



Emdlangeni Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2024

## General Information

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**Nature of business and principal activities**

The main business of the municipality is to structure and manage the administration, budgeting and planning process to give priority to basic needs of the community and to promote the social and economic development of the community. The main type of services rendered by the municipality includes the provision of electricity and water, collection, purifying and disposal of waste water and the construction and maintenance of roads and provision of parks, sport and recreation facilities.

**Councillors**

Mayor  
Deputy Mayor  
Councillors

Cllr ML Buthelezi  
Cllr PF Chongo  
Cllr PX Qwabe (Speaker)  
Cllr SM Khoza (Whip of Council)  
Cllr VC Ndlovu  
Cllr NM Dekker (MPAC chairperson)  
Cllr MJ Mthethwa  
Cllr N Nkosi  
Cllr NA Madida  
Cllr MR Khumalo  
Cllr KV Sibisi

**Grading of local authority**

Grade 1

**Accounting Officer**

G.N Mavundla

**Chief Finance Officer (CFO)**

PP. Sithole

**Registered office**

34 Voor Street  
Utrecht  
Kwa Zulu Natal  
2980

**Postal address**

P.O. Box 11  
Utrecht  
Kwa Zulu Natal  
2980

**Bankers**

Standard Bank  
First National Bank

**Auditors**

Auditor General of South Africa

**Attorneys**

Mdledle Incorporated  
Nompumelelo Hadebe Inc

**Index**

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

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GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
VAT	Value added tax
EPWP	Expanded public works programme
FMG	Finance management grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

## **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.

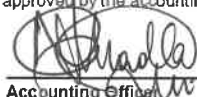
The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, she is supported by the municipality's external auditors.

The annual financial statements set out on page 6 to 71, which have been prepared on the going concern basis, were approved by the accounting officer 31 August 2024 and were signed on its behalf by:



Accounting Officer  
Designation

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2024.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 meetings were held.

Name of member	Number of meetings attended
Buhle Dlamini (Chairperson)	5
Adv Jabulani Mhlongo	5
Ms Thandeka Ndlovu	5
Mr Velaphi M Kubeka	5

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

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

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management still require some attention/ improvement to ensure that they are efficient, effective and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in-year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act is considered efficient and effective.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review.

### Internal audit

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

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

## Accounting Officer's Report

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The accounting officer submits her report for the year ended 30 June 2024.

### 1. Review of activities

#### Main business and operations

### 2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 113 796 036 and the municipality's total liabilities does not exceed its total assets.

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.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting policies

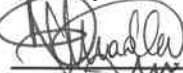
The annual financial statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
G. Mavundla	South African

The annual financial statements set out on page 6 to 66 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:



Accounting Officer  
Designation

**Statement of Financial Position as at 30 June 2024**

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	9&12	11 437 264	8 751 442
Receivables from non-exchange transactions	10&12	26 390 744	32 009 333
VAT receivable	11	-	1 407 038
Prepayments	8	164 943	148 654
Cash and cash equivalents	13	17 013 333	2 924 181
		<b>55 006 284</b>	<b>45 240 648</b>
<b>Non-Current Assets</b>			
Investment property	3	38 614 685	39 099 380
Property, plant and equipment	4	108 263 558	107 963 832
Intangible assets	5	3 440	53 978
Heritage assets	6	1 190 581	1 190 581
		<b>148 072 264</b>	<b>148 307 771</b>
<b>Total Assets</b>		<b>203 078 548</b>	<b>193 548 419</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	16	26 446 837	30 588 475
Payables from non-exchange transactions	17	2 719 490	2 346 953
VAT payable	18	3 462 435	-
Consumer deposits	19	185 684	175 492
Employee benefit obligation	7	2 971 745	1 386 495
Unspent conditional grants and receipts	14	25 815 387	5 916 910
		<b>61 601 578</b>	<b>40 414 325</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	7	1 636 000	2 982 000
Provisions	15	26 044 934	25 920 384
		<b>27 680 934</b>	<b>28 902 384</b>
<b>Total Liabilities</b>		<b>89 282 512</b>	<b>69 316 709</b>
<b>Net Assets</b>		<b>113 796 036</b>	<b>124 231 710</b>
Accumulated surplus		113 796 036	124 231 710

