



**uMsinga Local Municipality  
(Registration number KZN 244)  
Annual Financial Statements  
for the year ended 30 June 2022**

# uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2022

## General Information

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### 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.

### Mayoral committee

Executive Mayor

Cllr. DM NDLOVU

Deputy Mayor

Cllr. TB MBATHA

Speaker

Cllr. SG MASIMULA

### Mayoral Committee Members

Cllr. LB NTULI

Cllr. SK RADEBE

Cllr. TM NDLOVU

Cllr. BP NGCOBO

Cllr. N XABA

Cllr. PAG NKALA

### Councillors

Cllr. BE MVELASE

Cllr. JB CHONCO

Cllr. NM XIMBA

Cllr. FF NDLOVU

Cllr. F ZUMA

Cllr. EM MDLULI

Cllr. BK KHOZA

Cllr. VS NDLOVU

Cllr. M MASIKANE

Cllr. SP LANGA

Cllr. KJ MKHIZE

Cllr. M NTSHAPHA

Cllr. TNN SOKHELA

Cllr. MN NDLOVU

Cllr. ME MKHIZE

Cllr. Z MCHUNU

Cllr. B DUMAKUDE

Cllr. MW SOKHELA

Cllr. S ZONDI

Cllr. TL KUNENE

Cllr. S MAGUBANE

Cllr. ME NGOBE

Cllr. M BUTHELEZI

Cllr. MS KHOZA

Cllr. B MTHETHWA

Cllr. T MNTUNGWA

Cllr. TM MABASO

Cllr. MMS MYEZA

Cllr. BP MADONDO

Cllr. ZE SHANGE

Cllr. GB SIKHAKHANE

Cllr. P DLADLA

### Traditional Leaders

iNkosi. SW MTHEMBU

iNkosi. NE MCHUNU

iNkosi. ZD MAJOZI

iNkosi. TDP MNTUNGWA

### Grading of local authority

2

### Accounting Officer

SL SOKHELA

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# **uMsinga Local Municipality**

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2022

## **General Information**

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**Chief Finance Officer (CFO)**

K SITHOLE (Acting as at the 1st June 2022)

TM NENE (Resigned on the 31st of May 2022)

**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](http://www.umsinga.gov.za)

**Bankers**

ABSA

**Auditors**

Auditor - General South Africa

Registered Auditors

**Attorneys**

Garlicke and Bousfield

# uMsinga Local Municipality

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

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### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

# **uMsinga Local Municipality**

(Registration number KZN 244)

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## **Accounting Officer's Responsibilities and Approval**

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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 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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 Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

  

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**SL Sokhela**  
**Accounting Officer**

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

	Notes	2022	2021
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	8	4 184 329	2 691 109
VAT receivable	9	3 386 185	2 559 822
Receivables from non-exchange transactions	10	5 475 019	4 076 714
Cash and cash equivalents	11	42 156 760	85 438 325
		<b>55 202 293</b>	<b>94 765 970</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	263 112 872	239 925 446
Intangible assets	4	5 367 600	417 227
Heritage assets	5	260 000	260 000
		<b>268 740 472</b>	<b>240 602 673</b>
<b>Total Assets</b>		<b>323 942 765</b>	<b>335 368 643</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	6	27 769 632	25 041 966
Unspent conditional grants and receipts	12	646 246	790 039
Provisions	13	941 843	941 843
		<b>29 357 721</b>	<b>26 773 848</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	7	1 305 000	1 051 000
Provisions	13	5 687 827	5 472 803
		<b>6 992 827</b>	<b>6 523 803</b>
<b>Total Liabilities</b>		<b>36 350 548</b>	<b>33 297 651</b>
<b>Net Assets</b>		<b>287 592 217</b>	<b>302 070 992</b>
<b>Reserves</b>			
Revaluation reserve		260 000	260 000
Accumulated surplus		287 332 217	301 810 992
<b>Total Net Assets</b>		<b>287 592 217</b>	<b>302 070 992</b>

\* See Note

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

	Notes	2022	2021
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	15	730 049	423 950
Rental of facilities and equipment	16	577 765	753 019
Other revenue	18	220 250	7 317 431
Interest received	19	4 762 087	4 779 180
<b>Total revenue from exchange transactions</b>		<b>6 290 151</b>	<b>13 273 580</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	20	19 490 681	18 020 722
<b>Transfer revenue</b>			
Government grants & subsidies	21	238 152 794	253 993 234
<b>Total revenue from non-exchange transactions</b>		<b>257 643 475</b>	<b>272 013 956</b>
<b>Total revenue</b>	14	<b>263 933 626</b>	<b>285 287 536</b>
<b>Expenditure</b>			
Employee related costs	22	(83 414 804)	(79 563 565)
Remuneration of councillors	23	(14 085 026)	(13 072 957)
Depreciation and amortisation	24	(32 395 066)	(29 531 410)
Finance costs	25	(328 024)	(268 221)
Lease rentals on operating lease	17	(962 552)	(994 610)
Bad debt written off		(400 708)	-
Contributions to allowance (Impairment)	10	(4 687 597)	(10 930 098)
Free basic services	28	(230 161)	(477 929)
Contracted services	29	(79 455 171)	(58 357 759)
General expenses	27	(62 037 621)	(48 051 419)
<b>Total expenditure</b>		<b>(277 996 730)</b>	<b>(241 247 968)</b>
<b>Surplus before actuarial gains</b>		<b>(14 063 104)</b>	<b>44 039 568</b>
Actuarial loss		(271 000)	(104 000)
<b>(Deficit) surplus for the year from continuing operations</b>		<b>(14 334 104)</b>	<b>43 935 568</b>
Loss on disposal of asset		(144 671)	(573 228)
<b>(Deficit) surplus for the year</b>		<b>(14 478 775)</b>	<b>43 362 340</b>

\* See Note

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## Statement of Changes in Net Assets

	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2020 restated</b>	<b>260 000</b>	<b>258 448 652</b>	<b>258 708 652</b>
Changes in net assets			
Surplus for the year as previously reported	-	43 362 340	43 362 340
Total changes	-	43 362 340	43 362 340
<b>Balance at 01 July 2021</b>	<b>260 000</b>	<b>301 810 992</b>	<b>302 070 992</b>
Changes in net assets			
Deficit for the year	-	(14 478 775)	(14 478 775)
Total changes	-	(14 478 775)	(14 478 775)
<b>Balance at 30 June 2022</b>	<b>260 000</b>	<b>287 332 217</b>	<b>287 592 217</b>
Notes			

\* See Note



# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

	Note(s)	2022	2021
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates and refuse removal		16 405 027	7 670 558
Government grants & subsidies		254 570 972	266 474 000
Interest income		4 762 087	4 779 180
Other Income		220 250	295 765
Rentals		296 497	639 541
VAT Received		16 110 988	22 744 374
		<u>292 365 821</u>	<u>302 603 418</u>
<b>Payments</b>			
Employee costs and Councillors		(93 767 694)	(92 614 331)
Cash paid to suppliers		(164 237 652)	(129 303 582)
INEP Payment		(16 420 000)	(13 000 000)
		<u>(274 425 346)</u>	<u>(234 917 913)</u>
<b>Net cash flows from operating activities</b>	30	<u>17 940 475</u>	<u>67 685 505</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(55 907 223)	(42 337 493)
Proceeds from sale of property, plant and equipment	3	228 000	769 712
Purchase of other intangible assets	4	(5 322 569)	(104 824)
<b>Net cash flows from investing activities</b>		<u>(61 222 042)</u>	<u>(41 968 370)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(43 281 567)</u>	<u>26 015 380</u>
Cash and cash equivalents at the beginning of the year		85 438 325	59 422 945
<b>Cash and cash equivalents at the end of the year</b>	11	<u>42 156 760</u>	<u>85 438 325</u>

