates	17 315 617	26 949 649
Traffic fines	179 350	160 950
Surcharges and Taxes	62 500	-
Interest, Dividends and Rent on Land	1 006 738	-
Government grants & subsidies	298 437 689	293 469 146
	348 377 870	**350 459 944**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	1 179 606	1 039 466
Construction contracts	16 199 130	17 391 304
Rental of facilities and equipment	604 297	623 084
Other income	323 662	234 217
Licences and permits	368 113	345 281
Interest received - investment	12 701 168	10 246 847
	31 375 976	**29 880 199**

Notes to the Annual Financial Statements

	2025	2024

13. Revenue (continued)

	2025	2024
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	17 315 617	26 949 649
Traffic fines	179 350	160 950
Penalties Charged	62 500	-
Recoveries	1 006 738	-
Transfer revenue		
Government grants & subsidies	298 437 689	293 469 146
	317 001 894	**320 579 745**

14. Service charges

	2025	2024
Refuse Removal	1 179 606	1 039 466

The Municipality provides refuse removal services to residential, commercial, and public properties within its jurisdiction. These services include the regular collection, transportation, and disposal of solid waste at authorised landfill or waste management facilities. Tariffs are approved annually by the Council and billed monthly based on property type and service level.

15. Rental of facilities and equipment

	2025	2024
Premises		
Facilities and equipment	604 297	623 084

Rental income is derived from the leasing of various municipal assets, including municipal properties, community facilities (such as halls), market stalls, and agricultural (ploughing) assets. Lease agreements typically range in duration from 1 to 5 years, depending on the nature of the asset and the terms negotiated with tenants.

16. INEP Construction contracts revenue

	2025	2024
Revenue	16 199 130	17 391 304
Expenditure	(16 199 130)	(17 391 304)
	-	-

uMsinga Local Municipality entered into an agreement with department of energy to undertake rural electrification projects on behalf of the department. The Municipality's responsibilities include appointment of the service provider, management of the project from the start to the end and paying amounts owed to the service providers. The Municipality is required to submit monthly progress reports to the department of energy reflecting stage of completion. The Municipality is allocated the grant under Schedule 5B and does not have the licence to provide electricity, It is constructing the asset on behalf of Eskom. The munipality is constructing the asset on behalf of Eskom The INEP Construction Contract Expenses consists mainly of costs incurred to obtain goods and services from suppliers or subcontractors for the construction of Eletrification Infrastructure. The INEP Construction Contract Revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred. The amount due for contract work done is recognised as a debtor and disclosed on the note for Receivables from exchange transactions. The amounts received in advance for work to be done is recognised as a liability and disclosed in Payables from exchange transactions.

During the current financial year the Municipality had spent over and above the allocated grant money (the equitable share was discretionarily used to fund expenditure).

Construction contracts relate to agreements entered between the Municipality and Department of Mineral and Energy in respect of Electrification Projects. The Municipality acts as an agent in these arrangements. These arrangements are accounted for in line with GRAP 11 - Construction contracts.

Notes to the Annual Financial Statements

	2025	2024

17. Lease rentals on operating lease

Lease rentals on operating lease		
Contractual amounts	1 595 733	1 688 834

The Municipality entered into an operating lease agreement with ITEC on 1 July 2022 for a period of three years to lease photocopier machines. The monthly rental expense is recognized in the Statement of Financial Performance. The lease term is fixed at three years with no escalation clauses, and the rental amount remains constant throughout the duration of the contract.

No new lease agreements were entered into during the year under audit.

18. Other revenue

Other income	323 662	234 287

Other income comprises revenue generated from services such as rates clearance certificate fees, library printing services, and the sale of tender documents. These income streams, while not significant compared to the Municipality's core revenue sources, provide an important contribution towards supporting operational activities and service delivery.

19. Licences and permits

Road and Transport	368 113	345 281

The Municipality has entered into an agency arrangement with the KwaZulu-Natal Department of Transport for the collection of licence and permit fees for all vehicles, including those with outstanding municipal arrears. Under this arrangement, the Municipality acts as an agent, collecting licence and permit fees determined by the KwaZulu-Natal Department of Transport and subsequently remitting these fees in full to the Department.

The Municipality is responsible for appointing employees to provide the collection services. In accordance with GRAP 109, Accounting by Principals and Agents, this arrangement has been accounted for as an agency transaction.

As required by GRAP 109, the Municipality discloses the following information regarding revenue and expenses relating to transactions with third parties under this principal-agent arrangement:

Categories of revenue and expenses: Licence and permit fees collected on behalf of the KwaZulu-Natal Department of Transport.

Amounts received and expenses incurred: During the reporting period, the Municipality received a total amount of R 368 113 from licence and permit fee collections. In the prior financial year, an amount of R 345 281 was collected. All related expenses incurred in the collection process are borne by the Municipality as part of its operational responsibility.

20. Investment revenue

Interest revenue		
Interest Received	12 701 168	10 246 847

Interest income is derived from favourable bank balances and short-term investments held by the Municipality during the financial year. The amount of interest earned is influenced by the Municipality's available cash reserves as well as the prevailing market interest rates at the reporting date.

	2025	2024

21. Property rates

Rates

	2025	2024
Residential	101 981	831 613
Commercial	6 501 817	11 152 440
State	10 711 819	14 965 596
	17 315 617	**26 949 649**

Rates are levied annually on various categories of properties in accordance with the Municipality's Rates Policy, and are payable in twelve monthly instalments, with the final payment due by 30 June 2025. Tariffs applicable to each property category are approved annually by Council as part of the budget process. No interest or penalties are charged on outstanding amounts.

Valuations

	2025	2024
Residential	18 842 300	18 027 000
Commercial	1 830 323 835	1 488 074 000
State	665 283 405	493 896 000
Municipal	45 265 000	56 916 000
Other	48 106 000	35 362 000
	2 607 820 540	**2 092 275 000**

Valuations on land and buildings are performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

During the current financial year ended 30 June 2025, the Municipality implemented a new general valuation roll for land and buildings, as approved by Council. In conjunction with the adoption of the new valuation roll, Council resolved to apply a rate shock management approach. This approach entails a reduction in applicable property rates tariffs for the 2024/25 financial year only, in order to mitigate the immediate impact of increased valuations on ratepayers and to promote affordability within the community.