\* See Note 49

**Statement of Financial Performance**

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods	21	321 901	353 067
Service charges	22	17 004 414	16 055 778
Construction contracts	29	26 278 507	13 823 856
Operational revenue	23	619 542	5 637
Rental of facilities and equipment	25	1 535 291	1 406 984
Interest received - investment	24	1 454 352	556 512
Licences and permits	27	2 307 035	1 790 921
Penalties and Interest- Exchange Transactions	30	1 918 351	-
<b>Total revenue from exchange transactions</b>		<b>51 439 393</b>	<b>33 992 755</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	31	37 400 183	25 471 125
Penalties and Interest- Non-exchange transactions	31	4 374 114	1 787 545
<b>Transfer revenue</b>			
Government grants and subsidies	32	63 295 523	53 875 515
Fines, Penalties and Forfeits	26	1 003 831	688 505
<b>Total revenue from non-exchange transactions</b>		<b>106 073 651</b>	<b>81 822 690</b>
<b>Total revenue</b>	20	<b>157 513 044</b>	<b>115 815 445</b>
<b>Expenditure</b>			
Employee related costs	33	(50 905 705)	(46 216 154)
Remuneration of councillors	34	(4 701 594)	(5 102 888)
Depreciation and amortisation	35	(13 307 211)	(18 116 630)
Finance costs	36	(307 054)	(1 978 717)
Lease rentals on operating lease	28	(171 987)	(151 856)
Debt Impairment	37	(15 248 453)	3 957 100
Bulk purchases	38	(19 281 709)	(15 896 269)
Contracted services	39	(18 288 826)	(12 912 187)
Construction expenses	41	(26 278 507)	(13 823 856)
Actuarial losses	7	(84 150)	(182 000)
Donation	43	(5 747 830)	-
General Expenses	40	(13 322 736)	(11 690 735)
<b>Total expenditure</b>		<b>(167 645 762)</b>	<b>(122 114 192)</b>
<b>Deficit for the year from continuing operations</b>		<b>(10 132 718)</b>	<b>(6 298 747)</b>
Loss on Disposals of assets	4	(302 943)	(583 480)
<b>Deficit for the year</b>		<b>(10 435 661)</b>	<b>(6 882 227)</b>

\* See Note 49



**Statement of Changes in Net Assets**

Figures in Rand	Accumulated surplus / deficit	Total net assets
<b>Restated Balance at 01 July 2022</b>	<b>131 113 937</b>	<b>131 113 937</b>
Restated Surplus for the year	(6 882 227)	(6 882 227)
Total changes	(6 882 227)	(6 882 227)
<b>Restated* Balance at 01 July 2023</b>	<b>124 231 697</b>	<b>124 231 697</b>
Changes in net assets		
Surplus for the year	(10 435 661)	(10 435 661)
Total changes	(10 435 661)	(10 435 661)
<b>Balance at 30 June 2024</b>	<b>113 796 036</b>	<b>113 796 036</b>

Note(s)