\* See Note

# uMsinga Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	539 316	-	539 316	730 049	190 733	43.a
Rental of facilities and equipment	600 012	-	600 012	577 765	(22 247)	
Other income	24 450 000	-	24 450 000	220 250	(24 229 750)	43.b
Interest received - investment lines, Penalties and forfeits	4 000 000	800 000	4 800 000	4 762 087	(37 913)	
	-	400 000	400 000	-	(400 000)	43.c
<b>Total revenue from exchange transactions</b>	<b>29 589 328</b>	<b>1 200 000</b>	<b>30 789 328</b>	<b>6 290 151</b>	<b>(24 499 177)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	18 617 311	-	18 617 311	19 490 681	873 370	
<b>Transfer revenue</b>						
Government grants & subsidies	233 429 000	12 000 000	245 429 000	238 152 794	(7 276 206)	
<b>Total revenue from non-exchange transactions</b>	<b>252 046 311</b>	<b>12 000 000</b>	<b>264 046 311</b>	<b>257 643 475</b>	<b>(6 402 836)</b>	
<b>Total revenue</b>	<b>281 635 639</b>	<b>13 200 000</b>	<b>294 835 639</b>	<b>263 933 626</b>	<b>(30 902 013)</b>	
<b>Expenditure</b>						
Employee related costs	(81 076 986)	(1 268 797)	(82 345 783)	(83 414 804)	(1 069 021)	
Remuneration of councillors	(12 896 899)	(500 000)	(13 396 899)	(14 085 026)	(688 127)	
Depreciation and amortisation	(23 798 114)	150 000	(23 648 114)	(32 395 066)	(8 746 952)	43.d
Inventory consumed	(27 000 000)	(783 000)	(27 783 000)	-	27 783 000	
Finance costs	(739 320)	-	(739 320)	(328 024)	411 296	43.e
Lease rentals on operating lease	-	-	-	(962 552)	(962 552)	43.e
Bad Debt Written Off	-	-	-	(400 708)	(400 708)	43.f
Debt Impairment Contribution	(999 996)	-	(999 996)	(4 687 597)	(3 687 601)	43.e
Free basic services	-	-	-	(230 161)	(230 161)	43.e
Contracted Services	(64 153 000)	(12 930 000)	(77 083 000)	(79 455 171)	(2 372 171)	43.e
General Expenses	(48 748 000)	(1 252 000)	(50 000 000)	(62 037 621)	(12 037 621)	43.e
<b>Total expenditure</b>	<b>(259 412 315)</b>	<b>(16 583 797)</b>	<b>(275 996 112)</b>	<b>(277 996 730)</b>	<b>(2 000 618)</b>	
<b>Surplus for the year</b>	<b>22 223 324</b>	<b>(3 383 797)</b>	<b>18 839 527</b>	<b>(14 063 104)</b>	<b>(32 902 631)</b>	
Actuarial gains	-	-	-	(271 000)	(271 000)	
<b>Deficit for the year from continuing operations</b>	<b>22 223 324</b>	<b>(3 383 797)</b>	<b>18 839 527</b>	<b>(13 792 104)</b>	<b>(32 631 631)</b>	
Profit on disposal of assets	-	-	-	(144 671)	(144 671)	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>22 223 324</b>	<b>(3 383 797)</b>	<b>18 839 527</b>	<b>(13 936 775)</b>	<b>(32 776 302)</b>	

# uMsinga Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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### Statement of Financial Position

#### Assets

#### Non Current Assets

Capital Budget

68 452 000	(7 232 000)	61 220 000	58 021 283	(3 198 717)
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#### Reconciliation

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

	Notes	2022	2021
<b>1. Presentation of Annual Financial Statements</b>			
<p>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).</p> <p>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.</p> <p>A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.</p> <p>These accounting policies are consistent with the previous period.</p>			
<b>1.1 Presentation currency</b>			
<p>These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.</p>			
<b>1.2 Going concern assumption</b>			
<p>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.</p>			
<b>1.3 Significant judgements and sources of estimation uncertainty</b>			
<p>In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:</p>			
<b>Impairment testing</b>			
<p>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.</p>			
<b>Provisions</b>			
<p>Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.</p>			
<b>Review of useful lives of property, plant and equipment and intangible assets</b>			
<p>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 refurbishmentst.</p>			
<b>Allowance for doubtful debts</b>			
<p>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).</p>			
<b>1.4 Property, plant and equipment</b>			
<p>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.</p>			

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

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.

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.

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.

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:

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Item	Depreciation method	Average useful life
Buildings	Straight-line	10-30 years

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## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

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

ne 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.

ne 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).

### 1.5 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.

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### 1.5 Intangible assets (continued)

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:

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Item	Depreciation method	Average useful life
Licenses	Straight-line	1-5 years

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Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of 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).

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### 1.6 Heritage assets

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

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an 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 its cost less any accumulated impairment losses.

### 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.

### 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.



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### 1.6 Heritage assets (continued)

#### 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).

### 1.7 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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.

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### 1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

#### Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Finance leases	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Trade payables	Financial liability measured at amortised cost

The entity 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:

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### 1.8 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

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.

#### Investments

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.

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### 1.8 Statutory receivables (continued)

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

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

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

### Derecognition

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

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

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

### 1.9 Tax

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.

### 10 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 liability.

#### 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.

### 1.11 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.

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### 1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the 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:

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### 1.11 Impairment of cash-generating assets (continued)

#### 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.

### 1.12 Employee benefits

#### Defined contribution plans

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

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

#### Defined benefit plans

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

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

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

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

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

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

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

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

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

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### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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 32.

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### 1.13 Provisions and contingencies (continued)

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

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

The 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.

### 1.14 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.

### 1.15 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.



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### 1.15 Revenue from exchange transactions (continued)

#### 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).

#### 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.

### 1.16 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.

# uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

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.

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.

### 1.17 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.

## **uMsinga Local Municipality**

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Annual Financial Statements for the year ended 30 June 2022

### **Accounting Policies**

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#### **1.18 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.

#### **19 Investment income**

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

#### **1.20 Accounting by principals and agents**

##### **Identification**

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

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

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

##### **Identifying whether an entity is a principal or an agent**

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

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

##### **Binding arrangement**

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

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

# uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.20 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 it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### Recognition

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

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

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

### 1.21 Comparative figures

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

### 1.22 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.

### 1.23 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.

## uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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#### 1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is;

(a) expenditure incurred by the Municipality or Municipal entity in contravention 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 in contravention 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 in contravention of, or that is not in accordance with, a requirement of the Public Office - Bearers 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 disclosed inclusive of VAT..

#### 25 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.

.. 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.

#### 1.26 Budget information

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

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

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

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

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

## uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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#### 1.26 Budget information (continued)

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.

#### 1.27 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.

#### 1.28 Events after reporting date

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

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

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.

#### 1.29 Transitional provisions

##### Transitional provision for - GRAP 108

GRAP 108: Statutory receivables became effective in the year ended 30 June 2020. The Standard defines statutory receivables as receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The municipality has two classes of receivables that meet the criteria of statutory receivables, being property rates which are levied in terms of the Municipal Property Rates Act and traffic fines imposed in terms of the Criminal Procedure Act.

The accounting policy on debtors has not been changed in respect of the classification and measurement of statutory receivables since the municipality has opted to apply the transitional provisions of Directive 4 in terms of not changing the classification and measurement of the debtors while the full implications of compliance with GRAP 108 is still under review.

There are currently no statutory receivables classified and measured in accordance with GRAP 108. The impact of complying with GRAP 108 will be on the classification of debtors since statutory receivables will be disclosed separately on the financial statements.

The municipality has developed an accounting policy for statutory receivables, which is subject to approval by Council and will be implemented during the 2021/22 financial year after having reviewed the impact of the classification, measurement and disclosure in terms of the information currently provided to the various stakeholders.

# uMsinga Local Municipality

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2022

2021

## 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 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 January 2023	Impact is currently being assessed
• Grap 103 Heritage Assets	01 January 2023	Impact is currently being assessed
• Grap 104 Financial Instruments	01 January 2023	Impact is currently being assessed

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## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Buildings	23 157 915	(10 648 549)	12 509 366	(9 710 230)
Plant and machinery	13 214 034	(11 052 880)	2 161 154	(10 522 905)
Furniture and fixtures	4 270 409	(2 930 967)	1 339 442	(2 420 100)
Motor vehicles	16 189 728	(11 917 686)	4 272 042	(10 572 936)
Office equipment	6 513 882	(4 037 216)	2 476 666	(3 385 819)
Infrastructure	332 119 838	(161 266 950)	170 852 888	(139 014 403)
Community Assets	85 791 833	(16 850 454)	68 941 379	(16 509 450)
Refuse dump	4 821 648	(4 261 713)	559 935	(3 926 562)
<b>Total</b>	<b>486 079 287</b>	<b>(222 966 415)</b>	<b>263 112 872</b>	<b>(196 062 405)</b>

### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Work in Progress	Disposals	Depreciation	Impairment loss	Total
Buildings	13 082 585	365 100	-	-	(938 319)	-	12 509 366
Plant and machinery	2 717 979	105 491	-	(70 310)	(592 006)	-	2 161 154
Furniture and fixtures	1 603 442	291 401	-	(16 665)	(538 736)	-	1 339 442
Motor vehicles	5 522 554	389 131	-	(8 869)	(1 630 774)	-	4 272 042
Office equipment	1 622 992	1 772 979	-	(14 508)	(904 797)	-	2 476 666
Infrastructure	161 034 529	19 629 111	12 338 096	(85 026)	(21 934 734)	(129 088)	170 852 888
Community Assets	53 472 810	5 456 403	15 209 227	(177 795)	(5 010 678)	(8 588)	68 941 379
Refuse dump	868 555	26 531	-	-	(335 151)	-	559 935
<b>Total</b>	<b>239 925 446</b>	<b>28 036 147</b>	<b>27 547 323</b>	<b>(373 173)</b>	<b>(31 885 195)</b>	<b>(137 676)</b>	<b>263 112 872</b>



# uMzinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Work in Progress	Disposals	Landfill site movement	Depreciation	Impairment loss	Total
Buildings	14 429 227	102 312	-	(480 784)	-	(968 170)	-	13 082 585
Plant and machinery	2 132 635	1 439 216	-	(42 971)	-	(810 901)	-	2 717 979
Furniture and fixtures	1 462 713	642 932	-	(47 902)	-	(454 301)	-	1 603 442
Motor vehicles	6 039 604	2 694 999	-	(789 499)	-	(2 422 550)	-	5 522 554
Office equipment	1 614 400	1 023 408	-	(17 865)	-	(996 951)	-	1 622 992
Infrastructure	160 270 493	2 875 727	18 180 959	(36 687)	-	(20 126 747)	(129 216)	161 034 529
Community Assets	41 537 307	5 993 502	8 852 997	(1 459)	-	(2 909 537)	-	53 472 810
Refuse dump	568 001	-	-	-	734 832	(434 278)	-	868 555
	<b>228 054 380</b>	<b>14 772 096</b>	<b>27 033 956</b>	<b>(1 417 167)</b>	<b>734 832</b>	<b>(29 123 435)</b>	<b>(129 216)</b>	<b>239 925 446</b>

#### Pledged as security

During the financial year ended 30 June 2022 it was noted that the municipality did not have any assets pledged as security.

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	18 180 959	8 851 538	27 032 497
Additions/capital expenditure	32 032 235	16 613 283	48 645 518
Transferred to completed items	(37 875 098)	(10 255 594)	(48 130 692)
	<b>12 338 096</b>	<b>15 209 227</b>	<b>27 547 323</b>

## uMzinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

2022

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#### 3. Property, plant and equipment (continued)

##### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	10 265 631	18 007 583	28 273 214
Additions/capital expenditure	20 574 239	13 901 037	34 475 276
Transferred to completed items	(12 658 911)	(23 057 082)	(35 715 993)
	<u>18 180 959</u>	<u>8 851 538</u>	<u>27 032 497</u>

##### 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	54 348	152 180
Buildings	2 049 534	2 969 242
Infrastructure	37 410 036	20 713 454
Plant and Machinery	4 390 589	6 877 645
Community Assets	1 023 399	-
Furniture and Fittings	-	478 858
	<u>44 927 906</u>	<u>31 191 379</u>

# uMsinga Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 4. Intangible assets

	2022		2021		
Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
5 545 822	(178 222)	5 367 600	2 180 793	(1 763 566)	417 227

Intangible assets

### Reconciliation of intangible assets - 2022

Intangible assets	Opening balance	Additions	Amortisation	Total
	417 227	5 322 569	(372 196)	5 367 600

### Reconciliation of intangible assets - 2021

Intangible assets	Opening balance	Additions	Amortisation	Total
	720 376	104 827	(407 976)	417 227

### Pledged as security

During the financial year ended 30 June 2022 it was noted that the municipality did not have any intangible assets pledged as security.

### 5. Heritage assets

	2022	2021
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# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Heritage assets (continued)

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

### Reconciliation of heritage assets 2022

Mayors' Chain	Opening balance 260 000	Total 260 000
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### Reconciliation of heritage assets 2021

Mayors' Chain	Opening balance 260 000	Total 260 000
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### 6. Payables from exchange transactions

Trade payables	986 340	139 912
Payments received in advanced	3 653 846	2 792 404
Accrued leave pay	11 283 729	9 580 020
Employee Cost	-	5 767
KZN Department of Housing Retention & Surety	5 934 932	5 934 932
	5 910 785	6 588 931
	<b>27 769 632</b>	<b>25 041 966</b>

## uMsinga Local Municipality

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### Notes to the Annual Financial Statements

2022

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#### 7. Employee benefit obligations

##### Defined benefit plan

##### Carrying value

Opening Balance	1 051 000	847 000
Current Service Cost	143 000	117 000
Interest Cost	113 000	108 000
Benefit Payment	(273 000)	(125 000)
Actuarial (loss)/gain	271 000	104 000
	<u>(1 305 000)</u>	<u>(1 051 000)</u>

##### Net expense recognised in the statement of financial performance

Current service cost	143 000	117 000
Interest cost	113 000	108 000
Benefit Payment	(273 000)	(125 000)
Actuarial (loss)/gain	271 000	105 000
	<u>254 000</u>	<u>205 000</u>

##### 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.

##### 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:

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

2022

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### 7. Employee benefit obligations (continued)

#### 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 illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following options:

- 20% increase/decrease in the assumed level of withdrawal rates.
- 1% increase/decrease in the normal salary cost inflation.

#### Valuation Assumption

In estimating the liability for long service leave benefits several assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

#### 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 250 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.

#### 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 zero curve as at 30 June 2022 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant 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 year.

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 2022 of 4,9%. The next salary increase was assumed to take place on 01 July 2023.

#### 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

# uMsinga Local Municipality

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## Notes to the Annual Financial Statements

2022

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### 7. Employee benefit obligations (continued)

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

### 8. Receivables from exchange transactions

Accrued interest income	245 664	390 989
Building Deposit	300 000	300 000
Prepayments	39 415	-
Sundry Debtors (Rentals)	737 726	498 666
Truck Deposit	1 405 000	1 405 000
Unallocated debit orders	1 456 524	96 454
	<u>4 184 329</u>	<u>2 691 109</u>

### 9. VAT receivable

VAT	<u>3 386 185</u>	<u>2 559 822</u>
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The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT No.89 of 1991.

2021/22 VAT 201's were submitted to SARS up until 30 June 2022.

The amount disclosed is the net VAT on payables & receivables.

# uMzinga Local Municipality

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## Notes to the Annual Financial Statements

	2022	2021
<b>10. Receivables/Consumer debtors</b>		
<b>Gross balances</b>		
Rates	58 109 763	52 426 828
Refuse	1 013 310	631 344
Other	127 670	106 670
	<b>59 250 743</b>	<b>53 164 842</b>
<b>Less: Allowance for impairment</b>		
Rates	(53 241 966)	(48 817 790)
Refuse	(406 927)	(164 507)
Other	(126 831)	(105 831)
	<b>(53 775 724)</b>	<b>(49 088 128)</b>
<b>Net balance</b>		
Rates	4 867 797	3 609 038
Refuse	606 383	466 837
Other	839	839
	<b>5 475 019</b>	<b>4 076 714</b>
<b>Included in above is receivables from exchange transactions</b>		
Refuse	606 383	466 837
Other	839	839
	<b>607 222</b>	<b>467 676</b>
<b>Receivables from exchange transactions disclosed in note 8</b>		
Accrued interest	245 664	390 989
Building deposit	300 000	300 000
Prepayments	39 415	-
Sundry debtors (Rental)	737 726	498 666
Truck deposit	1 405 000	1 405 000
Unallocated debit orders	1 456 524	96 454
	<b>4 184 329</b>	<b>2 691 109</b>
<b>Total consumer debtors</b>	<b>5 475 019</b>	<b>4 076 714</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	4 867 797	3 609 038
<b>Net balance</b>	<b>4 867 797</b>	<b>3 609 038</b>
<b>Rates</b>		
Current (0 -30 days)	2 890 423	1 282 789
31 - 60 days	1 134 542	1 274 235
61 - 90 days	1 121 103	1 256 149
91 - 120 days	1 115 451	1 243 962
121 - 365 days	51 848 243	47 369 693
	<b>58 109 763</b>	<b>52 426 828</b>



## uMzinga Local Municipality

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### Notes to the Annual Financial Statements

	2022	2021
<b>10. Receivables/Consumer debtors (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	190 727	52 508
31 - 60 days	93 164	38 338
61 - 90 days	93 164	64 337
91 - 120 days	119 069	32 294
121 - 365 days	517 186	443 867
	<b>1 013 309</b>	<b>631 344</b>
<b>Other (specify)</b>		
Current (0 -30 days)	3 500	13 810
31 - 60 days	1 750	-
61 - 90 days	1 750	-
91 - 120 days	1 750	-
121 - 365 days	118 920	92 860
	<b>127 670</b>	<b>106 670</b>

# uMzinga Local Municipality

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## Notes to the Annual Financial Statements

