



**uMsinga Local Municipality  
(Registration number KZN 244)  
Annual Financial Statements  
for the year ended 30 June 2023**

# uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2023

## 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.

### Legislation governing the municipality's operations

Constitution of the Republic of south Africa (Act 108 of 1998)  
Local Government: Municipal Finance Management Act (Act no.56 of 2003)  
Local Government: Municipal Systems Act (Act 32 of 2000)  
Local Government: Municipal Structures Act (Act 117 of 1998)  
Municipal Property Rates Act (act of 6 2004)  
Division of Revenue Act (Act 1 of 2007)

### Mayoral committee

Mayor

Cllr. FJ SIKHAKHANE (INCOMING MAYOR)  
Cllr. DM NDLOVU (FORMER MAYOR)

Deputy Mayor

Speaker

Chief whip

Section 79 committee chairperson

Cllr. TB MBATHA  
Cllr. SG MASIMULA  
Cllr. MW SOKHELA  
Cllr. P DLADLA (INCOMING)  
Cllr. S MAGUBANE (DECEASED)

Mayoral Committee Members

Cllr. LB NTULI  
Cllr. SK RADEBE  
Cllr. TM NDLOVU  
Cllr. BP NGCOBO  
Cllr. N XABA  
Cllr. PA NKALA

# uMsinga Local Municipality

(Registration number KZN 244)

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## General Information

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**Councillors**

Cllr. H JALI  
Cllr. ME NGOBE  
Cllr. M BUTHELEZI  
Cllr. JB CHONCO  
Cllr. NM XIMBA  
Cllr. FF NDLOVU  
Cllr. F ZUMA  
Cllr. EM MDLULI  
Cllr. VS NDLOVU  
Cllr. M MASIKANE  
Cllr. SP LANGA  
Cllr. KJ MKHIZE  
Cllr. M NTSHAPHA  
Cllr. S ZONDI  
Cllr. TL KUNENE  
Cllr. TN SOKHELA  
Cllr. MN NDLOVU  
Cllr. ME MKHIZE  
Cllr. Z MCHUNU  
Cllr. MJ NDEBELE  
Cllr. MS KHOZA  
Cllr. B DUMAKUDE  
Cllr. B MTHETHWA  
Cllr. T MNTUNGWA  
Cllr. TM MABASO  
Cllr. MM MYEZA  
Cllr. DM NDLOVU  
Cllr. ZE SHANGE  
Cllr. GB SIKHAKHANE  
Cllr. P DLADLA  
Cllr. BE MVELASE

**Traditional Leaders**

iNkosi. SW MTHEMBU  
iNkosi. NE MCHUNU  
iNkosi. ZD MAJOZI  
iNkosi. TDP MNTUNGWA

**Grading of local authority**

2

**Accounting Officer**

SL SOKHELA

**Chief Finance Officer (CFO)**

NG MVELASE (Incoming as at 1st of September 2022)  
K SITHOLE (Acting as at the 1st June 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

# **uMsinga Local Municipality**

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## **General Information**

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**Attorneys**

Registered Auditors

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 municipal council:

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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)

Annual Financial Statements for the year ended 30 June 2023

## 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 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note titled Remuneration of Councillors of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public 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 6 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 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 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Notes	2023 R	2022 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	8	4 888 671	1 929 188
VAT receivable	9	2 340 199	3 386 185
Receivables from non-exchange transactions	10	9 691 669	4 868 636
Cash and cash equivalents	11	52 202 858	42 156 760
		<b>69 123 397</b>	<b>52 340 769</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	279 643 504	263 112 872
Intangible assets	4	5 485 840	5 367 600
Heritage assets	5	260 000	260 000
		<b>285 389 344</b>	<b>268 740 472</b>
<b>Total Assets</b>		<b>354 512 741</b>	<b>321 081 241</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	6	21 408 418	25 101 945
Unspent conditional grants and receipts	12	1 646 245	646 246
Provisions	13	946 778	941 843
		<b>24 001 441</b>	<b>26 690 034</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	7	1 344 000	1 305 000
Provisions	13	6 195 867	5 687 827
		<b>7 539 867</b>	<b>6 992 827</b>
<b>Total Liabilities</b>		<b>31 541 308</b>	<b>33 682 861</b>
<b>Net Assets</b>		<b>322 971 433</b>	<b>287 398 380</b>
Reserves		260 000	260 000
Revaluation reserve		322 711 433	287 138 380
Accumulated surplus		<b>322 971 433</b>	<b>287 398 380</b>
<b>Total Net Assets</b>		<b>322 971 433</b>	<b>287 398 380</b>

\* See Note 36

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Notes	2023 R	2022 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	15	1 298 333	730 049
INEP Construction contracts revenue	17	14 295 652	14 278 261
Rental of facilities and equipment	16	573 736	577 765
Other revenue	19	399 558	220 250
Interest received	20	6 496 394	4 762 087
<b>Total revenue from exchange transactions</b>		<b>23 063 673</b>	<b>20 568 412</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	21	27 482 532	19 490 681
<b>Transfer revenue</b>			
Government grants & subsidies	22	273 952 535	238 152 794
<b>Total revenue from non-exchange transactions</b>		<b>301 435 067</b>	<b>257 643 475</b>
<b>Total revenue</b>	14	<b>324 498 740</b>	<b>278 211 887</b>
<b>Expenditure</b>			
Employee related costs	23	(89 072 302)	(80 747 114)
Remuneration of councillors	24	(14 826 815)	(14 085 026)
Depreciation, amortisation and impairment of assets	25	(39 839 721)	(32 395 066)
Finance costs	27	(656 040)	(328 024)
Lease rentals on operating lease	18	(1 500 651)	(962 552)
Bad debt written off		-	(400 708)
Contributions to allowance (Impairment)	8&10	(9 282 786)	(7 549 121)
Impairment reversal	26	2 632 435	-
Free basic services	30	(145 958)	(230 161)
Contracted services	31	(71 408 660)	(79 455 171)
INEP Construction Contract Expenditure	17	(14 295 652)	(14 278 261)
General expenses	29	(48 053 725)	(62 037 622)
<b>Total expenditure</b>		<b>(286 449 875)</b>	<b>(292 468 826)</b>
<b>Surplus / (Deficit) before actuarial gains</b>		<b>38 048 865</b>	<b>(14 256 940)</b>
Actuarial gain / (loss)		(140 000)	271 000
<b>Surplus / (Deficit) for the year from continuing operations</b>		<b>37 908 865</b>	<b>(14 527 940)</b>
Loss on disposal of asset		(2 335 815)	(144 671)
<b>Surplus / (Deficit) for the year</b>		<b>35 573 050</b>	<b>(14 672 611)</b>

\* See Note 36



## uMsinga Local Municipality

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### Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve R	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2021</b>	<b>260 000</b>	<b>301 810 991</b>	<b>302 070 991</b>
Changes in net assets			
Deficit for the year as previously reported	-	(14 672 611)	(14 672 611)
Total changes	-	(14 672 611)	(14 672 611)
<b>Balance at 01 July 2022</b>	<b>260 000</b>	<b>287 138 383</b>	<b>287 398 383</b>
Changes in net assets			
Profit for the year	-	35 573 050	35 573 050
Total changes	-	35 573 050	35 573 050
<b>Balance at 30 June 2023</b>	<b>260 000</b>	<b>322 711 433</b>	<b>322 971 433</b>

Notes

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## Cash Flow Statement

Figures in Rand	Note(s)	2023 R	2022 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates and refuse removal		15 829 325	16 405 027
Government grants & subsidies		291 393 000	254 572 794
Interest income		6 360 892	4 762 087
Other Income		399 558	220 250
Rentals		632 629	296 497
VAT Received		17 325 773	16 110 988
		<u>331 941 177</u>	<u>292 367 643</u>
<b>Payments</b>			
Employee costs and Councillors		(102 399 655)	(93 767 695)
Cash paid to suppliers		(144 161 286)	(161 377 950)
INEP Payment		(16 440 000)	(16 420 000)
		<u>(263 000 941)</u>	<u>(271 565 645)</u>
<b>Net cash flows from operating activities</b>	32	<u><b>68 940 236</b></u>	<u><b>20 802 000</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(56 718 031)	(58 768 748)
Proceeds from sale of property, plant and equipment	3	-	228 000
Purchase of other intangible assets	4	(2 176 107)	(5 322 569)
		<u>(58 894 138)</u>	<u>(64 083 567)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>10 046 098</b></u>	<u><b>(43 281 567)</b></u>
Cash and cash equivalents at the beginning of the year		<u>42 156 758</u>	<u>85 438 325</u>
<b>Cash and cash equivalents at the end of the year</b>	11	<u><b>52 202 858</b></u>	<u><b>42 156 758</b></u>