From the 2025/26 financial year onwards, the tariffs are expected to increase on a gradual basis, as determined by Council, to align with the Municipality's revenue requirements while maintaining affordability for ratepayers. The temporary reduction in the current year's tariffs is therefore a once-off measure aimed at easing the transition to the new valuation roll.

In terms of the Municipal Property Rates Act, the Municipality does not levy rates on the first R55,000.00 of the market value of all residential properties. This exemption includes the R15,000.00 statutory impermissible rate in accordance with Section 17(1)(h) of the Act.

In terms of the Municipality's Rates Policy, pensioners may apply for a reduction in the market value of their property up to R100,000.00. This rebate is granted upon successful application and subject to qualifying criteria. No applications were received for this rebate during the current financial year.

The Municipality offers a 100% rates rebate to qualifying indigent households with a total monthly income not exceeding R4 000.00, in accordance with its Indigent Policy. This rebate is granted upon application and approval. No applications were received during the current financial year.

The Municipality offers a 100% rates rebate to qualifying child-headed households in accordance with its Rates Policy. This rebate is subject to application and approval based on set criteria. No applications were received during the current financial year.

22. Traffic fines

	2025	2024
	179 350	160 950

	2025	2024

22. Traffic fines (continued)

The Municipality levied and recognised traffic fines for the first time during the financial year ended 30 June 2024, following the establishment of a new traffic department. Although the department only became fully operational during the current financial year, traffic fines were already being issued and recognised as revenue in the prior year. No traffic fines were levied or recognised in financial years preceding 2024.

23. Government grants & subsidies

	2025	2024
Operating grants		
Library Grant	1 356 000	1 289 000
Disaster Response	2 953 450	-
Finance Management Grant (FMG)	1 800 000	1 850 000
Extended Public Works Programme	3 287 000	4 046 000
Equitable share	232 162 000	220 592 100
Economic Development Grant	1 975 416	2 908 911
Disaster Recovery Grant	11 387 823	12 539 135
	254 921 689	**243 225 146**
Capital grants		
Municipal infrastructure grant	43 516 000	50 244 000
	298 437 689	**293 469 146**

Equitable Share

The Equitable Share represents the unconditional allocation of nationally raised revenue to the Municipality in accordance with Section 214 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and the Division of Revenue Act (DoRA), promulgated annually. This allocation is intended to subsidize the provision of free basic services to indigent households, fund institutional capacity, and support the Municipality’s operational costs. The grant is recognised as revenue when received, in line with the requirements of GRAP 23: Revenue from Non-Exchange Transactions.

Municipal Infrasructure Grant (MIG)

	2025	2024
Current-year receipts	43 516 000	50 244 000
Conditions met - transferred to revenue	(43 516 000)	(50 244 000)
	-	**-**

The MIG is a conditional grant used for the construction, upgrading, and rehabilitation of municipal infrastructure, including roads and community facilities. During the year, the Municipality complied with all grant conditions, and no funds were withheld. Revenue has been recognised in accordance with GRAP 23.

Finance Management Grant (FMG)

	2025	2024
Current-year receipts	1 800 000	1 850 000
Conditions met - transferred to revenue	(1 800 000)	(1 850 000)
	-	**-**

The Financial Management Grant aims to build municipal financial management capacity. During the year, the grant was used to fund internships, improve financial systems, and support compliance with financial reporting standards. The conditions of the grant were met and no funds have been withheld.

Notes to the Annual Financial Statements

	2025	2024

23. Government grants & subsidies (continued)

Construction of Shelters Grant

Balance unspent at beginning of year	-	559 273
Condition unmet -Grant transfered back	-	(559 273)
	-	**-**

The Construction of Shelter Grant is a conditional grant allocated to the Municipality for the development and construction of emergency or transitional shelters for vulnerable households. No funds were received or utilised under this grant during the current financial year.

Spluma Grant

Balance unspent at beginning of year	-	86 973
Condition unmet -Grant transfered back	-	(86 973)
	-	**-**

The SPLUMA grant supports municipalities in improving spatial planning and land use management. Tthe funds were used to update land use schemes, enhance planning systems, and ensure compliance with SPLUMA requirements. No funds were received diring the year.

Extended Public Works Programme

Current-year receipts	3 287 000	4 046 000
Conditions met - transferred to revenue	(3 287 000)	(4 046 000)
	-	**-**

The Expanded Public Works Programme Grant supports job creation through labor-intensive projects. During the year, the grant was used to create short-term work opportunities, improve local infrastructure, and provide skills development for unemployed community members.The condition of the grant was met and no funds have been withheld.

Library Grant

Current-year receipts	2 524 000	1 289 000
Conditions met - transferred to revenue	(1 356 000)	(1 289 000)
	1 168 000	**-**

The Library Grant supports the development and improvement of public library services. During the year, the grant was used to purchase library materials, upgrade facilities, and support literacy and outreach programmes. - remain liabilities (see note 12).

Economic Development Grant

Balance unspent at beginning of year	90 939	1 000 000
Current-year receipts	2 000 000	2 000 000
Conditions met - transferred to revenue	(1 975 415)	(2 909 061)
Condition unmet -Grant transfered back	(115 524)	-
	-	**90 939**

The Economic Development Grant supports initiatives that stimulate local economic growth and job creation. During the year, the funds were used to support SMMEs, promote skills development, and implement local enterprise and infrastructure projects.

Notes to the Annual Financial Statements

	2025	2024

23. Government grants & subsidies (continued)

Disaster Recovery Grant

	2025	2024
Balance unspent at beginning of year	5 489 865	-
Current-year receipts	6 015 000	18 029 000
Conditions met - transferred to revenue	(11 387 823)	(12 539 135)
	117 042	**5 489 865**

The Disaster Recovery Grant provides funding for the repair and restoration of infrastructure damaged by disasters. During the year, the grant was used to rehabilitate affected areas, restore essential services, and support community recovery efforts.

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

Disaster Response

	2025	2024
Current-year receipts	3 203 000	-
Conditions met - transferred to revenue	(2 953 450)	-
	249 550	**-**

The Disaster Response Grant provides immediate funding to address the impact of declared disasters. During the year, the grant was used for emergency relief efforts, temporary infrastructure, and the provision of essential services to affected communities.