	2022	2021
<b>10. Receivables/Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	92 793	48 611
31 - 60 days	46 397	44 588
61 - 90 days	46 397	44 588
91 - 120 days	46 876	44 588
121 - 365 days	10 613 006	10 116 877
	<u>10 845 469</u>	<u>10 299 252</u>
Less: Allowance for impairment	(10 838 184)	(10 298 774)
	<u>7 285</u>	<u>478</u>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	1 352 002	632 098
31 - 60 days	664 336	604 004
61 - 90 days	657 171	621 866
91 - 120 days	684 580	589 209
121 - 365 days	22 242 574	17 863 272
	<u>25 600 663</u>	<u>20 310 449</u>
Less: Allowance for impairment	(23 537 992)	(18 649 017)
	<u>2 062 671</u>	<u>1 661 432</u>
<b>National and provincial government</b>		
Current (0 -30 days)	1 639 855	668 397
31 - 60 days	518 722	663 981
61 - 90 days	512 449	654 033
91 - 120 days	504 814	642 460
121 - 365 days	19 628 769	19 926 270
	<u>22 804 609</u>	<u>22 555 141</u>
Less: Allowance for impairment	(19 399 548)	(20 140 336)
	<u>3 405 061</u>	<u>2 414 805</u>
<b>Total</b>		
Current (0 -30 days)	3 084 652	1 349 107
31 - 60 days	1 229 455	1 312 573
61 - 90 days	1 216 017	1 320 487
91 - 120 days	1 236 269	1 276 257
121 - 365 days	52 484 350	47 906 419
	<u>59 250 743</u>	<u>53 164 843</u>
Less: Allowance for impairment	(53 775 724)	(49 088 129)
	<u>5 475 019</u>	<u>4 076 714</u>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(49 088 128)	(38 158 029)
Contributions to allowance	(4 687 596)	(10 930 099)
	<u>(53 775 724)</u>	<u>(49 088 128)</u>

# uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

2022

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### 10. Receivables/Consumer debtors (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 and refuse remove.

### 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	42 156 760	85 438 325
---------------	------------	------------

The following bank accounts listed below were opened and closed during the year under audit:

Absa - Fixed Deposit - 20-7937-6135  
Absa - Fixed Deposit - 20-7954-2869  
Absa - Fixed Deposit - 20-7993-8195  
Absa - Fixed Deposit - 20-8031-8081  
Absa - Call Account - 90-9806-5063  
FNB - Call Account - 62778819303  
FNB - Fixed Deposit - 74836198420  
FNB - Fixed Deposit - 74860884467  
FNB - Fixed Deposit - 74879243662  
FNB - Fixed Deposit - 74908115724  
Strandard bank - Fixed Deposit - 24887591-4001  
Strandard bank - Fixed Deposit - 24887591-4002  
Strandard bank - Wholesale Call Deposit- 24887591-4003  
Strandard bank - Wholesale Call Deposit- 348466013-037  
Strandard bank - Fixed Deposit- 348466013-044  
Strandard bank - Fixed Deposit- 348466013-033  
Nedbank - Call Deposit - 03/7881164492-000005  
Nedbank - Fixed Deposit - 03/7881164492-000006  
Nedbank - Fixed Deposit - 03/7881164492-000007  
Nedbank - Fixed Deposit - 03/7881164492-000008  
Nedbank - Fixed Deposit - 03/7881164492-000009  
Nedbank - Fixed Deposit - 03/7881164492-000010  
Nedbank - Fixed Deposit - 03/7881164492-000011  
Nedbank - Call Deposit -03/7881164492-000012

# uMzinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Absa Bank Primary Account - Greytown Branch Account Number 4053635886	10 753 594	1 449 788	7 614 781	3 268 732	1 449 788	7 614 781
FNB Bank - Investment Account - Account Number 62499591777	1 396 202	1 365 433	1 339 458	1 396 202	1 365 433	1 339 458
FNB Bank - Investment Account - Account Number 62778819303	-	216	6 273 275	-	216	6 273 275
Standard Bank - Investment Account - Account Number 3484660130-29	-	-	1 481 802	-	-	1 481 802
Standard Bank - Investment Account - Account Number 3484660130-30	-	-	10 346 226	-	-	10 346 226
Standard Bank - Investment Account - Account Number 3484660130-31	-	-	11 211 256	-	-	11 211 256
FNB Bank - Investment Account - Account Number 74836198420	-	5 342 073	5 187 405	-	5 342 073	5 187 405
FNB Bank - Investment Account - Account Number 74820036652	17 140 318	16 444 866	15 968 742	17 140 318	16 444 866	15 968 742
FNB Bank - Investment Account - Account Number 74860884467	-	5 277 303	-	-	5 277 303	-
FNB Bank - Investment Account - Account Number 74879243662	-	10 133 298	-	-	10 133 298	-
Standard Bank - Investment Account - Account Number 3484660130-33	-	1 496 275	-	-	1 496 275	-
Standard Bank - Investment Account - Account Number 3484660130-42	-	10 663 672	-	-	10 663 672	-
Standard Bank - Investment Account - Account Number 3484660130-37	-	4 464 421	-	-	4 464 421	-
Absa Bank - Investment Account - Account number 9098065063	-	8 488 260	-	-	8 488 260	-
Absa Bank - Investment Account - Account number 2079542869	-	10 208 008	-	-	10 208 008	-
Nedbank - Fixed Deposit Account number 37881164492/06	-	10 104 712	-	-	10 104 712	-
Standard Bank - Wholesale call deposit- Account Number 248875914-004	10 121 271	-	-	10 121 271	-	-
FNB Bank - Fixed Deposit - Account Number 74928822747	10 230 237	-	-	10 230 237	-	-
<b>Total</b>	<b>49 641 622</b>	<b>85 438 325</b>	<b>59 422 945</b>	<b>42 156 760</b>	<b>85 438 325</b>	<b>59 422 945</b>

# uMzinga Local Municipality

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## Notes to the Annual Financial Statements

	2022	2021
<b>12. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Construction of shelters grant	559 273	559 273
Spluma Grant	86 973	230 766
	<b>646 246</b>	<b>790 039</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and See note 21 for reconciliation of grants from National/Provincial Government.

### 13. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Landfill site rehabilitation	5 472 803	215 024	-	5 687 827
Performance bonus provision	941 843	941 843	(941 843)	941 843
	<b>6 414 646</b>	<b>1 156 867</b>	<b>(941 843)</b>	<b>6 629 670</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Landfill site rehabilitation	4 577 750	895 053	-	5 472 803
Performance bonus provision	941 843	941 843	(941 843)	941 843
	<b>5 519 593</b>	<b>1 836 896</b>	<b>(941 843)</b>	<b>6 414 646</b>

Non-current liabilities	5 687 827	5 472 803
Current liabilities	941 843	941 843
	<b>6 629 670</b>	<b>6 414 646</b>

The Provision for rehabilitation of land fill site relate to the legal obligation to rehabilitate the land used for waste disposal in accordance with the National Environment Management Act No 107 of 1998 and Environment Conservation Act No 73 of 1989. It is calculated as present value of the expenditure expected to be incurred to settle the future obligation during rehabilitation of the land.

The landfill site disclosure provision is calculated as the net present value of future cashflows based on the expected remaining useful life of the landfill site and on the size of the area that has been used for the waste disposal as of 30 June 2022. The size of the Umsinga Landfill site used up until now is approximately 5600M2. The remaining life of the landfill site is estimated at 3 years.

#### Performance bonus

The provision is to provide for performance bonuses of the section 57 employees. Performance bonuses are paid one year in arrears as the assessment of eligible employees takes place after year end.

# uMzinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>14. Revenue</b>		
Service charges	730 049	423 950
Rental of facilities and equipment	577 765	753 019
Other income	220 250	7 317 431
Interest received - investment	4 762 087	4 779 180
Property rates	19 490 681	18 020 722
Government grants & subsidies	238 152 794	253 993 234
	<u>263 933 626</u>	<u>285 287 536</u>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	730 049	423 950
Rental of facilities and equipment	577 765	753 019
Other income	220 250	7 317 431
Interest received - investment	4 762 087	4 779 180
	<u>6 290 151</u>	<u>13 273 580</u>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	19 490 681	18 020 722
<b>Transfer revenue</b>		
Government grants & subsidies	238 152 794	253 993 234
	<u>257 643 475</u>	<u>272 013 956</u>
<b>15. Service charges</b>		
Refuse Removal	<u>730 049</u>	<u>423 950</u>
<b>16. Rental of facilities and equipment</b>		
Remises - facilities and equipment	<u>577 765</u>	<u>753 019</u>
Rental income includes: Municipal property, community assets (halls), market stalls and ploughing assets. The lease terms range between 1 – 5 years.		
<b>17. Lease rentals on operating lease</b>		
<b>Lease rentals on operating lease</b>		
Contractual amounts	<u>962 552</u>	<u>994 610</u>
The Municipality entered into an operating lease agreement as from 20 October 2017 for a period of 3 years with Konica Minolta, leasing photocopier machines and a monthly rental expense is accounted for in the Statement of Financial Performance. The average lease term is 3 years with 0% escalation. The rental is fixed for the duration of the contract.		
<b>18. Other revenue</b>		
Other income	<u>220 250</u>	<u>7 317 431</u>
Other income includes: Rates clearance income, library printing income and sales of tender documents.		