\* See Note 36

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## Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	561 972	-	561 972	1 298 333	736 361	46.1
INEP Construction contracts revenue	16 440 000	-	16 440 000	14 295 652	(2 144 348)	46.2
Rental of facilities and equipment	625 224	-	625 224	573 736	(51 488)	
Other income	30 739 236	(29 800 004)	939 232	399 558	(539 674)	46.3
Interest received - investment	4 177 620	-	4 177 620	6 496 394	2 318 774	46.4
<b>Total revenue from exchange transactions</b>	<b>52 544 052</b>	<b>(29 800 004)</b>	<b>22 744 048</b>	<b>23 063 673</b>	<b>319 625</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	19 399 248	-	19 399 248	27 482 532	8 083 284	46.5
<b>Transfer revenue</b>						
Government grants & subsidies	257 453 000	17 500 000	274 953 000	273 952 535	(1 000 465)	
<b>Total revenue from non-exchange transactions</b>	<b>276 852 248</b>	<b>17 500 000</b>	<b>294 352 248</b>	<b>301 435 067</b>	<b>7 082 819</b>	
<b>Total revenue</b>	<b>329 396 300</b>	<b>(12 300 004)</b>	<b>317 096 296</b>	<b>324 498 740</b>	<b>7 402 444</b>	
<b>Expenditure</b>						
Employee related costs	(88 883 159)	(6 399 841)	(95 283 000)	(89 072 302)	6 210 698	
Remuneration of councillors	(13 438 560)	(2 000 440)	(15 439 000)	(14 826 815)	612 185	
Depreciation, amortisation and impairment of assets	(24 797 640)	(15 153 921)	(39 951 561)	(39 839 721)	111 840	
Finance costs	(625 200)	(55 000)	(680 200)	(656 040)	24 160	
Lease rentals on operating lease	(5 458 800)	-	(5 458 800)	(1 500 651)	3 958 149	46.6
Debt Impairment Contribution	(1 041 996)	(3 958 004)	(5 000 000)	(9 282 786)	(4 282 786)	46.7
Impairment reversal	-	-	-	2 632 435	2 632 435	46.8
Free basic services	(500 004)	-	(500 004)	(145 958)	354 046	46.6
Contracted Services	(79 304 168)	2 369 168	(76 935 000)	(71 408 660)	5 526 340	
INEP Construction Contract Expenditure	-	(16 440 000)	(16 440 000)	(14 295 652)	2 144 348	46.2
General Expenses	(60 382 200)	(13 371 996)	(73 754 196)	(48 053 725)	25 700 471	46.6
<b>Total expenditure</b>	<b>(274 431 727)</b>	<b>(55 010 034)</b>	<b>(329 441 761)</b>	<b>(286 449 875)</b>	<b>42 991 886</b>	
<b>Surplus for the year</b>	<b>54 964 573</b>	<b>(67 310 038)</b>	<b>(12 345 465)</b>	<b>38 048 865</b>	<b>50 394 330</b>	
Actuarial loss	-	-	-	(140 000)	(140 000)	46.9
<b>Surplus for the year from continuing operations</b>	<b>54 964 573</b>	<b>(67 310 038)</b>	<b>(12 345 465)</b>	<b>37 908 865</b>	<b>50 254 330</b>	
Loss on disposal of assets	-	-	-	(2 335 815)	(2 335 815)	46.9
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>54 964 573</b>	<b>(67 310 038)</b>	<b>(12 345 465)</b>	<b>35 573 050</b>	<b>47 918 515</b>	

# uMsinga Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Receivables from exchange transactions	4 184 329	-	4 184 329	4 888 671	704 342	46.10
VAT receivable	3 386 185	-	3 386 185	2 340 199	(1 045 986)	46.11
Receivables from non-exchange transactions	5 475 019	-	5 475 019	9 691 669	4 216 650	46.12
Cash and cash equivalents	42 156 760	-	42 156 760	52 202 858	10 046 098	46.13
	<b>55 202 293</b>	-	<b>55 202 293</b>	<b>69 123 397</b>	<b>13 921 104</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	263 112 872	-	263 112 872	279 643 504	16 530 632	46.14
Intangible assets	5 367 600	-	5 367 600	5 485 840	118 240	46.15
Heritage assets	260 000	-	260 000	260 000	-	
	<b>268 740 472</b>	-	<b>268 740 472</b>	<b>285 389 344</b>	<b>16 648 872</b>	
<b>Total Assets</b>	<b>323 942 765</b>	-	<b>323 942 765</b>	<b>354 512 741</b>	<b>30 569 976</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	27 769 632	-	27 769 632	21 408 418	(6 361 214)	
Unspent conditional grants and receipts	646 246	-	646 246	1 646 245	999 999	
Provisions	941 843	-	941 843	946 778	4 935	
	<b>29 357 721</b>	-	<b>29 357 721</b>	<b>24 001 441</b>	<b>(5 356 280)</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	1 305 000	-	1 305 000	1 344 000	39 000	
Provisions	5 687 827	-	5 687 827	6 195 867	508 040	
	<b>6 992 827</b>	-	<b>6 992 827</b>	<b>7 539 867</b>	<b>547 040</b>	
<b>Total Liabilities</b>	<b>36 350 548</b>	-	<b>36 350 548</b>	<b>31 541 308</b>	<b>(4 809 240)</b>	
<b>Net Assets</b>	<b>287 592 217</b>	-	<b>287 592 217</b>	<b>322 971 433</b>	<b>35 379 216</b>	
<b>Reserves</b>						
Revaluation reserve	260 000	-	260 000	260 000	-	
Accumulated surplus	287 332 217	-	287 332 217	322 711 433	35 379 216	
<b>Total Net Assets</b>	<b>287 592 217</b>	-	<b>287 592 217</b>	<b>322 971 433</b>	<b>35 379 216</b>	

## uMsinga Local Municipality

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### Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand	R	R	R	R	R	
<b>Statement of Cash Flow</b>						
<b>Receipts</b>						
Property rates and refuse removal	15 000 000	-	15 000 000	15 829 325	829 325	
Other income	506 740	-	506 740	399 558	(107 182)	46.16
Grants	273 893 000	17 500 000	291 393 000	291 393 000	-	
Interest income	4 000 000	-	4 000 000	6 360 892	2 360 892	46.17
Vat received	15 000 000	-	15 000 000	17 325 773	2 325 773	46.18
Rentals	563 770	-	563 770	632 629	68 859	
	<b>308 963 510</b>	<b>17 500 000</b>	<b>326 463 510</b>	<b>331 941 177</b>	<b>5 477 667</b>	
<b>Payments</b>						
Employee and suppliers costs	(102 313 000)	(4 409 159)	(106 722 159)	(102 399 655)	4 322 504	
Suppliers	(161 736 472)	20 508 578	(141 227 894)	(144 161 286)	(2 933 392)	
INEP Payment	(16 420 000)	-	(16 420 000)	(16 440 000)	(20 000)	
	<b>(280 469 472)</b>	<b>16 099 419</b>	<b>(264 370 053)</b>	<b>(263 000 941)</b>	<b>1 369 112</b>	
<b>Net cash flows from operating activities</b>	<b>28 494 038</b>	<b>33 599 419</b>	<b>62 093 457</b>	<b>68 940 236</b>	<b>6 846 779</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(69 669 367)	(6 669 472)	(76 338 839)	(56 718 031)	19 620 808	46.19
Purchase of intangible assets	(2 245 113)	-	(2 245 113)	(2 176 107)	69 006	
<b>Net cash flows from investing activities</b>	<b>(71 914 480)</b>	<b>(6 669 472)</b>	<b>(78 583 952)</b>	<b>(58 894 138)</b>	<b>19 689 814</b>	
Cash and cash equivalents at the beginning of the year	42 377 008	-	42 377 008	42 156 758	(220 250)	
<b>Cash and cash equivalents at the end of the year</b>	<b>(1 043 434)</b>	<b>26 929 947</b>	<b>25 886 513</b>	<b>52 202 856</b>	<b>26 316 343</b>	

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

	2023	2022
Note(s)		

### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending online items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2022 to 30 June 2023.

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

#### 1.4 Current year comparatives

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

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

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

### Materiality

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

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## Accounting Policies

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### 1.5 Significant judgements and sources of estimation uncertainty

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

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

#### Impairment testing

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

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

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

#### Allowance for doubtful debts

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

### 1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost on its acquisition date.

Some assets are commonly described as "infrastructure assets". While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

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

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

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## Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Buildings	Straight-line	10-30 years
Roads and pavings	Straight-line	10-30 years
Air conditioners	Straight-line	5 - 7 years
Furniture and fixtures	Straight-line	3 -10 years
Vehicles and tractors	Straight-line	3-10 years
Office equipment	Straight-line	3-10 years
IT equipment	Straight-line	3-5 years
Machinery and equipment	Straight-line	3-10 years
Radio	Straight-line	3-5 years
Electricity	Straight-line	5-25 years
Pedestrian Malls	Straight-line	10-30 years
Recreational facilities	Straight-line	5-10 years
Sewerage	Straight-line	20-30 years
Landfill site	Straight-line	21 years

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

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

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

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

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

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

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

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

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

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

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

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

### 1.7 Site rehabilitation and restoration costs

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

As the related asset is measured using the cost model:

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

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## Accounting Policies

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### 1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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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.
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## Accounting Policies

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### 1.8 Intangible assets (continued)

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

### 1.9 Heritage assets

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

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

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

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

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

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

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

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

Heritage assets are not depreciated.

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

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

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

### Recognition

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

### Initial measurement

Heritage assets are measured at cost.

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

### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment losses, provided that fair value can be measured reliably.

### Impairment

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

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## Accounting Policies

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### 1.9 Heritage assets (continued)

#### Transfers

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

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

#### Derecognition

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

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

### 1.10 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Initial recognition

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

### Initial measurement of financial assets and financial liabilities

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

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

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

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## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

#### Impairment and uncollectibility of financial assets

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

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

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

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

- **Financial assets measured at cost:**

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

#### Derecognition

- **Financial assets**

The municipality derecognises a financial asset only when:

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

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

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

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## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

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

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

#### • Financial liabilities

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

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

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

#### Classification

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

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

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

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

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## Accounting Policies

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### 1.11 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Impairment

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

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

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

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



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### 1.11 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.