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

LG SETA - Mandatory Grant

	2025	2024
Current-year receipts	200 005	-
	-	**-**

The Municipality receives a conditional grant from the Local Government SETA to fund skills development and training programs. However, the grant was not utilized during the current financial year. The grant remains available for future use in accordance with the prescribed conditions.

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

24. Employee related costs

	2025	2024
Basic	84 799 945	79 978 129
Bonus	4 832 078	6 284 879
Medical aid - company contributions	2 500 261	2 290 862
UIF	539 691	538 107
Leave payout	609 830	473 385
Travel, motor car, accommodation and subsistence	3 975 285	7 972 175
Overtime payments	207 042	777 793
Long-service awards	268 219	460 037
Remuneration of key management	8 699 085	8 826 469
	106 431 436	**107 601 836**

Notes to the Annual Financial Statements

24. Employee related costs (continued)

Remuneration of Municipal Manager

	2025	2024
Annual Remuneration	821 021	792 863
Car Allowance	564 833	545 294
Area Allowance	56 483	54 529
Performance Bonus	191 572	172 205
Contributions to UIF, Medical and Pension Funds	17 742	19 212
Other (including backpay)	46 568	239 217
	1 698 219	**1 823 320**

Remuneration of Chief Finance Officer

	2025	2024
Annual Remuneration	674 101	650 982
Car Allowance	463 757	445 603
Area Allowance	46 376	44 560
Performance Bonus	157 290	117 824
Contributions to UIF, Medical and Pension Funds	14 973	14 784
Other (including backpay)	41 875	82 373
	1 398 372	**1 356 126**

Remuneration of Director: Planning

	2025	2024
Annual Remuneration	674 101	650 982
Car Allowance	463 758	447 715
Area Allowance	46 376	44 772
Performance Bonus	157 290	141 389
Contributions to UIF, Medical and Pension Funds	14 973	15 104
Other (including backpay)	43 871	159 951
	1 400 369	**1 459 913**

Remuneration of Director: Community

	2025	2024
Annual Remuneration	674 101	650 982
Car Allowance	463 757	447 715
Area Allowance	46 376	44 772
Performance Bonus	157 290	141 389
Contributions to UIF, Medical and Pension Funds	14 973	15 104
Other (including backpay)	48 887	91 969
	1 405 384	**1 391 931**

Remuneration of Director: Corporate and Human Resources

	2025	2024
Annual Remuneration	674 101	650 982
Car Allowance	463 757	439 268
Area Allowance	46 376	43 927
Performance Bonuses	157 290	47 130
Contributions to UIF, Medical and Pension Funds	14 973	14 022
Other	41 875	82 541
	1 398 372	**1 277 870**

Notes to the Annual Financial Statements

	2025	2024

24. Employee related costs (continued)

Remuneration of Director: Technical Services

	2025	2024
Annual Remuneration	674 101	650 982
Car Allowance	463 757	447 715
Area Allowance	46 376	44 772
Performance Bonus	157 290	141 389
Contributions to UIF, Medical and Pension Funds	14 973	15 104
Other (including backpay)	41 875	217 347
	1 398 372	**1 517 309**

Remuneration of Key Personnel

The Municipal Manager, all Section 57 Managers, and officials reporting directly to the Municipal Manager are appointed on five-year fixed-term contracts. Each has signed a performance agreement in accordance with Section 51(1)(b) of the Municipal Systems Act, No. 32 of 2000. In the current financial year, only two directors were employed on a permanent basis.

25. Remuneration of Councillors

	2025	2024
Executive Mayor	1 032 988	957 219
Deputy Executive Mayor	836 064	779 907
Speaker	835 887	778 478
Mayoral Committee Members	2 767 149	2 577 343
Councillors	10 863 488	10 078 416
Chief Whip	795 437	512 061
Section 79 committee chairperson	781 429	455 521
	17 912 442	**16 138 945**

In-kind benefits

The Mayor, Deputy Mayor, Speaker, and Members of the Mayoral Committee serve on a full-time basis. Each is provided with an office and secretarial support, funded by the Council.

The Mayor, Deputy Mayor, and Speaker each have the use of separate Council-owned vehicles for official duties.

The Mayor is assigned two full-time bodyguards, while the Deputy Mayor and the Speaker are each assigned two full-time bodyguards.

Accounting Officer's certification of Councillors remuneration

The Accounting Officer hereby certifies that the salaries, allowances, and benefits of Councillors, as disclosed above, fall within the upper limits of the framework contemplated in Section 219 of the Constitution, read in conjunction with the Remuneration of Public Office Bearers Act. A detailed breakdown of Councillors' remuneration is provided in Note 35.

Local government elections were held during the current financial year under audit, resulting in changes to the composition of the Council. Consequently, some Councillors retained their positions, while others vacated their seats or were newly elected to serve on the Council.

26. Depreciation, amortisation and impairment of assets

	2025	2024
Property, plant and equipment	36 582 537	33 619 085
Intangible assets	5 348 202	2 906 479
	41 930 739	**36 525 564**

Notes to the Annual Financial Statements

	2025	2024

26. Depreciation, amortisation and impairment of assets (continued)

Depreciation and amortisation are calculated in accordance with the Standards of GRAP, based on the estimated useful lives of the respective assets. These charges represent the systematic allocation of the depreciable amount of an asset over its useful life, reflecting the consumption of economic benefits or service potential. For further details, refer to the reconciliations provided in Notes 3 and 4.