\* See Note 49

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		38 754 405	28 980 287
Grants		63 295 523	53 875 515
Interest income		1 454 352	556 512
Other receipts		4 783 769	5 344 154
Vat		15 836 699	6 745 397
Property rates		44 806 766	15 942 567
Fines		79 421	42 981
		<u>169 010 935</u>	<u>111 487 413</u>
<b>Payments</b>			
Employee costs		(54 378 667)	(50 307 055)
Suppliers		(82 872 906)	(52 799 777)
Finance costs		(182 504)	(337 747)
		<u>(137 434 077)</u>	<u>(103 444 579)</u>
<b>Net cash flows from operating activities</b>	44	<b>31 576 858</b>	<b>8 042 834</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(17 497 898)	(8 212 866)
Financial Assets	4	-	451 111
<b>Net cash flows from investing activities</b>		<b>(17 497 898)</b>	<b>(7 761 755)</b>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		-	(316 102)
Consumer deposits		10 192	2 565
<b>Net cash flows from financing activities</b>		<b>10 192</b>	<b>(313 537)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>14 089 152</b>	<b>(32 458)</b>
Cash and cash equivalents at the beginning of the year		2 924 181	2 956 639
<b>Cash and cash equivalents at the end of the year</b>	13	<b>17 013 333</b>	<b>2 924 181</b>

\* See Note 49

**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to Note 54
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Figures in Rand

**Statement of Financial Performance**

**Revenue**

**Revenue from exchange transactions**

Other revenue	526 886	(261 717)	265 169	321 901	56 732	21%
Service charges	21 660 811	332	21 661 143	17 004 414	(4 656 729)	-21%
Construction contracts	21 293 913	5 518 261	26 812 174	26 278 507	(533 667)	-2%
Operational revenue	142 106	496 859	638 965	619 542	(19 423)	-3%
Rental of facilities and equipment	1 081 926	162 365	1 244 291	1 535 291	291 000	23%
Interest received	493 113	411 410	904 523	1 454 352	549 829	61%
Licences and permits	1 673 084	(60 000)	1 613 084	2 307 035	693 951	43%
Penalties and Interest-Exchange Transactions	-	-	-	1 918 351	1 918 351	100%
<b>Total revenue from exchange transactions</b>	<b>46 871 839</b>	<b>6 267 510</b>	<b>53 139 349</b>	<b>51 439 393</b>	<b>(1 699 956)</b>	

**Revenue from non-exchange transactions**

**Taxation revenue**

Property rates	45 344 758	-	45 344 758	37 400 183	(7 944 575)	-18%
Property rates - penalties imposed	-	5 670 405	5 670 405	4 374 114	(1 296 291)	-23%

**Transfer revenue**

Government grants & subsidies	47 469 000	-	47 469 000	63 295 523	15 826 523	33%
Fines, Penalties and Forfeits	6 274 882	(5 670 405)	604 477	1 003 831	399 354	66%
<b>Total revenue from non-exchange transactions</b>	<b>99 088 640</b>	<b>-</b>	<b>99 088 640</b>	<b>106 073 651</b>	<b>6 985 011</b>	

<b>Total revenue</b>	<b>145 960 479</b>	<b>6 267 510</b>	<b>152 227 989</b>	<b>157 513 044</b>	<b>5 285 055</b>	
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**Expenditure**

Employee Related Costs	(47 879 086)	(4 115 616)	(51 994 702)	(50 905 705)	1 088 997	-2%
Remuneration of councillors	(4 857 873)	384 374	(4 473 499)	(4 701 594)	(228 095)	5%
Depreciation and amortisation	(9 864 329)	-	(9 864 329)	(13 307 211)	(3 442 882)	35%
Finance costs	(300 000)	136 000	(164 000)	(307 054)	(143 054)	87%
Lease rentals on operating lease	(180 000)	-	(180 000)	(171 987)	8 013	-4%
Debt Impairment	(10 400 000)	-	(10 400 000)	(15 248 453)	(4 848 453)	47%
Bulk purchases	(20 301 277)	52 417	(20 248 860)	(19 281 709)	967 151	-5%
Contracted Services	(18 485 399)	1 436 778	(17 048 621)	(18 288 826)	(1 240 205)	7%
Construction Expenses	(21 293 913)	(5 518 261)	(26 812 174)	(26 278 507)	533 667	-2%
Donation	-	-	-	(5 747 830)	(5 747 830)	-100%
General Expenses	(17 867 980)	2 995 843	(14 872 137)	(13 322 736)	1 549 401	-10%
<b>Total expenditure</b>	<b>(151 429 857)</b>	<b>(4 628 465)</b>	<b>(156 058 322)</b>	<b>(167 561 612)</b>	<b>(11 503 290)</b>	