### 1.12 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.

### 1.13 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.

### 1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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### 1.14 Cash and cash equivalents (continued)

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

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

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

### 1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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.

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

#### Value in use

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

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

#### 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.

### 1.16 Employee benefits

#### Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

#### Defined contribution plans

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

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

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### 1.16 Employee benefits (continued)

#### 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.

### 1.17 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.

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### 1.17 Provisions and contingencies (continued)

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 34.

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, a 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.

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### 1.18 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.

### 1.19 Revenue from exchange transactions

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

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

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

#### Measurement

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

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

#### 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

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### 1.19 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

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

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

### 1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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.

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

#### 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.

### 1.21 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.

### 1.22 Government grants and receipts

Unconditional Grants.

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

Conditional Grants.

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

### 1.23 Investment income

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

### 1.24 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).



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### 1.24 Accounting by principals and agents (continued)

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

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

The assessment of whether 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.

#### 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.

### 1.25 Comparative figures

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

### 1.26 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.

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### 1.27 Fruitless and wasteful expenditure

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

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

### 1.28 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.

### 1.29 Segment information

A segment is an activity of an entity:

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

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

### Measurement

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

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

# uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.30 Budget information

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

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending, online items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2022 to 30 June 2023.

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

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

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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

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

### 1.31 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.

### 1.32 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.

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

2023

2022

## 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 2023 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage assets	No effective date determined	Unlikely there will be a material impact
• Grap 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to the Financial Statements	No effective date determined	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2022	Unlikely there will be a material impact

## uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment

	2023		2022	
	Cost / Valuation	Accumulated depreciation and impairment	Cost / Valuation	Accumulated depreciation and impairment
Buildings	23 306 368	(11 604 209)	23 157 915	(10 648 549)
Plant and machinery	15 822 269	(11 285 484)	13 214 034	(11 052 880)
Furniture and fixtures	4 668 443	(3 272 814)	4 270 409	(2 930 967)
Motor vehicles	20 776 468	(13 371 721)	16 189 728	(11 917 686)
Office equipment	7 297 620	(4 888 222)	6 513 882	(4 037 216)
Infrastructure	346 948 867	(186 826 842)	332 119 838	(161 266 950)
Community Assets	115 022 193	(23 172 654)	85 791 833	(16 850 454)
Refuse dump	4 821 648	(4 598 426)	4 821 648	(4 261 713)
<b>Total</b>	<b>538 663 876</b>	<b>(259 020 372)</b>	<b>486 079 287</b>	<b>(222 966 415)</b>
			<b>279 643 504</b>	<b>263 112 872</b>

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Work in Progress	Disposals	Depreciation	Impairment loss	Total
Buildings	12 509 366	148 453	-	-	(955 660)	-	11 702 159
Plant and machinery	2 161 154	3 029 650	-	(15 471)	(638 548)	-	4 536 785
Furniture and fixtures	1 339 442	466 699	-	(8 269)	(402 243)	-	1 395 629
Motor vehicles	4 272 042	5 231 740	-	(393 564)	(1 705 471)	-	7 404 747
Office equipment	2 476 666	842 025	-	(1 931)	(907 362)	-	2 409 398
Infrastructure	170 852 888	86 001	17 379 868	(1 905 796)	(26 192 258)	(98 678)	160 122 025
Community Assets	68 941 379	249 644	29 214 222	(10 786)	(6 544 920)	-	91 849 539
Refuse dump	559 935	-	-	-	(336 713)	-	223 222
<b>Total</b>	<b>263 112 872</b>	<b>10 054 212</b>	<b>46 594 090</b>	<b>(2 335 817)</b>	<b>(37 683 175)</b>	<b>(98 678)</b>	<b>279 643 504</b>

# uMisinga Local Municipality

(Registration number KZN 244)  
Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

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	-	31 967 207	(85 026)	(21 934 734)	(129 088)	170 852 888
Community Assets	53 472 810	4 052 347	16 613 283	(177 795)	(5 010 678)	(8 588)	68 941 379
Refuse dump	895 086	-	-	-	(335 151)	-	559 935
	<b>239 951 977</b>	<b>6 976 449</b>	<b>48 580 490</b>	<b>(373 173)</b>	<b>(31 885 195)</b>	<b>(137 676)</b>	<b>263 112 872</b>

#### Pledged as security

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

#### Property, plant and equipment in the process of being constructed

There were no projects that were significantly delayed during the current financial year. Significant delays are regarded as projects which has not seen any progress for a period exceeding 12 months.

No depreciation was recorded against assets which are still under construction.

## uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

	2023	2022	
<b>3. Property, plant and equipment (continued)</b>			
<b>Reconciliation of Work-in-Progress 2023</b>			
	<b>Included within Infrastructure</b>	<b>Included within Community</b>	<b>Total</b>
Opening balance	12 338 096	15 209 227	27 547 323
Additions/capital expenditure	17 379 868	29 214 222	46 594 090
Transferred to completed items	(20 753 925)	(29 547 503)	(50 301 428)
	<b>8 964 039</b>	<b>14 875 946</b>	<b>23 839 985</b>
<b>Reconciliation of Work-in-Progress 2022</b>			
	<b>Included within Infrastructure</b>	<b>Included within Community</b>	<b>Total</b>
Opening balance	18 245 960	8 851 538	27 097 498
Additions/capital expenditure	31 967 207	16 613 283	48 580 490
Transferred to completed items	(37 875 098)	(10 255 594)	(48 130 692)
	<b>12 338 069</b>	<b>15 209 227</b>	<b>27 547 296</b>
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>			
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>			
Motor Vehicles	4 956 521	54 348	
Buildings	518 520	2 049 534	
Infrastructure	5 152 341	37 410 036	
Plant and Machinery	1 934 361	4 390 589	
Community Assets	14 167 053	1 023 399	
Refuse Dump	2 099 532	-	
Office equipment	6 736 050	-	
Furniture and Fixture	1 369 346	-	
	<b>36 933 724</b>	<b>44 927 906</b>	

# uMsinga Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 4. Intangible assets

	2023		2022	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Intangible assets	7 721 929	(2 236 089)	5 545 822	(178 222)
				5 367 600

### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Intangible assets	5 367 600	2 176 107	(2 057 867)	5 485 840

### Reconciliation of intangible assets - 2022

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

### Pledged as security

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

### Restricted title

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



# uMisinga Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 5. Heritage assets

	2023		2022	
	Cost / Valuation	Accumulated impairment losses	Cost / Valuation	Accumulated impairment losses
Mayors' Chain	260 000	-	260 000	-
			260 000	260 000

### Reconciliation of heritage assets 2023

Mayors' Chain	Opening balance	Total
	260 000	260 000

### Reconciliation of heritage assets 2022

Mayors' Chain	Opening balance	Total
	260 000	260 000

### 6. Payables from exchange transactions

Trade payables	1 730 718	986 342
Payments received in advanced	3 653 846	3 653 846
Accrued leave pay	9 788 376	8 616 040
Employee Cost	3 002	-
KZN Department of Housing Retention & Surety	4 508 559	5 934 932
Unallocated deposits	1 723 917	5 910 785
	<b>21 408 418</b>	<b>25 101 945</b>

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## Notes to the Annual Financial Statements

2023

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### 6. Payables from exchange transactions (continued)

Payables are being recognised net of any discounts received.

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

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

### 7. Employee benefit obligations

#### Defined benefit plan

##### Carrying value

Opening Balance	1 305 000	1 051 000
Interest Cost	148 000	143 000
Current Service Cost	158 000	113 000
Benefit Payment	(127 000)	(273 000)
Actuarial Loss/(Gain)	(140 000)	271 000
	<u>(1 344 000)</u>	<u>(1 305 000)</u>

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

Current service cost	158 000	143 000
Interest cost	148 000	113 000
Benefit Payment	(127 000)	(273 000)
Actuarial Loss/(Gain)	(140 000)	271 000
	<u>39 000</u>	<u>254 000</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 2023

## Notes to the Annual Financial Statements

2023

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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 1 July 2023 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 2023 of 5,4%. The next salary increase was assumed to take place on 01 July 2024.

#### 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

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

	2023	2022
<b>7. Employee benefit obligations (continued)</b>		
The normal retirement age (NRA) for all active employees was assumed to be 65 years.		
<b>8. Receivables from exchange transactions</b>		
Accrued interest income	138 002	245 664
Building Deposit	300 000	300 000
Prepayments	3 931 533	39 415
Sundry Debtors (Rentals)	136 654	737 726
Sundry Debtors (Refuse)	43 419	606 383
Unauthorised debit orders	339 063	-
	<b>4 888 671</b>	<b>1 929 188</b>
<b>Trade and other receivables impaired - Truck Deposit</b>		
Truck Deposit	-	1 405 000
Impairment	-	(1 405 000)
	-	-
<b>Trade and other receivables impaired - Unallocated debit orders</b>		
Unallocated debit order	179 089	1 456 524
Impairment	(179 089)	(1 456 524)
	-	-
<b>Total receivables from exchange transactions</b>	<b>4 888 671</b>	<b>1 929 188</b>
<b>Prepayments</b>		
Opening balance	39 415	-
Net movement for the year	3 892 118	39 415
	<b>3 931 533</b>	<b>39 415</b>
The current year movement relates to materials that have been purchased in advance.		
<b>Sundry Debtors (Rentals)</b>		
Gross balance	647 933	-
Consumer debtors - Provision for bad debts impairment rental - 121 - 365 days	(511 279)	-
<b>Net Balance</b>	<b>136 654</b>	<b>-</b>
<b>Sundry Debtors (Refuse)</b>		
Gross balance	928 015	1 013 310
Impairment	(884 596)	(406 927)
<b>Net Balance</b>	<b>43 419</b>	<b>606 383</b>