27. Impairment reversal

	2025	2024
Impairments		
Rates	-	61 642 903
During the 2023 financial year, an impairment was recognized on the outstanding debtor balance. This impairment was subsequently reversed in the 2024 financial year to facilitate a comprehensive reassessment of the recoverability of the debt. Following this reassessment, the accumulated impairment was reversed, and the outstanding debtor balance was written off as irrecoverable in accordance with the Municipality's debt management policies and applicable accounting standards.		
Refuse	-	884 596
During the year ended 30 June 2024, the impairment recognized in the prior year on the outstanding debtor balance was reversed to facilitate a comprehensive recoverability assessment. Based on the analysis performed by the Municipality, the accumulated impairment was reversed, and the outstanding debtor balance was subsequently written off as irrecoverable.		
Rental	-	511 279
During the year ended 30 June 2024, the impairment recognized in the prior year on the outstanding debtor balance was reversed to facilitate a comprehensive recoverability assessment. Based on the analysis performed by the Municipality, the accumulated impairment was reversed, and the outstanding debtor balance was subsequently written off as irrecoverable.		
	-	**63 038 778**

28. Finance Cost

	2025	2024
Defined benefit obligations	174 000	178 000
Landfill site	1 109 894	1 606 755
	1 283 894	**1 784 755**

29. Auditors' remuneration

	2025	2024
Fees	3 451 577	1 888 162

Notes to the Annual Financial Statements

	2025	2024

30. General expenses

Advertising, Publicity and Marketing	1 476 298	1 277 767
Auditors remuneration	3 451 577	1 888 162
Bank charges	112 944	425 633
Community assistance expenses	3 242 343	17 609 987
Entertainment	51 270	50 485
Learnership and internship expenses	892 843	803 950
Licences	331 878	374 778
Management services	3 211 446	5 267 721
Operational running costs	3 987 474	2 108 531
Protective clothing	1 505 385	1 546 359
Seating allowance traditional leaders	3 800	3 500
Security	2 498 831	2 851 896
Special projects	5 086 019	3 008 068
Professional Bodies, Membership and Subscription	1 094 444	1 118 785
Subsistence and travel	3 189 238	1 779 541
Telephone and fax	1 290 553	1 165 784
Training and Education	545 218	1 842 213
Ward committees	3 872 250	2 649 000
	35 843 811	**45 772 160**

31. Free basic services

Electricity	137 922	28 262

The municipality provides free basic electricity support to registered indigent households in accordance with the approved Indigent Policy and the provisions of the Municipal Systems Act and MFMA.

Although Msinga Local Municipality does not distribute electricity, it settles the electricity accounts of qualifying indigent households directly with Eskom on their behalf. This programme is funded from the municipality’s Equitable Share allocation as per the Division of Revenue Act (DoRA).

32. Operational costs

Consultant and Professional Services	20 461 773	16 707 450
Contractors	11 521 427	15 502 324
Outsourced Services	18 372 015	17 164 119
Repairs and Maintenance	33 817 353	21 130 754
	84 172 568	**70 504 647**

Notes to the Annual Financial Statements

33. Cash generated from operations

	2025	2024
Surplus	34 732 520	34 566 730
Adjustments for:		
Depreciation and amortisation	41 930 739	36 525 564
Impairment reversals	-	(63 038 778)
Profit on disposal	41 259	(128 059)
Bad Debts written off	-	61 040 572
Contribution to impairment	8 076 062	20 369 172
Movement in Provisions	290 000	151 000
Movements in provisions	1 109 894	1 637 999
Changes in working capital:		
Receivables from exchange transactions	(3 004 232)	229 467
Receivables from non-exchange transactions - consumer debtors	(6 659 813)	(12 086 513)
Payables from exchange transactions	(721 101)	4 676 756
Unspent conditional grants and receipts	(3 845 887)	3 934 559
	71 949 441	**87 878 469**

34. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
• Community Asset	29 431 657	11 268 867
• Infrastructure Asset	13 481 249	15 895 594
	42 912 906	**27 164 461**
Total capital commitments		
Already contracted for but not provided for	42 912 906	27 164 461

Authorised operational expenditure

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities,retained surpluses, existing cash resources, funds internally generated and government grants.

The amounts as disclosed are VAT inclusive.

Commitments balance at the end of the financial period excludes retention payments/value, as retention is a creditor and forms part of the accounting records already.

Operating leases - as lessee (expense)

	2025	2024
Minimum lease payments due		
- within one year	-	1 282 622

The Municipality entered into an operating lease agreement with ITEC on 1 July 2022 for a period of three years to lease photocopier machines. The monthly rental expense is recognized in the Statement of Financial Performance. The lease term is fixed at three years with no escalation clauses, and the rental amount remains constant throughout the duration of the contract.

No new lease agreements were entered into during the year under audit.

35. Contingenties

The Municipality is defending a legal claim filed by Mr Hlela in the uMsinga Magistrate Court. The plaintiff alleges that his vehicle was damaged by a pothole on the R33 while travelling from Greytown, and attributes the damage to the Municipality's failure to maintain the road. He is claiming an amount of R8,860.90, based on the costs he incurred to repair his vehicle, with interest accruing at 15.5% per annum from the date of judgment to the date of payment. The Municipality, represented by Shepstone & Wylie Incorporated, has submitted a plea of misjoinder, arguing that the responsibility for the R33 lies with the KwaZulu-Natal Department of Transport and not the Municipality. As at reporting date, legal costs incurred total R 13 487.20. The matter remains unresolved.

The Municipality is defending a legal claim filed by Ms Mbalenhle Mhlongo in relation to a motor vehicle accident that allegedly occurred in February 2021 in the eDrayeni area, involving a Municipal waste department truck and a private vehicle. The plaintiff alleges that the accident was caused by the negligence of a Municipal employee and is claiming an amount of R 90 521.41 for vehicle repair costs, along with interest at a rate of 7.25% per annum a tempore morae. The Municipality has filed a notice of intention to defend and, in terms of Rule 23 of the court rules, has requested all supporting invoices relating to the claimed repair costs. As the matter is still pending and the outcome remains uncertain.

Contingent assets

During the 2018/19 financial year, the Municipality made an erroneous payment of R 1 295 723.23 to Mpandla Trading. Despite efforts to recover the funds, the amount remains outstanding. Legal proceedings to recover the payment were initiated in prior financial years and remain ongoing. The Municipality continues to pursue the matter through legal channels. Should the legal action be successful, the amount is expected to be recovered in the foreseeable future.

The Municipality was defending a legal claim instituted by Steyns Chartered Accountants Incorporated, a former internal audit service provider, for an alleged breach of contract relating to the 2018/19 financial year. The plaintiff sought compensation of R211,140.00 plus interest and legal costs. The matter proceeded to pre-trial stage; however, on 02 June 2023, the Newcastle Magistrate's Court ruled in favour of the Municipality. The plaintiff failed to file appeal papers timeously, and the judgment therefore became final. Following this outcome, the Municipality, represented by Shepstone & Wylie Incorporated, is pursuing recovery of legal costs estimated at R140,000.00.