# uMzinga Local Municipality

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## Notes to the Annual Financial Statements

	2022	2021
<b>19. Investment revenue</b>		
<b>Interest revenue</b>		
Interest Received	4 762 087	4 779 180
<b>20. Property rates</b>		
<b>Rates</b>		
Residential	608 885	505 154
Commercial	7 048 327	6 450 758
State	11 688 009	10 914 003
Municipal	145 460	150 807
	<b>19 490 681</b>	<b>18 020 722</b>

Rates are levied on an annual basis over 12 monthly installments with the final date for payment being 30 June 2022, in terms of provision of the rates policy.

### Valuations

Residential	18 027 000	18 027 000
Commercial	237 947 000	232 882 000
State	511 181 000	511 181 000
Municipal	56 916 000	56 916 000
Other	1 268 204 000	1 268 204 000
	<b>2 092 275 000</b>	<b>2 087 210 000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Interim valuations have been received for the 2021/22 financial year.

For all residential properties, the municipality will not levy a rate on the first R55 000.00 of the Property's market Value. The R55 000.00 is inclusive of R15 000.00 statutory impermissible rate as per section 17(1)(h) of the Municipal Property Rates Act.

Seniors receive a reduction in the market value of their property to the value of R 100 000.000 on application, no application have been received.

100% indigent rebates are offered to qualifying applicants with total household income not exceeding R 3200.00 per month. No applications have been received.

100% child headed household rebates are offered to qualifying applicants. To which no applications have been received.

# uMzinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>21. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	182 530 000	209 221 000
Finance Management Grant (FMG)	1 850 000	1 900 000
Extended Public Works Programme	3 989 000	4 441 000
Spluma Grant	143 794	519 234
Library Grant	1 228 000	1 179 000
	<u>189 740 794</u>	<u>217 260 234</u>
<b>Capital grants</b>		
Municipal infrastructure grant	48 412 000	36 733 000
	<u>238 152 794</u>	<u>253 993 234</u>
<b>Equitable Share</b>		
In terms of the Constitution of South Africa, this grant is used to subsidise provision for basic services and for the municipality's operations.		
<b>Municipal Infrastructure Grant (MIG)</b>		
Current-year receipts	48 412 000	36 733 000
Conditions met - transferred to revenue	(48 412 000)	(36 733 000)
	<u>-</u>	<u>-</u>
The grant is for the implementation of projects approved by MIG. No funds were withheld.		
<b>Finance Management Grant (FMG)</b>		
Current-year receipts	1 850 000	1 900 000
Conditions met - transferred to revenue	(1 850 000)	(1 900 000)
	<u>-</u>	<u>-</u>
The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act (MFMA). The conditions of the grant were met and no funds have been withheld.		
<b>Construction of Shelters Grant</b>		
Balance unspent at beginning of year	<u>559 273</u>	<u>559 273</u>
There are ongoing engagements between the municipality and the Department of Human Settlement in relation to the existence of this liability.		
<b>Spluma Grant</b>		
Balance unspent at beginning of year	230 766	750 000
Conditions met - transferred to revenue	(143 794)	(519 234)
	<u>86 973</u>	<u>230 766</u>
Conditions still to be met - remain liabilities (see note 13).		
This grant relate to implementation of Spluma.		
<b>Extended Public Works Programme</b>		



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## Notes to the Annual Financial Statements

	2022	2021
<b>21. Government grants &amp; subsidies (continued)</b>		
Current-year receipts	3 989 000	4 441 000
Conditions met - transferred to revenue	(3 989 000)	(4 441 000)
	<u>-</u>	<u>-</u>

The Expanded Public Works Programme is a special performance-based incentive provided to municipalities that contribute to the employment creation efforts of the expanded public works programme through the employment of previously unemployed people. The condition of the grant was met and no funds have been withheld.

### Library Grant

Current-year receipts	1 228 000	1 179 000
Conditions met - transferred to revenue	(1 228 000)	(1 179 000)
	<u>-</u>	<u>-</u>

This grant is used to pay the salary of the library Cyber Cadet and subsidise operational costs associated with Libraries. The conditions of the grant were met and no funds were withheld.

### Integrated National Electrification Programme (INEP)

Current-year receipts	16 420 000	13 000 000
Conditions met - transferred to revenue	(16 420 000)	(13 000 000)
	<u>-</u>	<u>-</u>

The municipality has entered an arrangement with ESKOM for construction of powerlines for the areas within area of the municipality. The municipality is an agent to the transaction as all the powerlines are handed over back to ESKOM upon completion. Eskom would determine the specifications and approve the designs before construction. The project would be inspected by Eskom upon completion before it can be handed over. The Municipality has responsibility to appoint the contractor and/or service provider that is registered with ESKOM. The arrangement would improve the lives of the local communities. Thus, the grant is not recognised as revenue.

# uMzinga Local Municipality

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## Notes to the Annual Financial Statements

	2022	2021
<b>22. Employee related costs</b>		
Basic	63 668 658	62 504 505
Bonus	2 899 258	2 787 454
Medical aid - company contributions	1 725 433	1 445 255
UIF	434 990	362 530
Leave payout	282 454	166 481
Travel, motor car, accommodation and subsistence	4 415 144	2 729 715
Overtime payments	1 519 227	1 362 558
Long-service awards	149 645	71 511
	<b>75 094 809</b>	<b>71 430 009</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	760 240	760 240
Car Allowance	506 826	506 826
Area Allowance	50 683	50 683
Performance Bonus	184 485	171 307
Contributions to UIF, Medical and Pension Funds	17 981	14 704
Other	186 461	120 329
	<b>1 706 676</b>	<b>1 624 089</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	572 180	624 196
Car Allowance	381 453	416 131
Area Allowance	38 145	41 613
Performance Bonus	151 472	140 652
Contributions to UIF, Medical and Pension Funds	14 511	12 454
Other	185 444	103 155
	<b>1 343 206</b>	<b>1 338 201</b>
<p>During the financial period under review Mr Mthadeni Nene then CFO resigned at the end of May 2022, to which Mr Kwanda ithole took on the position of Acting CFO for the month of June 2022.</p>		
<b>Remuneration of Director: Planning</b>		
Annual Remuneration	624 196	624 196
Car Allowance	416 131	416 131
Area Allowance	41 613	41 613
Performance Bonus	151 472	140 652
Contributions to UIF, Medical and Pension Funds	14 204	12 054
Other	48 000	54 000
	<b>1 295 615</b>	<b>1 288 646</b>
<b>Remuneration of Director: Community</b>		
Annual Remuneration	624 196	624 196
Car Allowance	416 131	416 131
Area Allowance	41 613	41 613
Performance Bonus	151 472	140 652
Contributions to UIF, Medical and Pension Funds	14 204	12 054
Other	48 000	61 138
	<b>1 295 615</b>	<b>1 295 784</b>

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## Notes to the Annual Financial Statements

	2022	2021
<b>22. Employee related costs (continued)</b>		
<b>Remuneration of Director: Corporate and Human Resources</b>		
Annual Remuneration	624 196	624 196
Car Allowance	416 131	416 131
Area Allowance	41 613	41 613
Performance Bonus	151 472	140 652
Contributions to UIF, Medical and Pension Funds	14 204	12 054
Other	57 385	60 739
	<b>1 305 001</b>	<b>1 295 385</b>
<b>Remuneration of Director: Technical Services</b>		
Annual Remuneration	624 196	624 196
Car Allowance	416 131	416 131
Area Allowance	41 613	41 613
Performance Bonus	151 472	140 652
Contributions to UIF, Medical and Pension Funds	14 204	12 054
Other	48 000	56 805
	<b>1 295 616</b>	<b>1 291 451</b>
<b>Remuneration of Acting Chief Finance Officer</b>		
Annual Remuneration	43 609	-
Acting Allowance	8 408	-
Car Allowance	7 500	-
Contributions to UIF, Medical and Pension Funds	13 682	-
Other	5 067	-
	<b>78 266</b>	<b>-</b>
During the financial period under review Mr Mthadeni Nene then CFO resigned at the end of May 2022, to which Mr Kwanda Sithole took on the position of Acting CFO for the month of June 2022.		
<b>23. Remuneration of Councillors</b>		
Executive Mayor	855 486	911 637
Deputy Executive Mayor	693 125	431 649
Speaker	430 123	738 629
Mayoral Committee Members	2 157 153	1 769 574
Councillors	9 949 139	9 221 468
	<b>14 085 026</b>	<b>13 072 957</b>
<b>In-kind benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor, Deputy Mayor and speaker each have the use of separate Council owned vehicles for official duties.		
The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.		
The Executive Mayor has two full-time bodyguards.		

# uMzinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 23. Remuneration of Councillors (continued)

#### Accounting Officer's certification of Councillors remuneration

The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Office Bearer's Act. Refer to note 33 "for the detailed breakdown of councillors remuneration.

Local government elections were held during the current financial year under audit, which has led to changes in the council's composition, resulting in some council members retaining positions, losing positions and others being elected to new councils.

### 24. Depreciation and amortisation

Property, plant and equipment	32 022 871	29 123 434
tangible assets	372 195	407 976
	<u>32 395 066</u>	<u>29 531 410</u>

Refer to reconciliation in note 3 and 4 for further details. Depreciation and amortisation is calculated over the useful life of the asset and reflects the realisation of that asset through continued use.

### 25. Finance Cost

Landfill site	215 024	160 221
Long term service	113 000	108 000
	<u>328 024</u>	<u>268 221</u>

### 26. Auditors' remuneration

Fees	<u>2 192 405</u>	<u>1 399 348</u>
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### 27. General expenses

Auditors remuneration	2 192 405	1 399 348
Bank charges	219 465	254 948
Community assistance expenses	27 060 556	18 562 703
Computer expenses	789 680	1 033 626
Conference and seminars	-	25 372
Entertainment	52 871	36 468
FMG expenses	883 340	537 150
Learnership and internship expenses	1 324 731	1 231 686
Licences	319 368	692 294
Management services	5 214 619	3 385 951
Protective clothing	1 419 485	1 777 319
Operational running costs	2 079 348	1 205 390
Telephone and fax	1 352 719	1 242 390
Security	9 132 468	9 693 630
Seating allowance traditional leaders	3 500	10 000
Special projects	3 566 570	908 927
Subscriptions and membership fees	1 308 152	760 873
Subsistence and travel	2 476 164	1 851 957
Training and Education	220 780	92 387
Ward committees	2 421 400	3 349 000
	<u>62 037 621</u>	<u>48 051 419</u>

# uMshinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022	2021
<b>28. Free basic services</b>		
Electricity	230 161	477 929
<b>29. Contracted services</b>		
Consultant and Professional Services	15 407 350	15 214 538
Contractors	13 017 518	2 446 525
Information Technology Services	-	1 026 973
Outsourced Services	6 102 397	8 478 334
<b>Presented previously</b>		
Repairs and Maintenance	44 927 906	31 191 389
	<b>79 455 171</b>	<b>58 357 759</b>
<b>30. Cash generated from operations</b>		
(Deficit) surplus	(14 478 775)	43 362 340
<b>Adjustments for:</b>		
Depreciation and amortisation	32 395 066	29 531 410
Profit on sale of assets	144 671	573 228
Bad Debts written off	400 708	-
Contribution to impairment	4 687 597	10 930 098
Movements in retirement benefit assets and liabilities	254 000	204 000
Movements in provisions	215 024	895 053
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(1 493 220)	(1 995 649)
Consumer debtors	(6 085 901)	(10 247 847)
Payables from exchange transactions	2 727 668	(7 945 460)
VAT	(826 363)	2 897 512
Unspent conditional grants and receipts	-	(519 180)
	<b>17 940 475</b>	<b>67 685 505</b>

# uMzinga Local Municipality

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## Notes to the Annual Financial Statements

	2022	2021
<b>31. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved &amp; contracted for</b>		
• Property, plant and equipment	36 469 231	41 793 674
<b>Approved but not yet contracted for</b>		
• Property, plant and equipment	3 718 780	-
<b>Total capital commitments</b>		
Already contracted for but not provided for	36 469 231	41 793 674
Not yet contracted for and authorised by accounting officer	3 718 780	-
	<b>40 188 011</b>	<b>41 793 674</b>
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Expenditure	-	42 700 625
<b>Total operational commitments</b>		
Already contracted for but not provided for	-	42 700 625

The committed expenditure has been disclosed exclusive of VAT. This committed capital expenditure relates to property, plant and equipment as well as operating expenditure will be financed by government grants.

# uMzinga Local Municipality

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## Notes to the Annual Financial Statements

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### 32. Contingencies

For the year ended 2018/19 Steyns chartered accountants incorporated (Steyns chartered accountants incorporated is a former Internal Auditor suing the Municipality for breach of contract. He claims that the municipality breached an agreement by deciding to terminate his contract and he is suing for the outstanding amount which was left in the contract (The cancellation is a result of an audit query raised by the Auditor-General.) has filed a claim of R 211,140 which attracts interest at 10,25 % per annum, calculated from 31 March 2018 till the date of final payment, for unfair dismissal. Further, he seeks recoupment of the cost of the lawsuit and attorney fees, the amount of which is unknown at it is dependent on the length of the lawsuit. The municipality is represented by Shepstone & Wylie Incorporated. Current Status: Pre-Trial stages, which includes drafting of the discovery affidavit and the exchange thereof thereafter we will apply for trial dates. The expenditure so far equals to R 246 923.50.

The plaintiff Mr Hlela, was traveling from Greytown via R33 when a pothole caused a damage to his vehicle. He alleges that the damage he suffered is a result of the municipality's failure to repair the road. Therefore, he is suing municipality for all the costs incurred repairing his vehicle. He has filed a claim of R 8 860.90 which attracts interest at 15,5 % per annum, calculated from the date of judgement to the date of payment. The municipality defended the matter by drafting a plea informing him of 'Mis joinder' advising him that he should be suing the department of transport instead. The municipality is represented by Shepstone & Wylie Incorporated. Current Status: The matter has been filed in uMzinga Magistrate Court. The expenditure so far equals to R13 487.20.

The former Chief Financial Officer of the municipality, is suing for breach of contract to the value of R 600 000. He disputes that the Municipality did not act according to the law when they cancelled his contract. There has since been a pre arbitration meeting with the representatives of Prestprops, where the following was confirmed: The appointment of Adv WAJ Nicholson as the arbitrator and Dates for the filing of pleadings (2 December 2019). Prestprops filed their statement of claim and the municipality also instructed Advocate Broster S.C. to draft answering statements on their behalf. The municipality is represented by Garlicke and Bousfield Incorporated. Current Status: waiting for Prestprops representatives to take next step.

The municipality is being sued by Mbalenhle Mhlango for an alleged accident that took place at eDrayeni area involving the waste department truck and a private vehicle in February 2021. The plaintiff alleges that municipality's employee was in the wrong thus giving rise to this claim of R90 521,41 they incurred fixing the vehicle. Interest on the aforesaid amount at a of 7.25% a tempore morae. The Municipality filed an intention to defend and further filed notice in terms of Court rule 23 requesting all invoices for the repair costs in respect of damage suffered because of collision.

### Contingent assets

During the year of 2017/2018 an amount of R 1 250 000 was paid to Khansela CC and an amount of R 300 000 was paid to Aphile CC. These payments were made to the suppliers without any order, invoice or goods delivery note. To determine their authenticity they were referred to the Internal Audit unit for investigation. Subsequently during the year of 2018/2019 the Municipality has since appointed an investigating company by the name of Nexia SAB&T to investigate the matter. The municipality believes that there is a high likelihood that these amounts (totaling R 1 550 000) will be reimbursed to the municipality.

During the year of 2018/19, the Municipality made an erroneous payment to Mpandla Trading of R1,295,723.23 and has failed to recover the money over the past period. The Municipality as such, has since taken legal action in an attempt to recover the money. If successful, the amount shall be paid back to the Municipality in the possible near future.