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>Refuse</b>		
Current (0-30 days)	174 245	190 727
31 - 60 days	83 860	93 164
61 - 90 days	83 860	93 164
91 - 120 days	83 853	119 069
121 - 365 days	502 197	517 186
	<b>928 015</b>	<b>1 013 310</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0-30 days)	35 862	4 240
31 - 60 days	15 368	2 120
61 - 90 days	15 368	2 120
91 - 120 days	15 360	2 599
121 - 365 days	110 953	65 089
	<b>192 911</b>	<b>76 168</b>
Less: Allowance for impairment	(178 546)	(74 975)
	<b>14 365</b>	<b>1 193</b>
<b>Industrial / Commercial</b>		
Current (0-30 days)	131 573	179 479
31 - 60 days	65 088	87 540
61 - 90 days	65 088	87 540
91 - 120 days	65 088	115 720
121 - 365 days	354 632	420 071
	<b>681 469</b>	<b>890 350</b>
Less: Allowance for impairment	(652 416)	(285 159)
	<b>29 053</b>	<b>605 191</b>
<b>National and provincial government</b>		
Current (0-30 days)	6 810	7 008
31 - 60 days	3 405	3 504
61 - 90 days	3 405	3 504
91 - 120 days	3 405	749
121 - 365 days	36 610	32 027
	<b>53 635</b>	<b>46 792</b>
Less: Allowance for impairment	(53 635)	(46 792)
	-	-
<b>Total</b>		
Current (0-30 days)	174 245	190 727
31 - 60 days	83 861	93 164
61 - 90 days	83 861	93 164
91 - 120 days	83 853	119 068
121 - 365 days	502 195	517 187
	<b>928 015</b>	<b>1 013 310</b>
Less: Allowance for impairment	(884 597)	(406 927)
	<b>43 418</b>	<b>606 383</b>

# uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>Receivables/Consumer debtors - refuse (continued)</b>		
<b>Service charges impairment</b>		
<p>The creation and release of allowance for impaired receivables have been included in the operating expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of the recovering additional cash. Refuse debtors are impaired as a result of non collectability of the debtors due to the fact that people do not have title deeds and no basic services are offered including sewer system and refuse remove.</p>		
<b>9. VAT receivable</b>		
VAT	2 340 199	3 386 185
<p>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.</p> <p>2022/23 VAT 201's were submitted to SARS up until 30 June 2023.</p> <p>The amount disclosed is the net VAT on payables &amp; receivables.</p>		
<b>10. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Rates	71 191 343	58 109 763
Other	143 230	127 670
	<b>71 334 573</b>	<b>58 237 433</b>
<b>Less: Allowance for impairment</b>		
Rates	(61 499 673)	(53 241 966)
Other	(143 230)	(126 831)
	<b>(61 642 903)</b>	<b>(53 368 797)</b>
<b>Net balance</b>		
Rates	9 691 669	4 867 797
Other	-	839
	<b>9 691 669</b>	<b>4 868 636</b>
<b>Included in above is receivables from exchange transactions</b>		
Other	-	839
<b>Receivables from exchange transactions disclosed in note 8</b>		
Accrued interest	138 002	245 664
Building deposit	300 000	300 000
Prepayments	3 931 533	39 145
Sundry debtors (Rental)	136 654	737 726
Unallocated debit orders	339 063	-
	<b>4 845 252</b>	<b>1 322 535</b>
<b>Total consumer debtors</b>	<b>9 691 669</b>	<b>4 868 636</b>
<b>Included in above is receivables from exchange transactions</b>		
Rates	13 662 267	4 867 797
<b>Net balance</b>	<b>13 662 267</b>	<b>4 867 797</b>

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>10. Receivables from non-exchange transactions (continued)</b>		
<b>Rates</b>		
Current (0 -30 days)	3 615 754	2 890 423
31 - 60 days	1 781 690	1 134 542
61 - 90 days	1 773 599	1 121 103
91 - 120 days	1 769 747	1 115 451
121 - 365 days	62 250 553	51 848 244
	<b>71 191 343</b>	<b>58 109 763</b>
<b>Other (specify)</b>		
Current (0 -30 days)	3 260	3 500
31 - 60 days	1 630	1 750
61 - 90 days	1 630	1 750
91 - 120 days	1 630	1 750
121 - 365 days	135 080	118 920
	<b>143 230</b>	<b>127 670</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	148 385	88 553
31 - 60 days	74 192	44 277
61 - 90 days	74 192	44 277
91 - 120 days	74 192	44 277
121 - 365 days	11 350 271	10 547 918
	11 721 232	10 769 302
Less: Allowance for impairment	(11 715 751)	(10 763 209)
	<b>5 481</b>	<b>6 093</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	1 626 786	1 172 524
31 - 60 days	805 691	576 796
61 - 90 days	804 523	569 631
91 - 120 days	804 149	568 860
121 - 365 days	27 866 926	21 822 503
	31 908 075	24 710 314
Less: Allowance for impairment	(30 935 748)	(23 252 833)
	<b>972 327</b>	<b>1 457 481</b>
<b>National and provincial government</b>		
Current (0 -30 days)	1 843 843	1 632 847
31 - 60 days	903 437	515 218
61 - 90 days	896 514	508 945
91 - 120 days	893 035	504 065
121 - 365 days	23 168 436	19 596 742
	27 705 265	22 757 817
Less: Allowance for impairment	(18 991 403)	(19 352 754)
	<b>8 713 862</b>	<b>3 405 063</b>

## uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

	2023	2022
<b>10. Receivables from non-exchange transactions (continued)</b>		
<b>Total</b>		
Current (0 -30 days)	3 619 014	2 893 924
31 - 60 days	1 783 320	1 136 291
61 - 90 days	1 775 229	1 122 853
91 - 120 days	1 771 376	1 117 202
121 - 365 days	62 385 633	51 967 163
	<u>71 334 572</u>	<u>58 237 433</u>
Less: Allowance for impairment	(61 642 903)	(53 368 797)
	<u><b>9 691 669</b></u>	<u><b>4 868 636</b></u>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(53 368 797)	(48 923 621)
Contributions to allowance	(8 274 106)	(4 445 176)
	<u><b>(61 642 903)</b></u>	<u><b>(53 368 797)</b></u>



# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023

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### 10. Receivables from non-exchange transactions (continued)

#### Statutory receivables general information

##### Determination of transaction amount

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004. Property rates values are calculated based on market value of properties as per applicable valuation roll. Provision for bad debts on statutory debtors is determined risk profile of each customer and default rate per risk profile as determined by the municipality.

The transaction amount for property rates is determined in accordance with GRAP 23 on Revenue from non exchange transaction.

##### Interest or other charges levied/charged

There is no interest charged on Rates debtor.

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

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

##### Discount rate applied to the estimated future cash flows

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

##### Receivables past due but not impaired

##### Relating specifically to Statutory Receivables

Receivable accounts that have no balance outstanding longer than 30 days at reporting date are not subject to impairment. At 30 June 2023, R 1 169 744 (2022:R 1 314 769) were past due but not impaired.

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

1 month past due	373 989	649 185
2 month past due	179 293	104 929
3 month past due	178 125	91 558
4-5 months past due	174 437	86 842
6 months and above	263 901	382 255
	<b>1 169 745</b>	<b>1 314 769</b>

##### Receivables impaired

##### Relating specifically to Statutory Receivables

As of 30 June 2023, statutory receivables of 70 021 599 (2022: 56 794 994) were impaired and provided for.

The amount of the provision was 61 499 673 30 June 2023 (2022: 53 241 966).

The ageing of these receivables is as follows:

<b>Heading</b>		
1 month past due	3 241 765	2 222 551
2 month past due	1 602 397	1 020 270
3 month past due	1 592 892	1 020 202

# uMsinga Local Municipality

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## Notes to the Annual Financial Statements

	2023	2022
<b>10. Receivables from non-exchange transactions (continued)</b>		
4-5 months past due	1 589 313	1 019 266
6 months and above	61 995 232	51 512 706
	<u>70 021 599</u>	<u>56 794 995</u>

### Factors the entity considered in assessing statutory receivables impaired

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

### 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.

### 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	52 202 858	42 156 760
---------------	------------	------------

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements earn interest at the respective short-term deposit rate.