36. Related party

Relationships

Accounting Officer	SL SOKHELA
Directors	NG MVELASE
	MS XULU
	SZN MGUNI
	BP HLUBI
	TF NKALA
Mayor	Cllr. FJ SIKHAKHANE
Deputy Mayor	Cllr. TB MBATHA
Speaker	Cllr. SG MASIMULA
Chief whip	Cllr. MW SOKHELA
Section 79 committee chairperson	Cllr. P DLADLA
Mayoral Committee Members	Cllr. LB NTULI
	Cllr. SK RADEBE
	Cllr TM NDLOVU
	Cllr. BP NGCOBO
	Cllr N XABA
	Cllr. PA NKALA
Councillors	Cllr. H JALI
	Cllr. ME NGOBE
	Cllr. M BUTHELEZI
	Cllr. BE MVELASE
	Cllr. JB CHONCO
	Cllr. NM XIMBA
	Cllr. FF NDLOVU
	Cllr. F ZUMA
	Cllr. EM MDLULI
	Cllr. VS NDLOVU
	Cllr. M MASIKANE
	Cllr. SP LANGA
	Cllr. KJ MKHIZE
	Cllr. M NTSHAPHA
	Cllr. S ZONDI
	Cllr. TL KUNENE
	Cllr. TN SOKHELA
	Cllr. MN NDLOVU
	Cllr. ME MKHIZE
	Cllr. Z MCHUNU
	Cllr. MJ NDEBELE
	Cllr. MS KHOZA
	Cllr. B DUMAKUDE
	Cllr. B MTHETHWA
	Cllr. T MNTUNGWA
	Cllr. TM MABASO
	Cllr. MM MYEZA
	Cllr. DM NDLOVU
	Cllr. ZE SHANGE
	Cllr. GB SIKHAKHANE
	Cllr. P DLADLA
Traditional Leaders	iNkosi. SW MTHEMBU
	iNkosi. NE MCHUNU
	iNkosi. ZD MAJOZI
	iNkosi. TDP MNTUNGWA

Notes to the Annual Financial Statements

	2025	2024

36. Related party (continued)

Please note that all directors remuneration have been disclosed above on note number 25.

Related party transactions

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

Remuneration of councillors

36. Related party (continued)

Management class: Councillors

2025

Name	Annual Remuneration	Travel Allowance	Cellphone Allowance	Back Pay	Contributions	Other	Total
Mayor	703 669	244 321	47 004	29 296	8 699	-	1 032 989
Deputy Mayor	562 936	195 457	47 004	23 437	7 053	177	836 064
Speaker	562 936	195 457	47 004	23 437	7 053	-	835 887
Chief Whip	527 753	183 242	47 004	21 973	6 642	8 824	795 438
Section 79 committee chairperson	517 150	179 560	47 004	21 531	7 293	8 891	781 429
.							354
Mayoral committee members	1 766 535	613 359	282 024	73 541	25 245	6 445	2 767 149
Councillors	6 680 407	2 319 414	1 410 120	277 835	98 271	77 441	10 863 488
	11 321 386	**3 930 810**	**1 927 164**	**471 050**	**160 256**	**101 778**	**17 912 444**

2024

Name	Annual Remuneration	Travel Allowance	Cellphone Allowance	Total
Mayor	681 018	232 201	44 000	957 219
Deputy Mayor	544 815	189 692	45 400	779 907
Speaker	544 815	188 262	45 400	778 477
Chief Whip	342 064	124 597	45 400	512 061
Section 79 committee chairperson (Incoming)	287 601	122 520	45 400	455 521
Mayoral committee members	1 709 675	595 268	272 400	2 577 343
Councillors	6 465 515	2 251 901	1 361 000	10 078 417
	10 575 503	**3 704 441**	**1 859 000**	**16 138 945**

	2025	2024

37. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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.

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.

	2025	2024
Payables from exchange transactions	9 077 357	10 166 515
Unspent conditional grants	1 73 917	55 808 03

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, 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 Annual Financial Statements, which is net of impairment losses, represents the Municipality's maximum exposure to credit risk.

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

Financial instrument	**2025**	**2024**
Cash and cash equivalents	85 176 984	72 767 859
Receivables from exchange transactions	1 484 685	1 903 884

The amount disclosed for consumer debtors is after the allowance for impairment .

38. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of 402 159 391 and that the municipality's total assets exceed its liabilities by 402 419 391.

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.

Based on the above discussion, the financial statement have been prepared on a going concern as the effect of the pandemic is going down and the Municipality will continue receive funding support from the government.

39. Events after the reporting date

There were no material non-adjusting events that came to the attention of management after the reporting date.

40. Unauthorised expenditure

Opening balance as previously reported	-	(6 758 601)
Less: Amount written off by Council	-	6 758 601
Closing balance	-	-

Notes to the Annual Financial Statements

	2025	2024

40. Unauthorised expenditure (continued)

Unauthorized expenditure arises from the over expenditure that was identified during the comparison of the budget and the actual expenditure incurred as listed below for the prior year. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

41. Fruitless and wasteful expenditure

	2025	2024
Add: Fruitless and wasteful expenditure identified - current	484 182	-
Add: Fruitless and wasteful expenditure identified - prior period	522 556	-
Less: Amount recovered - current	(1 006 738)	-
Closing balance	**-**	**-**

Notes to the Annual Financial Statements

	2025	2024

41. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Salaries	883 661	-
Fleet Cost	123 077	-
	1 006 738	**-**

During the 2023/24 and 2024/25 financial year, a total amount of R 522 182 and 484 182 was incurred as fruitless and wasteful expenditure. The expenditure related to costs incurred for the intended provision of a municipal vehicl a security guard for the exclusive use of the Municipal Manager.

In terms of Section 32(2)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003):

“A Municipality must recover unauthorized, irregular, fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure, in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.”

Following an internal review and investigation in line with the provisions of Section 32 of the MFMA, the Municipal Council determined that the expenditure was recoverable from the Municipal Manager. A recovery process was initiated, and the full amount of R 1 006 738 was subsequently settled in the 2024/25 financial year.