Loss on disposal of assets	-	-	-	(302 943)	(302 943)	100%
Actuarial gains/losses	-	-	-	(84 150)	(84 150)	100%
	-	-	-	(387 093)	(387 093)	
	-	-	-	-	-	

**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to Note 54
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(5 469 378)</b>	<b>1 639 045</b>	<b>(3 830 333)</b>	<b>(10 435 661)</b>	<b>(6 605 328)</b>	

Reasons for all variances in excess of 10% has been provided in note 53

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to Note 54
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Receivables from exchange transactions	6 315 520	(1 384 782)	4 930 738	11 437 264	6 506 526	132%
Receivables from non-exchange transactions	20 230 907	-	20 230 907	26 390 744	6 159 837	30%
Vat receivable	6 529 716	7 140 622	13 670 338	-	(13 670 338)	-100%
Prepayments	-	-	-	164 943	164 943	100%
Cash and cash equivalents	8 802 173	(8 642 338)	159 835	17 013 333	16 853 498	10544%
	<b>41 878 316</b>	<b>(2 886 498)</b>	<b>38 991 818</b>	<b>55 006 284</b>	<b>16 014 466</b>	

##### Non-Current Assets

Biological assets	4 268 701	4 349 646	8 618 347	-	(8 618 347)	-100%
Investment property	34 832 328	34 581 830	69 414 158	38 614 685	(30 799 473)	-44%
Property, plant and equipment	175 483 349	191 169 282	366 652 631	108 263 558	(258 389 073)	-70%
Intangible assets	367 717	34 021	401 738	3 440	(398 298)	-99%
Heritage assets	1 190 581	1 190 581	2 381 162	1 190 581	(1 190 581)	-50%
	<b>216 142 676</b>	<b>231 325 360</b>	<b>447 468 036</b>	<b>148 072 264</b>	<b>(299 395 772)</b>	

#### Total Assets

	<b>258 020 992</b>	<b>228 438 862</b>	<b>486 459 854</b>	<b>203 078 548</b>	<b>(283 381 306)</b>	
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#### Liabilities

##### Current Liabilities

Other current liabilities	116 567	-	116 567	-	(116 567)	-100%
Payables from exchange transactions	29 345 187	(1 595 066)	27 750 121	26 446 837	(1 303 284)	-5%
Payables from non-exchange transactions	2 920 364	-	2 920 364	2 719 490	(200 874)	-7%
VAT payable	1 787 192	1 418 761	3 205 953	3 462 435	256 482	8%
Consumer deposits	172 927	-	172 927	185 684	12 757	7%
Employee benefit obligation	-	-	-	2 971 745	2 971 745	100%
Unspent conditional grants and receipts	-	-	-	25 815 387	25 815 387	100%
	<b>34 342 237</b>	<b>(176 305)</b>	<b>34 165 932</b>	<b>61 601 578</b>	<b>27 435 646</b>	

##### Non-Current Liabilities

Other current liability	1 673 000	1 605 000	3 278 000	-	(3 278 000)	-100%
Employee benefit obligation	-	-	-	1 636 000	1 636 000	100%
Provisions	21 092 162	-	21 092 162	26 044 934	4 952 772	23%
	<b>22 765 162</b>	<b>1 605 000</b>	<b>24 370 162</b>	<b>27 680 934</b>	<b>3 310 772</b>	

#### Total Liabilities

	<b>57 107 399</b>	<b>1 428 695</b>	<b>58 536 094</b>	<b>89 282 512</b>	<b>30 746 418</b>	
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#### Net Assets