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

FNB - Fixed Deposit - 74820036652  
FNB - Fixed Deposit- 74928822747  
Nedbank - Call Account- 03/7881164492/0005  
Nedbank - Fixed Deposit - 03/7881164492/00013  
Standard Bank - Call Account - 248875914-004  
Standard Bank - Call Account- 248875914-008  
Standard Bank - Fixed Deposit - 248875914-007  
Standard Bank - Fixed Deposit - 248875914-006  
Standard Bank - Fixed Deposit - 248875914-005  
Standard Bank - Fixed Deposit - 248875914-010

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023			2022		
<b>11. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Absa Bank Primary Account - Greytown Branch Account Number 4053635886	3 710 325	10 753 594	1 449 788	3 461 972	3 268 732	1 449 788
FNB Bank - Money On Call - Account Number 62499591777	1 466 542	1 396 202	1 365 433	1 466 542	1 396 202	1 365 433
FNB Bank - Investment Account - Account Number 62778819303	-	-	216	-	-	216
FNB Bank - Investment Account - Account Number 74836198420	-	-	5 342 073	-	-	5 342 073
FNB Bank - Investment Account - Account Number 74820036652	-	17 140 318	16 444 866	-	17 140 318	16 444 866
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	-
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 3484660130-33	-	-	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
FNB Bank - Call Account - Account Number 63011161104	10 175 575	-	-	10 175 575	-	-
FNB Bank - Call Account - Account Number 63037647055	45 833	-	-	45 833	-	-
Absa Bank - Fixed Deposit - 9372793217	5 134 979	-	-	5 134 979	-	-
Nedbank - Call Account - 03/7881164492/005	10 537 198	-	-	10 537 198	-	-
Absa Bank - Fixed deposit - 2080807139	865 622	-	-	865 622	-	-
FNB - Fixed Deposit - 76202687699	5 207 039	-	-	5 207 039	-	-
Standard Bank - 248875914-009	15 308 100	-	-	15 308 100	-	-
<b>Total</b>	<b>52 451 213</b>	<b>49 641 622</b>	<b>85 438 325</b>	<b>52 202 860</b>	<b>42 156 760</b>	<b>85 438 325</b>

## uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

	2023	2022
<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	86 973
Economic Development Grant	1 000 000	-
	<b>1 646 246</b>	<b>646 246</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 unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

### 13. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Landfill site rehabilitation	5 687 827	508 040	-	6 195 867
Performance bonus provision	941 843	847 041	(842 106)	946 778
	<b>6 629 670</b>	<b>1 355 081</b>	<b>(842 106)</b>	<b>7 142 645</b>

#### 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>

Non-current liabilities	6 195 867	5 687 827
Current liabilities	946 778	941 843
	<b>7 142 645</b>	<b>6 629 670</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 2023. 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 after an evaluation of performance by the council.

## uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

	2023	2022
<b>14. Revenue</b>		
Service charges	1 298 333	730 118
Construction contracts	14 295 652	14 278 261
Rental of facilities and equipment	573 736	577 765
Other income	399 558	220 180
Interest received - investment	6 496 394	4 762 087
Property rates	27 482 532	19 490 681
Government grants & subsidies	273 952 535	238 152 794
	<b>324 498 740</b>	<b>278 211 886</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1 298 333	730 118
Construction contracts	14 295 652	14 278 261
Rental of facilities and equipment	573 736	577 765
Other income	399 558	220 180
Interest received - investment	6 496 394	4 762 087
	<b>23 063 673</b>	<b>20 568 411</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	27 482 532	19 490 681
<b>Transfer revenue</b>		
Government grants & subsidies	273 952 535	238 152 794
	<b>301 435 067</b>	<b>257 643 475</b>

#### 15. Service charges

Refuse Removal	1 298 333	730 118
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#### 16. Rental of facilities and equipment

<b>Premises</b>		
Facilities and equipment	573 736	577 765

Rental income includes: Municipal property, community assets (halls), market stalls and ploughing assets. The lease terms range between 1 – 5 years.

#### 17. INEP Construction contracts revenue

INEP	14 295 652	14 278 261
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uMsinga Local Municipality entered into an agreement with department of energy to undertake rural electrification projects on behalf of the department. The municipality's responsibilities include appointment of the service provider, management of the project from the start to the end and paying amounts owed to the service providers. The municipality is required to submit monthly progress reports to the department of energy reflecting stage of completion. The municipality is allocated the grant under Schedule 5B and does not have the licence to provide electricity, It is constructing the asset on behalf of Eskom. The municipality is constructing the asset on behalf of Eskom The INEP Construction Contract Expenses consists mainly of costs incurred to obtain goods and services from suppliers or subcontractors for the construction of Electrification Infrastructure. The INEP Construction Contract Revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred. The amount due for contract work done is recognised as a debtor and disclosed on the note for Receivables from exchange transactions. The amounts received in advance for work to be done is recognised as a liability and disclosed in Payables from exchange transactions.

## uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

	2023	2022
<b>17. INEP Construction contracts revenue (continued)</b>		
<p>Construction contracts relate to agreements entered between the Municipality and Department of Mineral and Energy in respect of Electrification Projects. The Municipality acts as an agent in these arrangements. These arrangements are accounted for in line with GRAP 11 - Construction contracts</p>		
<b>18. Lease rentals on operating lease</b>		
<b>Lease rentals on operating lease</b>		
Contractual amounts	1 500 651	962 552
<p>The Municipality entered into an operating lease agreement as from 01 July 2022 for a period of 3 years with ITEC , 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.</p>		
<b>19. Other revenue</b>		
Other income	399 558	220 180
<p>Other income includes: Rates clearance income, library printing income and sales of tender documents.</p>		
<b>20. Investment revenue</b>		
<b>Interest revenue</b>		
Interest Received	6 496 394	4 762 087
<p>Interest from investments arises from favourable bank balance and short term investments.</p>		

# uMsinga Local Municipality

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## Notes to the Annual Financial Statements

	2023	2022
<b>21. Property rates</b>		
<b>Rates</b>		
Residential	896 098	608 885
Commercial	10 772 824	7 048 327
State	15 770 397	11 688 009
Municipal	43 213	145 460
	<b>27 482 532</b>	<b>19 490 681</b>

Rates are levied on an annual basis over 12 monthly installments with the final date for payment being 30 June 2023, in terms of provision of the rates policy.

### Valuations

Residential	18 027 000	18 027 000
Commercial	237 947 000	237 947 000
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>2 092 275 000</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 2022/23 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.

Pensioners 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.

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>22. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	206 532 535	182 530 000
Finance Management Grant (FMG)	1 850 000	1 850 000
Extended Public Works Programme	4 867 000	3 989 000
Spluma Grant	-	143 794
Library Grant	1 289 000	1 228 000
	<b>214 538 535</b>	<b>189 740 794</b>
<b>Capital grants</b>		
Municipal infrastructure grant	59 414 000	48 412 000
	<b>273 952 535</b>	<b>238 152 794</b>
<b>Equitable Share</b>		
<p>The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. This grant is used to subsidise provision for basic services and for the municipality's operations.</p>		
<b>Municipal Infrastructure Grant (MIG)</b>		
Current-year receipts	59 414 000	48 412 000
Conditions met - transferred to revenue	(59 414 000)	(48 412 000)
	-	-
<p>The vision of the MIG programme is to provide all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. This also includes the rehabilitation and upgrading of existing infrastructure. The conditions of the grant were met and no funds have been withheld.</p>		
<b>Finance Management Grant (FMG)</b>		
Current-year receipts	1 850 000	1 850 000
Conditions met - transferred to revenue	(1 850 000)	(1 850 000)
	-	-
<p>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.</p>		
<b>Construction of Shelters Grant</b>		
Balance unspent at beginning of year	559 273	559 273
<p>There are ongoing engagements between the municipality and the Department of Human Settlement in relation to the existence of this liability.</p>		
<b>Spluma Grant</b>		
Balance unspent at beginning of year	86 973	230 766
Conditions met - transferred to revenue	-	(143 794)
	<b>86 973</b>	<b>86 973</b>



## uMzinga Local Municipality

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### Notes to the Annual Financial Statements

	2023	2022
<b>22. Government grants &amp; subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 12).		
This grant relate to implementation of Spluma.		
<b>Extended Public Works Programme</b>		
Current-year receipts	4 867 000	3 989 000
Conditions met - transferred to revenue	(4 867 000)	(3 989 000)
	<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	1 289 000	1 228 000
Conditions met - transferred to revenue	(1 289 000)	(1 228 000)
	<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.

#### Economic Development Grant

Current-year receipts	<u>1 000 000</u>	<u>-</u>
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Conditions still to be met - remain liabilities (see note 12).

## uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

	2023	2022
<b>23. Employee related costs</b>		
Basic	67 009 096	61 000 969
Bonus	3 842 380	2 899 258
Medical aid - company contributions	1 923 112	1 725 433
UIF	80 728	434 990
Leave payout	168 733	282 454
Travel, motor car, accommodation and subsistence	7 301 413	4 415 144
Overtime payments	1 024 798	1 519 227
Long-service awards	131 744	149 645
	<b>81 482 004</b>	<b>72 427 120</b>

#### Remuneration of Municipal Manager

Annual Remuneration	765 941	760 240
Car Allowance	522 031	506 826
Area Allowance	52 203	50 683
Performance Bonus	167 189	184 485
Contributions to UIF, Medical and Pension Funds	17 800	17 981
Other (including backpay)	154 918	186 461
	<b>1 680 083</b>	<b>1 706 676</b>

#### Remuneration of Chief Finance Officer - Incoming

Annual Remuneration	524 844	-
Car Allowance	351 977	-
Area Allowance	35 406	-
Contributions to UIF, Medical and Pension Funds	10 727	-
Other (including backpay)	52 673	-
	<b>975 628</b>	<b>-</b>

On the 1st of September 2022, Mr NG Mvelase was appointed as the new Chief Financial Officer due to the former CFO, Mr TM resigning on the 1st of June 2022.

#### Remuneration of Chief Finance Officer - Former

Annual Remuneration	-	572 180
Car Allowance	-	381 453
Area Allowance	-	38 145
Performance Bonus	125 832	151 472
Contributions to UIF, Medical and Pension Funds	-	14 511
Other (including backpay)	34 988	185 444
	<b>160 820</b>	<b>1 343 206</b>

During the prior year ended 30 June 2022, Mr Nene had tendered his resignation, however he had previously signed a performance agreement in terms of section 51(1)(b) of the municipal system that entitles him to a performance bonus. Performance bonuses are paid one year in arrears as the assessment of eligible employees takes place after year end after an evaluation of performance by the council. His performance was provided for in the previous financial year and only paid out this year.