Accordingly, the fruitless and wasteful expenditure previously recognised in the 2023/24 financial year has been fully recovered and no longer forms part of the UIFW balance at year-end.

Amount recovered

During the 2024/25 financial year, the Municipality recovered an amount of R 1 006 738.00 from the Municipal Manager relating to fruitless and wasteful expenditure incurred.

This recovery was recognised as Revenue from Non-exchange Transactions in accordance with GRAP 23: Revenue from Non-exchange Transactions, as the inflow of resources was not in exchange for goods or services provided by the Municipality but rather a statutory recovery of funds.

Salaries	883 661	-
Fleet Cost	123 077	-
	1 006 738	**-**

Notes to the Annual Financial Statements

	2025	2024

42. Irregular expenditure

Opening balance as previously reported	-	19 964 376
Add: Irregular expenditure - current	-	12 073 605
Less: Amount written off - current	-	(32 037 981)
Closing balance	**-**	**-**

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 0 (2024 :R 32 037 981) from the total irregular expenditure amount as it was proven without reasonable doubt that the is indeed receiving the services.

Based on SCM regulation 28, the BAC did not properly evaluate the bidder’s ability to execute the contract at evaluation stage, which resulted in the appointment of three service providers to fulfil the tender requirements at an escalated value in comparison to the approved value.	-	451 558
Three written quotations not invited -Contract awarded to one panel member	-	1 892 900
Supplier who did not meet the pre-qualifying critera - BBB-EE points awarded to bidder who did not submit valid B-BBEE status	-	5 634 393
Failure to meet local content - Invitation to bid did not specify the minimum threshold for local production and content - Invitation to bid did not specify the minimum threshold for local production and content.	-	4 094 753
	-	**12 073 604**

Notes to the Annual Financial Statements

	2025	2024

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government(SALGA)

	2025	2024
Current year subscription / fee	1 055 505	1 106 230
Amount paid - current year	(1 055 505)	(1 106 230)
Balance unpaid (included in payables)	-	-

Audit fees

	2025	2024
Current year subscription / fee	3 451 577	1 888 162
Amount paid - current year	(3 451 577)	(1 888 162)
	-	-

PAYE and UIF

	2025	2024
Amount paid - current year	16 220 401	15 514 258
Current year subscription / fee	(16 220 401)	(15 514 258)
	-	-

Pension and Medical Aid Deductions

	2025	2024
Opening balance	8 761	(3 002)
Amount paid - current year	20 174 636	19 107 708
Amount paid - current year	(20 183 397)	(19 095 945)
	-	**8 761**

VAT

	2025	2024
VAT receivable - Statutory receivable	2 268 043	4 260 778
Output VAT accrual	(64 036 447)	(63 798 446)
Input VAT accrual	67 400 366	64 370 677
	5 631 962	**4 833 009**

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

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

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

44. Deviations from the supply chain management regulations

In terms of section 36 of the Municipality SCM regulations, any deviations from SCM policy needs to be approved by the Accounting Officer and noted by Council. The awards listed below have been approved by the Accounting Officer and noted by Council.

All deviations considered by the Accounting Officer are processed in terms of the SCM regulations and the Municipality's SCM policy.

No deviations were incurred during the financial year.

45. Segment information

General information

Identification of segments

The Municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The Municipality is organised and operates in eighteen key reportable functions throughout the nine wards under uMsinga dermacations. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout uMsinga were sufficiently similar to warrant aggregation.

Segment surplus or deficit, assets and liabilities

2025

	Community and public safety	Trading services	Total
Revenue			
Revenue from exchange transactions	14 730 018	16 645 958	31 375 976
Revenue from non-exchange transactions	75 428 473	241 573 421	317 001 894
Total segment revenue	**90 158 491**	**258 219 379**	**348 377 870**
Municipality's revenue			**348 377 870**

Notes to the Annual Financial Statements

45. Segment information (continued)

Expenditure			
Remuneration of Councillors	(17 912 796)	-	(17 912 796)
Lease rentals on operating lease	-	(1 595 733)	(1 595 733)
General expenses	-	(35 843 811)	(35 843 811)
Employee related Cost	(90 570 714)	(15 860 722)	(106 431 436)
Operational Cost	(24 719 450)	(59 453 118)	(84 172 568)
Depreciation and Amortisation	(41 799 550)	(131 189)	(41 930 739)
Free baic services	-	(137 922)	(137 922)
Finace Cost	-	(1 283 894)	(1 283 894)
Contribution to impairment	-	(8 076 062)	(8 076 062)
INEP Construction Contract Expenditure	-	(16 199 130)	(16 199 130)
Total segment expenditure	**(175 002 510)**	**(138 581 581)**	**(313 584 091)**
Total segmental surplus			**34 793 779**
Actuarial loss			(20 000)
loss on disposal of asset			(41 259)
Entity's surplus (deficit) for the period			**34 732 520**
Assets			
Non - Current Assets	193 903 247	150 112 985	344 016 232
Current Assets	37 164 151	124 919 559	162 083 710
Total segment assets	**231 067 398**	**275 032 544**	**506 099 942**
Total assets as per Statement of financial Position			**506 099 942**
Liabilities			
Current Liabilities	(6 365 930)	(86 617 105)	(92 983 035)
Non-current Liabilities	(1 785 000)	(8 912 516)	(10 697 516)
Total segment liabilities and net assets	**(8 150 930)**	**(95 529 621)**	**(103 680 551)**

Notes to the Annual Financial Statements

	Community and public safety	Trading services	Total

45. Segment information (continued)

	Community and public safety	Trading services	Total
Reserves			(260 000)
Accumulated Surplus			(402 159 391)
Total segment liabilities and net assets			**(506 099 942)**

2024

	Community and public safety	Trading services	Total
Revenue			
Revenue from non-exchange transactions	117 563 280	203 016 465	320 579 745
Revenue from exchange transactions	13 438 337	16 441 862	29 880 199
Total segment revenue	**131 001 617**	**219 458 327**	**350 459 944**
Municipality's revenue			**350 459 944**