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 33. Related party

#### Relationships

Accounting Officer

SL SOKHELA

Directors

K SITHOLE (Acting CFO)

TM NENE (Resigned)

MS XULU

MV NTANZI

SZN MGUNI

BP HLUBI

Executive Mayor

Cllr. DM NDLOVU

Deputy Mayor

Cllr. TB MBATHA

peaker

Cllr. SG MASIMULA

Mayoral Committee Members

Cllr. LB NTULI

Cllr. SK RADEBE

Cllr. TM NDLOVU

Cllr. BP NGCOBO

Cllr. N XABA

Cllr. PAG NKALA

Traditional Leaders

iNkosi. SW MTHEMBU

iNkosi. NE MCHUNU

iNkosi. ZD MAJOZI

iNkosi. TDP MNTUNGWA



# uMzinga Local Municipality

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## Notes to the Annual Financial Statements

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### 33. Related party (continued)

Councillors

Cllr. BE MVELASE  
Cllr. JB CHONCO  
Cllr. NM XIMBA  
Cllr. FF NDLOVU  
Cllr. F ZUMA  
Cllr. EM MDLULI  
Cllr. BK KHOZA  
Cllr. VS NDLOVU  
Cllr. M MASIKANE  
Cllr. SP LANGA  
Cllr. KJ MKHIZE  
Cllr. M NTSHAPHA  
Cllr. TNN SOKHELA  
Cllr. MN NDLOVU  
Cllr. ME MKHIZE  
Cllr. Z MCHUNU  
Cllr. B DUMAKUDE  
Cllr. MW SOKHELA  
Cllr. S ZONDI  
Cllr. TL KUNENE  
Cllr. S MAGUBANE  
Cllr. ME NGOBE  
Cllr. M BUTHELEZI  
Cllr. MS KHOZA  
Cllr. B MTHETHWA  
Cllr. T MNTUNGWA  
Cllr. TM MABASO  
Cllr. MMS MYEZA  
Cllr. BP MADONDO  
Cllr. ZE SHANGE  
Cllr. GB SIKHAKHANE  
Cllr. P DLADLA

## uMsinga Local Municipality

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### Notes to the Annual Financial Statements

2022

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#### 33. Related party (continued)

##### Related party transactions

##### Expenses recognised

Amazwe Cleaners and Trading	112 000	14 000
Amazwe Security and Training	13 820	138 555
HBZ Transport and Projects	1 472 093	231 567
Mlaba's Trading and Projects	125 124	20 000
Maboniza Services	125 124	8 000
Micho Khathide Tradings	1 217 282	287 775
Siyejabula Trading	4 649 210	3 815 258
Mthopho (Pty) Ltd	255 000	41 500
Ekanobhabha Trading Enterprise	98 000	384 713
Dezign Maestro (Pty) Ltd	109 953	366 350
Maboniza Services	-	26 020
Nxamalala Trading	-	89 722

##### Related party

Name of person employed by the municipality	Position/ job title at the municipality	Related Supplier name
Lungisani Blessing Ntuli	Ordinary councilor	Ispsheshethwa Holdings
Daugras Mletheni Ndlovu	MPAC chairperson	Amazwe Cleaners
Thokozani Moses Mabaso	Ordinary councilor	HBZ Transport and Projects
Thokozani Moses Mabaso	Ordinary councilor	DMN Co-Operative Limited
Simosenkosi Innocent Sikhakhane	Security guard	Mlaba's Trading and Projects
Mavis Nobuhle Mabaso	Ordinary councilor	Dlulas Easy Build Hardware
Christine Khethiwe Ziqubu	Communications manager	1Maboniza Services
Zamo Lorraine Zondi	Security Guard	Siya Zenzela Trading
Sizwe Malembe	Security Guard	Nqoboluvuno Trading
TT Dlamini	KZN: HEALTH	Mosinda trading Enterprise
Mzowandayo Michael Sokhela	Ordinary Councillor	Micho Khathide Tradings
Welcome Mkhokiseni Mpanza	Ordinary Councillor	Siyejabula Trading
Gertrude Buhle Sikhakhane	Ordinary Councillor	Amadlakhe Trading
Mandlakhe Emmauel Ngobe	Ordinary Councillor	Amadlakhe Trading
Precious Zamakhoza Khoza	PA to Director Corporate	Maodeni
Mhawukeleni Wellington Sokhela	Ordinary Councillor	Msinga Transport Services
Thandile Hlela	Payroll Officer	Mthopho (Pty) Ltd
Thubelihle Mchunu	Revenue Accountant	Ekanobhabha Trading Enterprise
Edmund Sthembiso Mchunu	Diver	Dezign Maestro (Pty) Ltd
Christine Khethiwe Ziqubu	Communications Manager	Maboniza Services
Samukelisiwe Princess Ximba	Security Guard	Nxamalala Trading

##### Remuneration of councillors

# uMisinga Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 33. Related party (continued)

Management class: Councillors

2022

Name	Annual Remuneration	Travel Allowance	Cellphone Allowance	Other Allowance	Total
Executive Mayor	382 339	141 795	27 200	2 400	553 733
Former Executive Mayor	215 215	71 738	13 600	1 200	301 753
Deputy Executive Mayor	305 763	113 400	27 200	2 400	448 763
Former Deputy Executive Mayor	172 172	57 391	13 600	1 200	244 363
Speaker	193 242	64 414	27 200	2 400	287 256
Former Speaker	96 050	32 017	13 600	1 200	142 866
Mayoral committee members	1 081 129	360 376	161 905	14 286	1 617 696
Former Mayoral committee members	360 193	120 064	54 400	4 800	539 457
Councillors	4 405 517	1 505 006	873 152	77 044	6 860 719
Former Councillors	1 994 415	664 805	394 400	34 800	3 088 420
	<b>9 206 035</b>	<b>3 131 006</b>	<b>1 606 257</b>	<b>141 730</b>	<b>14 085 026</b>

2021

Name	Annual Remuneration	Travel Allowance	Cellphone Allowance	Other Allowance	Employee Contribution	Total
Executive Mayor	645 644	215 215	40 800	3 600	6 378	911 637
Deputy Executive Mayor	288 149	96 050	40 800	3 600	3 050	431 649
Speaker	516 516	172 172	40 800	3 965	5 176	738 629
Mayoral committee members	1 170 627	390 209	176 800	19 827	12 111	1 769 574
Councillors	5 890 003	1 963 335	1 162 800	138 552	66 778	9 221 468
	<b>8 510 939</b>	<b>2 836 981</b>	<b>1 462 000</b>	<b>169 544</b>	<b>93 493</b>	<b>13 072 957</b>

Additional information

# uMisinga Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 33. Related party (continued)

The following councillors listed below did not return to their political positions as the elections were held in October for the year ended by virtue of this process they were voted out:

- Cllr. FJ SIKHAKHANE
- Cllr. MA MNTUNGWA
- Cllr. N MAJOZI
- Cllr. JV LANGA
- Cllr. MN MABASO
- Cllr. M SITHOLE
- Cllr. SZ MAGWAZA
- Cllr. SR SOKHULU
- Cllr. SC MPUNGOSE
- Cllr. S XIMBA
- Cllr. LE DANISA
- Cllr. NP XULU
- Cllr. AS SHEZI

### 34. 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.

# uMzinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

2022

2021

### 34. Risk management (continued)

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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.

	2022	2021
Payables from exchange transactions	27 769 633	25 041 967
Unspent conditional grants	646 246	790 039

#### Credit risk

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

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

Financial instrument	2022	2021
Cash and cash equivalents	42 156 760	85 438 325
Consumer debtors	5 475 019	4 076 714
Receivables from exchange transactions	4 184 329	2 691 109

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

### 35. Going concern

The municipality was impacted by the recent flooding that occurred in KwaZulu-Natal during the month of April 2022. Leaving three (3) access roads located in the province damaged to varying degrees. The severity of the said damages is classified immaterial in relation to municipalities ability to remain operational towards their mandate of carrying out service delivery operations. The said damages did not constitute any insurance claims as infrastructure such as Roads are not covered or catered for. Notwithstanding the operational and financial effects of the flooding, management believes that the municipality has adequate financial resources to continue its operations for the foreseeable future.

### 36. Events after the reporting date

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

### 37. Unauthorised expenditure

Opening balance as previously reported	(2 151 306)	(22 640 569)
Add: Expenditure identified - current	(30 194 914)	(24 711 092)
Less: Amount approved by Council	2 151 306	45 200 355
<b>Closing balance</b>	<b>(30 194 914)</b>	<b>(2 151 306)</b>

Unauthorized expenditure arises from the over expenditure that was identified during the comparison of the budget and the actual expenditure incurred as listed below.

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## Notes to the Annual Financial Statements

2022

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### 37. Unauthorised expenditure (continued)

#### Unauthorised expenditure: Budget overspending

Remuneration of councillors	(688 127)	-
Depreciation	(8 746 952)	(6 515 410)
Debt impairment	(3 687 601)	(9 930 102)
Intangible Asset	-	(104 827)
Bad Debt Written Off	(400 708)	-
Employee related cost	(1 069 021)	(6 688 214)
Lease rental	(962 552)	(994 610)
Free basic services	(230 161)	(477 929)
Contracted Services	(2 372 171)	-
General Expenses	(12 037 621)	-
	<u>(30 194 914)</u>	<u>(24 711 092)</u>

### 38. Fruitless and wasteful expenditure

Opening balance as previously reported	28	138 780
Add: Fruitless and wasteful expenditure identified - current	141 232	28
Less: Amount written off - current	(28)	(138 780)
<b>Closing balance</b>	<u>141 232</u>	<u>28</u>

The fruitless and wasteful expenditure incurred during the current year has not yet been presented to council. Fruitless and wasteful expenditure relates to interest and penalties on late payments.