#### Remuneration of Director: Planning

Annual Remuneration	628 878	624 196
Car Allowance	428 615	416 131
Area Allowance	42 861	41 613

## uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

	2023	2022
<b>23. Employee related costs (continued)</b>		
Performance Bonus	137 271	151 472
Contributions to UIF, Medical and Pension Funds	14 599	14 204
Other (including backpay)	90 399	48 000
	<b>1 342 623</b>	<b>1 295 616</b>

#### Remuneration of Director: Community

Annual Remuneration	628 878	624 196
Car Allowance	428 615	416 131
Area Allowance	42 861	41 613
Performance Bonus	137 271	151 472
Contributions to UIF, Medical and Pension Funds	14 599	14 204
Other (including backpay)	80 385	48 000
	<b>1 332 609</b>	<b>1 295 615</b>

#### Remuneration of Director: Corporate and Human Resources - Incoming

Annual Remuneration	211 186	-
Car Allowance	140 791	-
Area Allowance	14 079	-
Contributions to UIF, Medical and Pension Funds	4 312	-
Other	18 100	-
Acting allowance	37 625	-
	<b>426 093</b>	<b>-</b>

Upon the resignation of the former Corporate Service director, Mr MV Ntanzi, who had resigned on the 30 June 2022, Miss TFN Nkala, the former Corporate Service Deputy director, was appointed as the Acting Director of the Corporate Service department. On the 1st of March 2023, she was officially appointed as the Director of Corporate Services.

#### Remuneration of Director: Corporate and Human Resources - Former

Annual Remuneration	-	624 196
Car Allowance	-	416 131
Area Allowance	-	41 613
Performance Bonus	137 271	151 472
Contributions to UIF, Medical and Pension Funds	-	14 204
Other (including backpay)	37 651	57 385
	<b>174 922</b>	<b>1 305 001</b>

During the prior year ended 30 June 2022, Mr MV Ntanzi had tendered his resignation, however he had previously signed a performance agreement in terms of section 51(1)(b) of the municipal system that entitles him to a performance bonus. Performance bonuses are paid one year in arrears as the assessment of eligible employees takes place after year end after an evaluation of performance by the council. His performance was provided for in the previous financial year and only paid out this year.

#### Remuneration of Director: Technical Services

Annual Remuneration	628 878	624 196
Car Allowance	428 615	416 131
Area Allowance	42 861	41 613
Performance Bonus	137 271	151 472
Contributions to UIF, Medical and Pension Funds	14 599	14 204
Other (including backpay)	82 385	48 000
	<b>1 334 608</b>	<b>1 295 616</b>

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>23. Employee related costs (continued)</b>		
<b>Remuneration of Former Acting Chief Finance Officer (1 July 2022 to 31 August 2022)</b>		
Annual Remuneration	91 492	43 609
Acting Allowance	16 815	8 408
Car Allowance	15 000	7 500
Contributions to UIF, Medical and Pension Funds	28 328	13 682
Other	11 277	5 067
	<b>162 912</b>	<b>78 266</b>

### Remuneration of Key Personnel

The Municipal Manager and all Section 57 Managers as well as those directly reporting to the Municipal are appointed on a 5 year fixed contract. They have all signed a performance agreement in terms of section 51(1)(b) of the Municipal Systems Act, No 32 of 2000.

### 24. Remuneration of Councillors

Executive Mayor	720 017	815 764
Deputy Executive Mayor	752 274	707 473
Speaker	621 558	455 497
Mayoral Committee Members	2 481 674	2 157 153
Councillors	9 695 979	9 673 778
Chief Whip	413 793	108 201
Section 79 committee chairperson	146 020	167 161
	<b>14 831 315</b>	<b>14 085 027</b>

### In-kind benefits

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.

### 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 35 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.

### 25. Depreciation, amortisation and impairment of assets

Property, plant and equipment	37 781 854	32 022 871
Intangible assets	2 057 867	372 195
	<b>39 839 721</b>	<b>32 395 066</b>

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>25. Depreciation, amortisation and impairment of assets (continued)</b>		
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.		
<b>26. Impairment reversal</b>		
Property, plant and equipment	1 405 000	-
In the year ended 30 June 2021, an amount of R 1 405 000 was paid as a deposit for a truck to a supplier and as of 30 June 2022, the truck had not been delivered to the Municipality. A provision for impairment was provided for in the prior year due to the uncertainty of the delivery of the truck. During the current financial year (2022/23) the truck was delivered to the Municipality and the reversal of the impairment was recorded and the truck was duly capitalised into its respective asset category.		
Unallocated debit orders	1 227 434	-
During the year ended 30 June 2022 the municipality had an unauthorised debit order amounting to R 1 456 524 being affected on the municipality's main bank account, the municipality has attempted to reverse these debit orders, however a provision for impairment has been recorded due to doubtfulness of the debit. Municipality has since been able to recover back the total amount of R 1 227 434 and reversed the impairment provision accordingly.		
	<u>2 632 434</u>	<u>-</u>
<b>27. Finance Cost</b>		
Defined benefit obligations	148 000	113 000
Landfill site	508 040	215 024
	<u>656 040</u>	<u>328 024</u>
<b>28. Auditors' remuneration</b>		
Fees	<u>1 665 641</u>	<u>2 192 405</u>

# uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>29. General expenses</b>		
Advertising, Publicity and Marketing	1 967 625	-
Auditors remuneration	1 665 641	2 192 405
Bank charges	244 289	219 465
Community assistance expenses	6 414 605	27 060 556
Computer expenses	-	789 680
Entertainment	109 343	52 871
FMG expenses	-	883 340
Learnership and internship expenses	1 154 731	1 324 731
Licences	51 967	319 368
Management services	6 114 113	5 214 619
Operational running costs	1 743 568	2 079 348
Protective clothing	833 656	1 419 485
Seating allowance traditional leaders	6 793	3 500
Security	4 114 344	9 132 469
Special projects	11 309 680	3 566 570
Professional Bodies, Membership and Subscription	2 203 301	1 308 152
Subsistence and travel	4 077 236	2 476 164
Telephone and fax	1 339 401	1 352 719
Training and Education	1 274 432	220 780
Ward committees	3 429 000	2 421 400
	<b>48 053 725</b>	<b>62 037 622</b>
<b>30. Free basic services</b>		
Electricity	145 958	230 161
<b>31. Contracted services</b>		
Consultant and Professional Services	16 726 175	15 407 350
Contractors	8 306 551	13 017 518
Outsourced Services	9 442 210	6 102 397
Repairs and Maintenance	36 933 724	44 927 906
	<b>71 408 660</b>	<b>79 455 171</b>
<b>32. Cash generated from operations</b>		
Surplus (deficit)	35 573 050	(14 672 611)
<b>Adjustments for:</b>		
Depreciation and amortisation	39 839 721	32 395 066
Loss on sale of assets	2 335 815	144 671
Impairment reversals	(2 632 435)	-
Bad Debts written off	-	400 708
Contribution to impairment	9 282 786	7 549 121
Movements in retirement benefit assets and liabilities	39 000	254 000
Movements in provisions	512 975	215 024
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(1 265 996)	1 305 218
Receivables from non-exchange transactions - consumer debtors	(13 097 140)	(6 085 901)
Payables from exchange transactions	(3 693 526)	123 065
VAT	1 045 986	(826 363)
Unspent conditional grants and receipts	1 000 000	-
	<b>68 940 236</b>	<b>20 801 998</b>

## uMsinga Local Municipality

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### Notes to the Annual Financial Statements

	2023	2022
<b>33. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	33 954 264	36 469 231
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	-	3 718 780
<b>Total capital commitments</b>		
Already contracted for but not provided for	33 954 264	36 469 231
Not yet contracted for and authorised by accounting officer	-	3 718 780
	<b>33 954 264</b>	<b>40 188 011</b>

#### Authorised operational expenditure

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

The amounts as disclosed are VAT inclusive.

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

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	1 282 622	-
- in second to fifth year inclusive	1 282 622	-
	<b>2 565 244</b>	<b>-</b>

The Municipality entered into an operating lease agreement as from 01 July 2022 for a period of 3 years with ITEC, 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. No contingent rent is payable.

# uMsinga Local Municipality

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## Notes to the Annual Financial Statements

2023

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### 34. Contingencies

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 he 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 uMsinga 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: The Municipality has made a proposal to pay an amount of R 130 000, Prestprops declined this proposal and made a further proposal of R 250 00 to be paid in full and as final settlement. The municipality is currently awaiting 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.

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.