Notes to the Annual Financial Statements

Figures in Rand

45. Segment information (continued)

Expenditure			
Remuneration of Councillors	(16 138 945)	-	(16 138 945)
Operational Cost	(16 085 167)	(54 419 480)	(70 504 647)
Lease rentals on operating lease	(279 496)	(1 409 338)	(1 688 834)
Employee related Cost	(88 543 213)	(19 058 623)	(107 601 836)
General Expense	-	(45 772 160)	(45 772 160)
Bad Debts Written Off	(61 040 572)	-	(61 040 572)
Depreciation and Amortisation	(33 619 085)	(2 906 439)	(36 525 524)
Free basic services	-	(28 262)	(28 262)
Contribution to impairment	-	(20 369 172)	(20 369 172)
Finance costs	-	(1 784 755)	(1 784 755)
Impairment reversal	-	63 038 778	63 038 778
INEP Construction expenditure	-	(17 391 304)	(17 391 304)
Total segment expenditure	**(215 706 478)**	**(100 100 755)**	**(315 807 232)**
Total segmental surplus			**34 652 712**
Actuarial loss			(214 000)
Profit on disposal of asset			128 058
Entity's surplus (deficit) for the period			**34 566 770**
Assets			
Current Assets	37 164 151	110 917 525	148 081 676
Non-current Assets	193 902 247	132 549 593	326 451 840
Total segment assets	**231 066 398**	**243 467 118**	**474 533 516**
Total assets as per Statement of financial Position			**474 533 516**
Liabilities			
Current Liabilities	(3 609 795)	(93 940 228)	(97 550 023)
Non-current Liabilities	(3 609 795)	(5 687 827)	(9 297 622)
Total segment liabilities	**(7 219 590)**	**(99 628 055)**	**(106 847 645)**

Notes to the Annual Financial Statements

Figures in Rand

	Community and public safety	Trading services	Total
45. Segment information (continued)			
Reserves			(260 000)
Accumulated Surplus			(367 425 871)
Total segment liabilities and net assets			**(474 533 516)**

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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

Information about geographical areas

All the Municipality's operations are located in the Republic of South Africa in the uMzinyathi district area. Information to report on different geographical areas is not available would be expensive and impractical to develop.

46. Recoveries

Fruitless and wastefull expenditure recovery	1 006 738	-

During the 2024/25 financial year, the Municipality recovered an amount of R 1 006 738.00 from the Municipal Manager relating to fruitless and wasteful expenditure incurred.

This recovery was recognised as Revenue from Non-exchange Transactions in accordance with GRAP 23: Revenue from Non-exchange Transactions, as the inflow of resources was not in exchange for goods or services provided by the Municipality but rather a statutory recovery of funds.

Notes to the Annual Financial Statements

	2025	2024

47. Statement of financial position

Statement of financial position	As previously reported	Correction of error	Reclassification	Restated
Vat Receivable	4 833 009	-	(4 833 009)	-
Receivables from non-exchange transactions	2 364 954	-	4 260 778	6 625 732
Receivables from exchange transactions	4 317 408	-	64 370 677	68 688 085
Payables from exchange transactions	(27 192 752)	-	(63 798 446)	(90 991 198)
Community Assets Cost Including WIP	143 686 365	-	(1 127 443)	142 558 922
Buildings Cost Including WIP	24 419 190	-	1 127 443	25 546 633
Property, plant and equipment	310 278 627	8 580 100	-	318 858 727
Accumulated surplus	(324 279 141)	(8 580 100)	-	(332 859 241)
	138 427 660	**-**	**-**	**138 427 660**

Reclassifications – VAT Disclosure

During the preparation of the 2024/25 Annual Financial Statements, management identified that the Municipality had previously disclosed Value Added Tax (VAT) on a net basis as a single asset or liability in the Statement of Financial Position. In terms of guidance from Circular 38 of 2025, and the requirements of GRAP 1 (Presentation of Financial Statements), GRAP 104 (Financial Instruments) and GRAP 108 (Statutory Receivables), VAT must be separately disclosed as:

VAT Input Accrual (Receivables from Exchange Transactions);

VAT Output Accrual (Payables from Exchange Transactions);

VAT Receivable from SARS (Statutory Receivables); and

VAT Payable to SARS (Statutory Payables).

The prior year financial statements have been restated to correct this error and align with the above GRAP standards. This correction does not affect the overall net assets of the Municipality, but only changes the presentation and classification of VAT-related balances.

47. Statement of financial position (continued)

Reclassifications - Traffic office Building

During the review of the asset register for the current financial year, the Municipality identified a classification error in the prior year relating to Work-in-Progress (WIP). The project relating to the Traffic Office Building, with a WIP value of R1 127 443 in the 2023/24 financial year, was incorrectly disclosed under Community Assets – WIP instead of under Buildings – WIP.

This error has been corrected by restating the comparative figures. The correction had no impact on the total carrying amount of Property, Plant and Equipment, net assets, or accumulated surplus/deficit, but only affected the presentation and classification within asset categories.

The variance arose mainly due to an unexpected change in the accounting standard, which required the Municipality to adopt a revised VAT disclosure. This adjustment was not foreseen at the time of budgeting.

The Municipality had budgeted for VAT in line with the previous accounting treatment, without anticipating the change in the applicable standard that required a different approach in recognising and disclosing VAT.

The implementation of the new general valuation roll adopted by the Municipality, together with the “shock absorption” relief measures approved by Council to assist customers in transitioning to the new property values, contributed to the variance.

The Municipality achieved a more favourable position than budgeted, largely due to its cost-cutting measures and strengthened financial controls.

The variance is attributable to the Municipality’s prudent cost management and the decision to only acquire assets that were deemed necessary, resulting in lower-than-anticipated capital expenditure.

The variance is due to the Municipality embarking on the process of acquiring a new system, with actual expenditure incurred being lower than initially budgeted.

These were higher than expected, primarily due to the change in VAT disclosure requirements.

While the Municipality had anticipated utilising all allocated conditional grant funding, unforeseen delays in the implementation of certain capital projects resulted in unspent balances at year-end.

The Municipality underestimated the provision for employee-related costs during the budgeting process, leading to a higher-than-anticipated year-end balance.

The variance in provisions is the result of an error in the initial budgeting process, which led to a lower budgeted figure compared to the actual requirement at year-end.