	<b>200 913 593</b>	<b>227 010 167</b>	<b>427 923 760</b>	<b>113 796 036</b>	<b>(314 127 724)</b>	
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**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to Note 54
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	200 913 593	227 010 167	<b>427 923 760</b>	113 796 036	<b>(314 127 724)</b>	

Reasons for all sub-component area in excess of 15% has been provided in note 53

**Statement of Comparison of Budget and Actual Amounts**

**Budget on Accrual Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to Note 54
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Figures in Rand

**Cash Flow Statement**

**Cash flows from operating activities**

**Receipts**

VAT	-	-	-	15 836 699	15 836 699	100%
Sale of goods and services	18 788 951	(145)	18 788 806	38 754 405	19 965 599	106%
Grants	90 206 000	17 302 000	107 508 000	63 295 523	(44 212 477)	-41%
Interest income	493 113	411 410	904 523	1 454 352	549 829	61%
Property rates	34 008 569	4 534 038	38 542 607	44 806 766	6 264 159	16%
Other receipts	16 677 599	1 143 197	17 820 796	4 783 769	(13 037 027)	-73%
Fines	-	-	-	79 421	79 421	100%
	<b>160 174 232</b>	<b>23 390 500</b>	<b>183 564 732</b>	<b>169 010 935</b>	<b>(14 553 797)</b>	

**Payments**

Employee costs	(52 586 959)	(4 778 202)	(57 365 161)	(54 378 667)	2 986 494	-5%
Suppliers	(56 984 658)	(2 173 098)	(59 157 756)	(82 872 906)	(23 715 150)	40%
Finance costs	(300 000)	136 000	(164 000)	(182 504)	(18 504)	11%
	<b>(109 871 617)</b>	<b>(6 815 300)</b>	<b>(116 686 917)</b>	<b>(137 434 077)</b>	<b>(20 747 160)</b>	

<b>Net cash flows from operating activities</b>	<b>50 302 615</b>	<b>16 575 200</b>	<b>66 877 815</b>	<b>31 576 858</b>	<b>(35 300 957)</b>	
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**Cash flows from investing activities**

Purchase of property, plant and equipment	(44 908 192)	(24 735 055)	(69 643 247)	(17 497 898)	52 145 349	-75%
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**Cash flows from financing activities**

Consumer deposits	-	-	-	10 192	10 192	100%
Net increase/(decrease) in cash and cash equivalents	5 394 423	(8 159 855)	(2 765 432)	14 089 152	16 854 584	
Cash and cash equivalents at the beginning of the year	2 924 181	-	2 924 181	2 924 181	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>8 318 604</b>	<b>(8 159 855)</b>	<b>158 749</b>	<b>17 013 333</b>	<b>16 854 584</b>	

Reasons for all sub-component areas in excess of 15% has been provided in note 53.

## Accounting Policies

Figures in Rand	Note(s)	2024	2023
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### 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.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

#### 1.4 Significant judgements and sources of estimation uncertainty

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

##### Receivables from exchange and non-exchange transactions

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

The impairment for receivables is calculated as the difference between the assets carrying amount and the present value of estimated future cashflows discounted. Future cashflows is estimated based on the history of past collection rates which is discounted at the effective rate of interest. The discounted future cashflows is therefore influenced by factors such as poor economic conditions, significant financial difficulty of the debtor or delinquency in debtor payments as well as economic effects on the prime lending rates which is used as a factor to calculate the effective interest rate.

Refer to notes 9 and 10: Receivables from exchange and non-exchange transactions for the carrying values.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.



# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## 1.4 Significant judgements and sources of estimation uncertainty (continued)

### Contingent liabilities

Contingent liabilities are disclosed based on managements best estimate of the potential outflow of economic benefits. The contingent liability disclosure is based on the assumptions of matters being settled within an assumed future timeframe and expected costs. Changes in both future events and economic conditions may alter the amounts as disclosed. Refer to note 45: Contingencies for associated values.