### 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 2023

## Notes to the Annual Financial Statements

2023

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### 35. Related party

#### Relationships

Accounting Officer

SL SOKHELA

Directors

NG MVELASE (INCOMING)

K SITHOLE (ACTING)

MS XULU

SZN MGUNI

BP HLUBI

TF NKALA

Executive Mayor

Cllr. FJ SIKHAKHANE (INCOMING)

Cllr. DM NDLOVU (FORMER MAYOR)

Deputy Mayor

Cllr. TB MBATHA

Speaker

Cllr. SG MASIMULA

Chief whip

Cllr. MW SOKHELA

Section 79 committee chairperson

Cllr. P DLADLA (INCOMING)

Cllr. S MAGUBANE (DECEASED)

Mayoral Committee Members

Cllr. LB NTULI

Cllr. SK RADEBE

Cllr. TM NDLOVU

Cllr. BP NGCOBO

Cllr. N XABA

Cllr. PA NKALA

Councillors

Cllr. H JALI

Cllr. ME NGOBE

Cllr. M BUTHELEZI

Cllr. BE MVELASE

Cllr. JB CHONCO

Cllr. NM XIMBA

Cllr. FF NDLOVU

Cllr. F ZUMA

Cllr. EM MDLULI

Cllr. VS NDLOVU

Cllr. M MASIKANE

Cllr. SP LANGA

Cllr. KJ MKHIZE

Cllr. M NTSHAPHA

Cllr. S ZONDI

Cllr. TL KUNENE

Cllr. TN SOKHELA

Cllr. MN NDLOVU

Cllr. ME MKHIZE

Cllr. Z MCHUNU

Cllr. MJ NDEBELE

Cllr. MS KHOZA

Cllr. B DUMAKUDE

Cllr. B MTHETHWA

Cllr. T MNTUNGWA

Cllr. TM MABASO

Cllr. MM MYEZA

Cllr. DM NDLOVU

Cllr. ZE SHANGE

Cllr. GB SIKHAKHANE

Cllr. P DLADLA

## uMsinga Local Municipality

(Registration number KZN 244)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

	2023	2022
--	------	------

#### 35. Related party (continued)

Traditional Leaders	iNkosi. SW MTHEMBU iNkosi. NE MCHUNU iNkosi. ZD MAJOZI iNkosi. TDP MNTUNGWA
---------------------	--

Please note that all directors remuneration have been disclosed above on note number 24.

#### Related party transactions

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

#### Expenses recognised

Amazwe Cleaners and Trading	-	112 000
Amazwe Security and Training	-	13 820
HBZ Transport and Projects	1 276 201	1 472 093
Mlaba's Trading and Projects	75 000	125 124
Maboniza Services	-	125 124
Micho Khathide Tradings	1 079 504	1 217 282
Siyejabula Trading	2 754 607	4 649 210
Mthopho (Pty) Ltd	-	255 000
Ekanobhabha Trading Enterprise	-	98 000
Dezign Maestro (Pty) Ltd	-	109 953
Mvulahlathi trading and project	48 300	23 200

#### Related party - Awards to close family members - SCM Regulation 45

Name of person employed by the municipality	Position/ job title at the municipality	Related Supplier name
Thokozani Moses Mabaso	Ordinary councillor	HBZ Transport and Projects
Simosenkosi Innocent Sikhakhane	Security guard	Mlaba's Trading and Projects
Mzowandayo Michael Sokhela	Ordinary Councillor	Micho Khathide Tradings
Welcome Mkhokiseni Mpanza	Ordinary Councillor	Siyejabula Trading

#### Remuneration of councillors

## uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 35. Related party (continued)

Management class: Councillors

2023

Name	Annual Remuneration	Travel Allowance	Cellphone Allowance	Other Allowance	Total
Executive Mayor	221 671	92 363	17 000	-	331 034
Former Executive Mayor	273 861	97 522	17 000	600	388 983
Deputy Executive Mayor	529 429	181 445	40 800	600	752 274
Speaker	432 563	147 595	40 800	600	621 558
Chief Whip	276 899	95 494	40 800	600	413 793
Section 79 committee chairperson (Incoming)	52 613	17 538	10 200	-	80 351
Section 79 committee chairperson (Deceased)	43 702	14 567	6 800	600	65 670
Mayoral committee members	1 661 391	571 883	244 800	3 600	2 481 674
Councillors	6 414 598	2 091 361	1 172 034	17 986	9 695 978
	<b>9 906 727</b>	<b>3 309 768</b>	<b>1 590 234</b>	<b>24 586</b>	<b>14 831 315</b>

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	185 423	61 808	13 600	1 200	262 031
Deputy Executive Mayor	305 763	113 400	27 200	2 400	448 763
Former Deputy Executive Mayor	182 933	60 978	13 600	1 200	258 710
Speaker	193 242	64 414	27 200	2 400	287 256
Former Speaker	115 082	38 360	13 600	1 200	168 241
Mayoral committee members	1 081 129	36 376	161 905	14 286	1 617 696
Former Mayoral committee members	360 193	120 064	54 400	4 800	539 457
Councillors	4 228 725	1 436 037	845 952	74 643	6 585 357
Former Councillors	1 994 415	664 805	394 400	34 800	3 088 420

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### Notes to the Annual Financial Statements

Figures in Rand

#### 35. Related party (continued)

Chief whip  
Section 79 committee chairperson

67 536	29 564	10 200	900	108 201
109 256	39 405	17 000	1 500	167 161
<b>9 206 036</b>	<b>2 807 006</b>	<b>1 606 257</b>	<b>141 729</b>	<b>14 085 026</b>

#### Additional information

During the year under review (2022/23) the former mayor (Cllr DM Ndlovu) was suspended from his mayorship position and the deputy mayor (Cllr TB Mbatha) was appointed to act as the mayor for the period December 2022 to January 2023. The former mayor (Cllr DM Ndlovu) later filed his resignation from the mayorship position and is to remain as an ordinary council. Cllr FJ Sikhakhane was appointed as the new mayor in January 2023.

#### 36. Prior Period Error

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

#### Statement of financial position

2022

	Note	As previously reported	Re-classification	Restated total
Receivables from exchange transactions		1 322 805	606 383	1 929 188
Receivables from non-exchange transactions		5 475 019	(606 383)	4 868 636
		<b>6 797 824</b>	-	<b>6 797 824</b>

#### Statement of financial performance

## uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

2023

2022

#### 36. Prior Period Error (continued)

2022

	Note	As previously reported	INEP Construction contracts revenue	INEP Construction Contract expenditure	Restated total
Total revenue from exchange transactions		6 290 150	14 278 261	-	20 568 411
Total Expenditure		(278 190 565)	-	(14 278 261)	(292 468 826)
<b>Total</b>		<b>(271 900 415)</b>	<b>14 278 261</b>	<b>(14 278 261)</b>	<b>(271 900 415)</b>

#### Errors

##### Error 1

Sundry Debtors (Refuse) was previously misclassified in the prior year as Trade and other Receivables from non-exchange transactions. This has now been corrected in the current year and classified as Trade and other Receivables from exchange transaction.

##### Error 2

During the year ended 30 June 2022, the Auditor General had raised a potential emerging finding on the nondisclosure of the INEP grant receipt and expenditure regardless of the municipality being unlicensed to supply electricity thus making it an agent. The guidelines of the treatment were unclear during the prior year audit period. The national treasury has since issued a formal communication on how agents should recognize the INEP grant. Based on the communication from the national treasury it was concluded that all agent municipalities should claim VAT on both the receipt and expenditure of the grant, therefore the net effect being the disclosure of the revenue recognition and expenditure exclusive of VAT. The municipality is not allowed to disclose any of the INEP grant projects as a work in progress. The municipality has since adjusted the prior year transactions/financials to accommodate the INEP disclosure as shown below. The adjustment had no impact on the profit/loss.

#### 37. Risk management

##### Financial risk management

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

##### Liquidity risk

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

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2023	2022
Payables from exchange transactions	21 408 418	25 101 942
Unspent conditional grants	1 646 246	646 246

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023

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### 37. Risk management (continued)

#### Credit risk

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

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk.

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

Financial instrument	2023	2022
Cash and cash equivalents	52 202 858	42 156 760
Receivables from non-exchange transactions	9 691 669	4 868 636
Receivables from exchange transactions	4 888 671	1 929 188

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

### 38. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 322 711 433 and that the municipality's total liabilities exceed its assets by 322 971 433.

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

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

### 39. Events after the reporting date

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

### 40. Unauthorised expenditure

Opening balance as previously reported	(31 987 417)	(2 151 306)
Add: Unauthorised expenditure - current	(6 758 601)	(31 987 417)
Less: Amount written off by Council	31 987 417	2 151 306
<b>Closing balance</b>	<b>(6 758 601)</b>	<b>(31 987 417)</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 for the prior year. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. The municipality incurred no unauthorised expenditure in current financial year.

## uMsinga Local Municipality

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### Notes to the Annual Financial Statements

	2023	2022
<b>40. Unauthorised expenditure (continued)</b>		
<b>Unauthorised expenditure: Budget overspending</b>		
Remuneration of councillors	-	(688 127)
Depreciation	-	(8 746 952)
Debt impairment	(4 282 786)	(6 549 125)
Bad Debt Written Off	-	(400 708)
Lease rental	-	(962 552)
Free basic services	-	(230 161)
Contracted Services	-	(2 372 171)
General Expenses	-	(12 037 621)
Loss on disposal of assets	(2 335 815)	-
Actuarial loss	(140 000)	-
	<u>(6 758 601)</u>	<u>(31 987 417)</u>
<b>41. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	141 232	28
Add: Fruitless and wasteful expenditure identified - current	29 691	141 232
Less: Amount written off - current	(170 923)	(28)
<b>Closing balance</b>	<u>-</u>	<u>141 232</u>

The fruitless and wasteful expenditure incurred during the current year has been presented to council. Fruitless and wasteful expenditure relates to interest and penalties on late payments.