Prior Period Error

During the year, the Municipality identified several parcels of land that are legally registered in its name in terms of title deeds issued in 2012. These properties were not previously recognised in the asset register or in the financial statements. The omission resulted from incomplete historical land records and was therefore treated as a prior period error in accordance with GRAP 3.

The Municipality has now corrected the error by recognising the affected land parcels as Property, Plant and Equipment (Land). The correction has been applied retrospectively, resulting in an increase to the opening balance of PPE and a corresponding adjustment to Accumulated Surplus. There is no effect on the current year surplus or deficit, as the adjustment relates to prior periods.

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48. Awards to close family members - SCM Regulation 45

Name of person employeed by the municipality	Position/ job title at the municipality	Related Supplier name	Award amount		
Thokozani Moses Mabaso	Ordinary councilor	HBZ Transport	2 972 031	-	2 972 031
Mzowandayo Michael Sokhela	Ordinary Councillor	Micho Khathide Tradings	1 300 128	-	1 300 128
Welcome Mkhokiseni Mpanza	Ordinary Councillor	Siyejabula Trading	700 515	-	700 515

	2025	2024

49. Budget differences

Material differences between budget and actual amounts

Material differences was considered for variances above 10% in the budget statement.

The budget did not account for service provision revenue from non-SLA customers, as this was an unforeseen occurrence. As a result, the actual revenue exceeded the budgeted amount.

The Municipality has budgeted the INEP (Integrated National Electrification Programme) revenue based on the total amount, including VAT, as per the gazetted allocation. Essentially, the forecast assumes that the full gross amount, including VAT, will be received and expended. However, for revenue recognition purposes, in accordance with GRAP 11 (South African Generally Recognized Accounting Practice – Construction Contracts), the revenue is recognized exclusive of VAT.

The Municipality was optimistic in forecasting rental income, resulting in a budgeted figure higher than the actual rental income received.

The Municipality was overly optimistic in budgeting for other income revenue, which has resulted in a significant variance between the budgeted and actual figures. This can be considered an erroneous budgeting estimate.

The budget for the traffic department revenue stream was overly optimistic, particularly as this is the second year of its full utilization. The Municipality overestimated its potential to generate such a high figure, resulting in a variance between the budgeted and actual revenue.

The overestimation of interest earned on investments, compared to the actual interest earned, was due to the Municipality budgeting for higher-than-expected revenue from other sources, such as rates. However, these revenue streams, particularly rates, significantly decreased, resulting in less cash available for reinvestment than initially anticipated. Consequently, the interest income from investments was lower than budgeted.

During the current financial year ended 30 June 2025, the Municipality implemented a new general valuation roll for land and buildings, as approved by Council. In conjunction with the adoption of the new valuation roll, Council resolved to apply a rate shock management approach. This approach entails a reduction in applicable property rates tariffs for the 2024/25 financial year only, to mitigate the immediate impact of increased valuations on ratepayers and to promote affordability within the community.

The budget for the traffic department revenue stream was overly optimistic, particularly as this is the second year of its full utilization. The Municipality overestimated its potential to generate such a high figure, resulting in a variance between the budgeted and actual revenue.

The revenue from recoveries and penalties was not accounted for or budgeted as it is a unique income stream resulting from non-routine business transactions. These types of revenues were unanticipated and, therefore, not included in the initial budget projections.

The revenue from recoveries and penalties was not accounted for or budgeted as it is a unique income stream resulting from non-routine business transactions. These types of revenues were unanticipated and, therefore, not included in the initial budget projections.

The underestimation of grant revenue was due to a conservative budgeting approach, aimed at ensuring we did not over-rely on uncertain or fluctuating funding sources.

49. Budget differences (continued)

The expenditure was over-budgeted compared to the actual costs incurred due to the ongoing implementation of cost-cutting measures. The Municipality intentionally adopted a more conservative approach to budgeting to avoid being overly optimistic about the results, especially considering the need for Council approval and support. This approach also served to prevent unauthorized expenditure and ensured that we maintained financial discipline while working toward reducing costs effectively.

The variance arose mainly due to an unexpected change in the accounting standard, which required the Municipality to adopt a revised VAT disclosure. This adjustment was not foreseen at the time of budgeting.

The Municipality had budgeted for VAT in line with the previous accounting treatment, without anticipating the change in the applicable standard that required a different approach in recognising and disclosing VAT.

The implementation of the new general valuation roll adopted by the Municipality, together with the “shock absorption” relief measures approved by Council to assist customers in transitioning to the new property values, contributed to the variance.

The Municipality achieved a more favourable position than budgeted, largely due to its cost-cutting measures and strengthened financial controls.

The variance is attributable to the Municipality’s prudent cost management and the decision to only acquire assets that were deemed necessary, resulting in lower-than-anticipated capital expenditure.

The variance is due to the Municipality embarking on the process of acquiring a new system, with actual expenditure incurred being lower than initially budgeted.

These were higher than expected, primarily due to the change in VAT disclosure requirements.

While the Municipality had anticipated utilising all allocated conditional grant funding, unforeseen delays in the implementation of certain capital projects resulted in unspent balances at year-end.

The Municipality underestimated the provision for employee-related costs during the budgeting process, leading to a higher-than-anticipated year-end balance.

The variance in provisions is the result of an error in the initial budgeting process, which led to a lower budgeted figure compared to the actual requirement at year-end.

The Municipality had anticipated higher receipts from rates and refuse charges. However, actual collections were lower due to the implementation of rate shock absorption measures approved by Council to assist consumers in adapting to revised property valuations.

Budgeted amounts were overly optimistic, and actual receipts were below expectations.

The Municipality had anticipated receiving additional funding during the current fiscal year, which did not materialize.

The Municipality anticipated generating a surplus to be invested. However, due to lower-than-expected revenue collections, this was not achieved.

Cost-cutting measures implemented by the Municipality resulted in fewer VAT-related transactions, leading to lower VAT income than budgeted.

The Municipality budgeted for increased income from the rental of facilities, particularly farming equipment. However, the actual uptake was lower than projected.

The Municipality anticipated an increase in traffic fine collections, which did not materialize as expected.

Through strict cost-containment measures, the Municipality was able to realize significant savings compared to the approved budget.

The Municipality overestimated the cost of acquiring a new financial system. Actual expenditure incurred was significantly lower

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49. Budget differences (continued)
than budgeted.