# uMsinga Local Municipality

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## Notes to the Annual Financial Statements

2022 2021

### 39. Irregular expenditure

Opening balance as previously reported	808 266	-
Add: Irregular expenditure - current	7 201 902	808 266
Less: Amount written off - prior period	(492 585)	-
<b>Closing balance</b>	<b>7 517 583</b>	<b>808 266</b>

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

	Disciplinary steps taken/criminal proceedings	
Awards to close family member of [state details]	-	315 681
Over expenditure	7 201 902	492 585
	<b>7 201 902</b>	<b>808 266</b>

### 40. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government(SALGA)

Opening balance	937 926	698 600
Current year subscription / fee	(937 926)	(698 600)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

#### Audit fees

Opening balance	2 271 860	1 399 348
Current year subscription / fee	(2 271 860)	(1 399 348)
	<b>-</b>	<b>-</b>

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## Notes to the Annual Financial Statements

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

#### PAYE and UIF

Opening balance	13 248 061	12 344 229
Amount paid - current year	(13 248 061)	(12 344 229)
	<u>-</u>	<u>-</u>

#### Pension and Medical Aid Deductions

Opening balance	15 683 589	14 762 427
Amount paid - current year	(15 683 589)	(14 756 660)
	<u>-</u>	<u>5 767</u>

#### VAT

VAT receivable	<u>3 386 186</u>	<u>2 559 822</u>
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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

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

### 41. Deviations from the supply chain management regulations

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

Sole Supplier	1 258 764	492 190
Nature of the restrictions		
Other	-	736 000
Nature of the restrictions		
Emergency	4 354 270	-
Nature of the restrictions		



# uMsinga Local Municipality

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## Notes to the Annual Financial Statements

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### 42. 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 demarcations. 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.

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

#### Reportable segment

Community and public safety  
Economic planning and development  
Trading services  
Other

#### Goods and/or services

Social services delivery and protection  
Economic development services delivery  
Provides trading and support services  
Supports to other segments and other adhoc service to the members of the public

#### Segment surplus or deficit, assets and liabilities

2022

# uMsinga Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 42. Segment information (continued)

	Community and public safety	Finance and Administration	Trading services	Planning and Development	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	(1 230 500)	(231 034 178)	(25 381 297)	-	(257 645 975)
Revenue from exchange transactions	(36 839)	(6 229 742)	(21 000)	(70)	(6 287 651)
<b>Total segment revenue</b>	<b>(1 267 339)</b>	<b>(237 263 920)</b>	<b>(25 402 297)</b>	<b>(70)</b>	<b>(263 933 626)</b>
<b>Entity's revenue</b>					<b>(263 933 626)</b>
<b>Expenditure</b>					
Remuneration of Councillors	-	-	15 940 676	-	15 940 676
Contracted Services	991 485	27 100 578	37 030 502	8 087 307	73 209 872
Inventory Consumed	931 448	7 828 272	17 652 562	785 166	27 197 448
Operating Leases	-	962 552	-	-	962 552
Employee related Cost	9 765 953	48 825 063	18 433 127	1 643 602	78 667 745
Operational Cost	994 360	35 386 536	5 594 764	2 559 406	44 535 066
Bad Debts Written Off	-	(9 268 537)	-	-	(9 268 537)
Depreciation and Amortisation	-	-	32 646 426	-	32 646 426
Fair Value Adjustment	-	271 000	-	-	271 000
<b>Total segment expenditure</b>	<b>12 683 246</b>	<b>111 105 464</b>	<b>127 298 057</b>	<b>13 075 481</b>	<b>264 162 248</b>
<b>Total segmental surplus</b>					<b>(528 095 874)</b>
Discontinued Operations and Disposals of Non-current Assets					373 181
Income tax expense					(228 510)
Disposal of Fixed and Intangible Assets					-
<b>Entity's surplus (deficit) for the period</b>					<b>144 671</b>
<b>Assets</b>					
Current Assets	(38 186 151)	767 868 542	(585 018 486)	(49 863 058)	94 800 847
Non-current Assets	201 732 121	(418 470 199)	80 117 112	387 949 561	251 328 595
<b>Total segment assets</b>	<b>163 545 970</b>	<b>349 398 343</b>	<b>(504 901 374)</b>	<b>338 086 503</b>	<b>346 129 442</b>

# uMsinga Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 42. Segment information (continued) Total assets as per Statement of financial Position

Liabilities	Community and public safety	Finance and Administration	Trading services	Planning and Development	Total
Current Liabilities	49 293 178	(56 823 261)	(3 663 944)	(26 237 890)	(37 431 917)
Non-current Liabilities	-	1 972 164	-	(8 964 991)	(6 992 827)
<b>Total segment liabilities</b>	<b>49 293 178</b>	<b>(54 851 097)</b>	<b>(3 663 944)</b>	<b>(35 202 881)</b>	<b>(44 424 744)</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>(44 424 744)</b>

2021

Revenue	Community and public safety	Economic planning and development	Trading services	Other	Total
Revenue from non-exchange transactions	1 179 550	39 481 673	231 564 063	-	272 225 286
Revenue from exchange transactions	(52 460)	13 385	13 312 105	(210 780)	13 062 250
<b>Total segment revenue</b>	<b>1 127 090</b>	<b>39 495 058</b>	<b>244 876 168</b>	<b>(210 780)</b>	<b>285 287 536</b>
<b>Entity's revenue</b>					<b>285 287 536</b>

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Segment information (continued)

Expenditure					
Bad Debts Written Off	-	-	10 930 098	-	10 930 098
Contracted Services	6 731 712	29 116 914	16 970 511	-	52 819 137
Depreciation and Amortisation	-	29 531 410	-	-	29 531 410
Disposal of Fixed and Intangible Assets	-	-	573 228	-	573 228
Employee Related Cost	11 725 178	24 366 814	40 736 004	-	76 827 996
Actuarial (loss)	-	-	104 000	-	104 000
Inventory Consumed	686 770	10 978 420	7 434 663	-	19 099 853
Operating Leases	-	127 777	866 833	-	994 610
Operational Cost	2 500 191	2 802 770	30 679 435	-	35 982 396
Remuneration of Councillors	-	15 062 467	-	-	15 062 467
<b>Total segment expenditure</b>	<b>21 643 851</b>	<b>111 986 572</b>	<b>108 294 772</b>	<b>-</b>	<b>241 925 195</b>
<b>Total segmental surplus/(deficit)</b>					<b>43 362 341</b>

### Assets

Current Assets	498 666	1 405 000	787 443	92 074 861	94 765 970
Non-current Assets	152 975 397	49 913 516	36 171 269	1 542 491	240 602 673
<b>Total segment assets</b>	<b>153 474 063</b>	<b>51 318 516</b>	<b>36 958 712</b>	<b>93 617 352</b>	<b>335 368 643</b>
<b>Total assets as per Statement of financial Position</b>					<b>335 368 643</b>

### Liabilities

Current Liabilities	(14 041 955)	143 120 393	(95 299 116)	(7 005 474)	26 773 848
Non-current Liabilities	-	-	6 523 803	-	6 523 803
<b>Total segment liabilities</b>	<b>(14 041 955)</b>	<b>143 120 393</b>	<b>(88 775 313)</b>	<b>(7 005 474)</b>	<b>33 297 651</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>33 297 651</b>

### 43. Budget differences

Material differences between budget and actual amounts

# uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

2022

2021

### 43. Budget differences (continued)

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

- a) The positive difference is due to the renewal of some of the SLA's for the service charges that were made during the year under audit and the changes in the current year tariffs compared to the prior year.
- b) During the current year the municipality had mistakenly budgeted for the VAT funds as other income.
- c) The municipality had anticipated a fully functioning traffic department, however the municipality had encountered unexpected delays/challenges that hindered this process.
- d) The municipality had erroneously under budgeted for the depreciation expenditure, which was an oversight and therefore to be corrected in the upcoming financial periods.
- e) The municipality had mixed some of expenditure based on the treasury budget disclosure requirement. Overall, the municipality had overspent due to the arising need of service delivery to the community.
- f) The municipality did not anticipate or plan to write off any of its debtors during the current year under audit, however the write off was due to a correction of inactive/closed accounts which were being billed in the years.