# uMsinga Local Municipality

(Registration number KZN 244)  
Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 42. Irregular expenditure

Opening balance as previously reported	808 266
Add: Irregular expenditure - current	7 225 102
Less: Amount written off - current	-
Less: Amount written off - prior period	(492 585)
<b>Closing balance</b>	<b>7 540 783</b>

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

#### Disciplinary steps taken/criminal proceedings

Based on SCM regulation 28, the BAC did not properly evaluate the bidder's ability to execute the contract at evaluation stage, which resulted in the appointment of three service providers to fulfil the tender requirements at an escalated value in comparison to the approved value.	4 567 453	7 225 102
Three written quotations not invited -Contract awarded to one panel member	2 539 200	-
Supplier who did not meet the pre-qualifying criteria - BBB-EE points awarded to bidder who did not submit valid B-BBEE status	6 025 006	-
Failure to meet local content - Invitation to bid did not specify the minimum threshold for local production and content	9 997 446	-
Non Compliance CIDB	505 419	-
Competitive bidding	897 305	-
	<b>24 531 829</b>	<b>7 225 102</b>



# uMsinga Local Municipality

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## Notes to the Annual Financial Statements

	2023	2022
<b>42. Irregular expenditure (continued)</b>		
<b>Amount written-off</b>		
After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 12 108 236 ( 2022 :R 7 225 102) from the total irregular expenditure amount as it was proven without reasonable doubt that the is indeed receiving the services.		
<b>43. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government(SALGA)</b>		
Current year subscription / fee	1 071 946	937 926
Amount paid - current year	(1 071 946)	(937 926)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>Audit fees</b>		
Current year subscription / fee	1 665 641	2 192 405
Amount paid - current year	(1 665 641)	(2 192 405)
	<b>-</b>	<b>-</b>
<b>PAYE and UIF</b>		
Current year subscription / fee	13 725 406	13 248 061
Amount paid - current year	(13 725 406)	(13 248 061)
	<b>-</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	16 685 972	15 683 589
Amount paid - current year	(16 688 974)	(15 683 589)
	<b>(3 002)</b>	<b>-</b>
<b>VAT</b>		
VAT receivable	2 340 199	3 386 185

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

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

### Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

# uMsinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023

2022

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

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

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy.

Opening Balance	-	736 000
Nature of the restrictions	-	1 258 764
Sole Supplier	-	4 354 270
Nature of the restrictions	-	
Emergency	-	
<b>Total</b>	<b>-</b>	<b>6 349 034</b>

# uMisinga Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 45. Segment information

#### General information

#### Identification of segments

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

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

#### Aggregated segments

The municipality is organised and operates in eighteen key reportable functions throughout the nine wards under uMisinga demarcations. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout uMisinga 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  
Trading services

#### Goods and/or services

Social services delivery and protection  
Provides trading and support services

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

2023

	Community and public safety	Trading services	Total
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## uMsinga Local Municipality

(Registration number KZN 244)  
Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 45. Segment information (continued)

##### Revenue

Revenue from non-exchange transactions 301 435 067 301 435 067  
Revenue from exchange transactions 8 275 549 23 063 673

14 788 124

**14 788 124 309 710 616 324 498 740**

##### Municipality's revenue

**324 498 740**

##### Expenditure

Remuneration of Councillors - (14 826 815)  
Contracted Services - (71 408 660)  
Operating Leases (1 500 651) (1 500 651)  
Employee related Cost (86 303 586) (89 072 302)  
Operational Cost - (48 053 725)  
Depreciation and Amortisation (37 781 854) (39 839 721)  
Free baic services (145 958) (145 958)  
Disposal of Fixed and Intangible Assets (2 335 815) (2 335 815)  
Actuarial loss - (140 000) (140 000)  
Finance Cost (656 040) (656 040)  
Contribution to impairment - (9 282 786) (9 282 786)  
Impairment reversal 2 632 435 2 632 435  
INEP Construction Contract Expenditure - (14 295 652) (14 295 652)

**(67 707 123) (221 218 567) (288 925 690)**

**35 573 050**

##### Assets

Current Assets 24 300 685 69 123 397  
Non-current Assets 284 869 344 285 389 344

**45 342 712 309 170 029 354 512 741**

**354 512 741**

##### Total assets as per Statement of financial Position

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## Notes to the Annual Financial Statements

Figures in Rand

	Community and public safety	Trading services	Total
<b>45. Segment information (continued)</b>			
<b>Liabilities &amp; Net Assets</b>			
Current Liabilities	(3 480 200)	(20 521 241)	(24 001 441)
Non-current Liabilities	(1 055 080)	(6 484 787)	(7 539 867)
Reserves	-	(260 000)	(260 000)
Accumulated Surplus	-	(322 711 433)	(322 711 433)
<b>Total segment liabilities and net assets</b>	<b>(4 535 280)</b>	<b>(349 977 461)</b>	<b>(354 512 741)</b>
<b>Total segment liabilities and net assets</b>			<b>(354 512 741)</b>

2022

	Community and public safety	Trading services	Total
<b>Revenue</b>			
Revenue from non-exchange transactions	26 611 797	231 031 678	257 643 475
Revenue from exchange transactions	57 908	20 510 504	20 568 412
<b>Total segment revenue</b>	<b>26 669 705</b>	<b>251 542 182</b>	<b>278 211 887</b>
<b>Municipality's revenue</b>			<b>278 211 887</b>

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Figures in Rand

### 45. Segment information (continued)

<b>Expenditure</b>			
Remuneration of Councillors	(14 085 026)	-	(14 085 026)
Contracted Services	(46 109 294)	(33 345 877)	(79 455 171)
Operating Leases	-	(962 552)	(962 552)
Employee related Cost	(29 842 681)	(50 904 433)	(80 747 114)
Operational Cost	(9 148 530)	(52 889 091)	(62 037 621)
Bad Debts Written Off	-	(400 708)	(400 708)
Depreciation and Amortisation	(32 395 066)	-	(32 395 066)
Free basic services	-	(230 161)	(230 161)
Disposal of Fixed and Intangible Assets	-	(144 671)	(144 671)
Actuarial loss	-	(271 000)	(271 000)
Contribution to impairment	-	(7 549 121)	(7 549 121)
Finance costs	-	(328 024)	(328 024)
INEP Construction expenditure	-	(14 278 261)	(14 278 261)
<b>Total segment expenditure</b>	<b>(131 580 597)</b>	<b>(161 303 899)</b>	<b>(292 884 496)</b>
<b>Total segmental deficit</b>			<b>(14 672 609)</b>
<b>Assets</b>			
Current Assets	-	52 340 769	52 340 769
Non-current Assets	228 646 195	40 094 277	268 740 472
<b>Total segment assets</b>	<b>228 646 195</b>	<b>92 435 046</b>	<b>321 081 241</b>
<b>Total assets as per Statement of financial Position</b>			<b>321 081 241</b>
<b>Liabilities &amp; Net Assets</b>			
Current Liabilities	-	(26 690 031)	(26 690 031)
Non-current Liabilities	(6 992 827)	-	(6 992 827)
Reserves	-	(260 000)	(260 000)
Accumulated Surplus	(5 149 713)	(281 988 670)	(287 138 383)
<b>Total segment liabilities</b>	<b>(12 142 540)</b>	<b>(308 938 701)</b>	<b>(321 081 241)</b>
<b>Total segment liabilities and net assets</b>			<b>(321 081 241)</b>

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## Notes to the Annual Financial Statements

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### 45. Segment information (continued)

#### Measurement of segment surplus or deficit, assets and liabilities

#### Basis of accounting for transactions between reportable segments

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

#### Information about geographical areas

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

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## Notes to the Annual Financial Statements

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### 46. Budget differences

Material differences between budget and actual amounts



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### 46. Budget differences (continued)

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

46.1 - This was due to the increase in the billing rate / tariff charged to existing customers as well as budget oversight issues. There was also an increase in the refuse collections for customers with bigger tariff charges.

46.2 - This was due to the VAT output/input.

46.3 - Due to the volatile and unexpected nature, this income is extremely difficult to accurately budget. Therefore, significant fluctuations are expected each year.

46.4 - Due to the aggressive cost-cutting policies and procedures implemented by the Municipality, they were left with surplus cash, which was re-invested. This is coupled by the unexpected increased interest rate on the cash investments.

46.5 - The increase is mainly due to the increase in the rates system billing, as the municipality was instructed by Cogta to change the billing tariffs. This was done to create some kind of a uniform billing throughout the municipalities, this had a huge impact on the revenue.

46.6 - Due to the aggressive cost-cutting policies and procedures implemented by the Municipality, this has resulted in significant decreases in multiple expenses as compared to the budget. This has assisted the Municipality with achieving better cashflow due to less expenditure being incurred.

46.7 - Debt impairment loss was higher than expected due to low collections from consumers than anticipated.

46.8 - The debt impairment reversal was erroneously not budgeted for.

46.9 - This was due to budget oversight.

46.10 - This was due to the increase in the billing rate / tariff charged to existing customers as well as budget oversight issues. There was also an increase in the refuse collections for customers with bigger tariff charges which were not settled.

46.11 - This is due to a decrease in the overall expenditure .

46.12 - The increase is mainly due to the increase in the rates system billing, as the municipality was instructed by Cogta to change the billing tariffs. This was done to create a uniform billing throughout the municipalities, this had a huge impact on the revenue.

46.13 - This is due to lower spending during the current year.

46.14 - Due to the aggressive cost-cutting policies and procedures implemented by the Municipality, this has resulted in significant decreases in multiple expenses as compared to the budget. This resulted in a decrease in the amount owed to suppliers.

46.15 - This was due to an additional grant being received close to year end and was not utilised as such.

46.16 - Due to the volatile and unexpected nature, this income is extremely difficult to accurately budget. Therefore, significant fluctuations are expected each year.

46.17 - Due to the aggressive cost-cutting policies and procedures implemented by the Municipality, they were left with surplus cash, which was re-invested. This is coupled by the unexpected increased interest rate on the cash investments.

46.18 - This was due to an error.

46.19 - This was due to a decrease in expenditure based on cost-cutting measures taken by the municipality.