### Useful lives of fixed assets

The municipality's management determines the estimated useful lives and related depreciation charges for the fixed assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. For details, carrying values and related useful lives and depreciation rates for fixed assets refer to notes 1.6: Investment Property, 1.7: Property plant and equipment and 1.8: Intangible assets read in conjunction with notes 3: Investment property, 4: PPE, 5: Intangible assets and 6: Heritage assets. .

### Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The mortality rates, gender and age together with a discount factor and market conditions forms part of the assumptions utilised. Refer to Note 7: Employee benefit obligations for other information and the carrying values.

### Environmental rehabilitation provision

The provision is raised for the rehabilitation of waste disposal landfill site to its original state once the site has reached the end of the useful life. For key assumptions and estimates relating to the Environmental rehabilitation provision, refer to note 15: Provisions.

## 1.5 Biological assets

Biological assets are living resources (animals) that undergo biological transformation held by the municipality in the game park. These assets are held for conservation purposes.

The municipality recognises biological assets when, and only when:

the municipality controls the asset as a result of past events;

it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and,

the fair value or cost of the asset can be measured reliably.

### Measurement

Biological assets are recognized at cost and where these assets are acquired through a non-exchange transaction, its cost is measured at fair value at the date of acquisition.

### Subsequent Measurement

Biological assets are subsequently measured at revalued amount, which is the fair value at the revaluation date less any accumulated depreciation and accumulated impairment losses. The revaluation is performed annually on the reporting date.

Should the carrying amount of a living resource increase as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. The increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same living resource previously recognised in surplus or deficit.

Should the carrying amount of a living resource decrease as a result of a revaluation, the decrease shall be recognised in surplus or deficit. The decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that living resource. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

### Derecognition

## Accounting Policies

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### 1.5 Biological assets (continued)

The carrying amount of a living resource is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a living resource is included in surplus or deficit when the item is derecognised.

Upon disposal of the living resource or a group of living resources, the compensation received and the amount recognised in the statement of financial performance.

### 1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on the straight-line method to write down the cost, less estimated residual value over the useful life of the property.

Property - land	indefinite
Property - buildings	10-30 years
Infrastructure-other	10-40 years
Infrastructure- Dam	88 years

### 1.7 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.

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

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

## Accounting Policies

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

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.

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10-50 Years
Plant and machinery	Straight-line	2-50 Years
Furniture and fixtures	Straight-line	2-30 Years
Motor vehicles	Straight-line	2-30 Years
IT equipment	Straight-line	2-15 Years
Infrastructure	Straight-line	2-90 Years
Community	Straight-line	2-90 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 municipality 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.

## Accounting Policies

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in municipality 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 ).

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

### 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 infinite 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.

## Accounting Policies

### 1.8 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-6 Years

### 1.9 Heritage assets

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

#### Impairment

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

#### Transfers

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

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

#### 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 municipality or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.10 Financial instruments

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

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

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

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

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

- equity instruments or similar forms of 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 an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### 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;

## Accounting Policies

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### 1.11 Statutory receivables (continued)

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

#### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

#### Impairment losses

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

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

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

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 municipality or deficit.

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

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



## Accounting Policies

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### 1.11 Statutory receivables (continued)

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 municipality 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 municipality or deficit in the period of the transfer.

### 1.12 Leases

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

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

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

## Accounting Policies

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### 1.12 Leases (continued)

#### Operating leases - lessee

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

### 1.13 Construction contracts and receivables

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

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

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

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

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

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work. The municipality is a participant in the Integrated National Electrification Programme (INEP). Funds are received from Eskom or the Department of Mineral resources and Energy (DMRE) to construct electrification infrastructure on behalf of Eskom in Eskom designated licencing areas.

The municipality is considered to be a contractor in terms of GRAP 11.

Funds are received in advance and recognised as a liability. Qualifying INEP expenditure is recognised as construction expenses when the expenditure is incurred. Construction revenue is recognised to the extent of the expenditure incurred which is reduced by the advance funds received.

Construction revenue comprises: The initial amount agreed in the Contract, and any variations to the agreement

Construction revenue is recognised when it is probable that they will result in revenue and they are capable of being measured reliably

Construction costs comprise costs that relate directly to the specific contract and costs that are attributable to the contract activity.

Any unused funds advanced to the municipality remain as a Construction liability.

#### Presentation

**Construction revenue:** disclosed as construction revenue as a separate line on the face of the statement of financial performance under revenue from exchange transactions.

**Contract Costs:** disclosed as construction costs as a separate line on the face of the statement of the statement of financial performance.

**Contract creditor:** Disclosed as a payable under payables from exchange transactions in the statement of financial position.

### 1.14 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.

## Accounting Policies

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

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

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

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

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

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

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

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

Useful life is either:

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

### 1.15 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 municipality 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 benefit plans

For defined benefit plans the cost of providing the benefits is determined through actuarial valuations using the Projected Unit Credit discounted cashflow 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.

Past service costs are recognised immediately to the extent that the benefits are already vested.

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.

#### Other post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

## Accounting Policies

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### 1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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 46.

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.

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.17 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.

### 1.18 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.

#### Sale of goods

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

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

## Accounting Policies

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### 1.18 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### Interest, royalties and dividends

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

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

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

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

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

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

### 1.19 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 arises 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.

## Accounting Policies

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

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

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

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

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

#### Fines

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

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

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

## Accounting Policies

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

#### Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

Expenses are recognised when:

It is probable that the economic benefits or service potential associated with the transaction will flow out of the municipality, and

The amount of the expense can be measured reliably

Expenditure arising from Bulk purchases, contracted services and general expenses are measured at the cost of the outflow of resources from the municipality

### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.21 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.

### 1.22 Irregular expenditure

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

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

### 1.23 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.



## Accounting Policies

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### 1.23 Segment information (continued)

#### Measurement

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

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

### 1.24 Budget information

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

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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.

### 1.25 Related parties

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

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

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

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

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

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.

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

## Accounting Policies

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### 1.25 Related parties (continued)

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

### 1.26 Events after reporting date

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

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

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

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

### 1.27 Accounting by principals and agents

#### Identification

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

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

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

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

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

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

#### 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 GRAP 109.

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 GRAP 109.

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

**KZN Department of Transport:** The municipality acts as an agent in terms of the agreement it has with the department. The Department is responsible for registration, licensing and testing functions in terms of applicable national and provincial road traffic legislation. The Department, to provide greater access to clients throughout the Province, transfers specified registration, licensing and testing functions to appropriately identified agents, which act as agents for the Department to process these functions.

The Department and the Municipality entered into an agreement for the transfer of registration and licensing of motor vehicle and learners license testing functions.

The municipality recognises agency fees from the department for the services it renders. Any amounts owing from the department at year end is reflected as a receivable

Under this agreement, any physical hardware to deliver on the agreement remains the asset of the department.

**Spar and Dix take aways:** The municipality acts as a principal in terms of the agreement it has with these parties.

## Accounting Policies

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

The municipality appointed Spar and Dix take-aways for the purposes of dispensing and selling electricity coupons to consumers.

The municipality recognises commission expenses for the amounts payable to the parties for the services they render on behalf of the municipality. Any amounts due to the parties at year end is reflected as a payable.

Under both these agreements, any physical hardware to deliver on the agreements, remains the assets of the municipality.

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 2. New standards and interpretations

#### 2.1 Standards and Interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Impact is not considered material
• IGRAP 21 (as revised): The effect of past decisions on materiality	01 April 2023	Impact is not considered material
• IGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Impact is not considered material
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Impact is not considered material
• Guideline on accounting for landfill sites	01 April 2023	Impact is not considered material
• GRAP 1 (amended): Presentation of financial statements.	01 April 2023	Impact is not considered material

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standard, which is approved but not yet effective. It is unlikely there will be a material impact to the AFS resulting from its application.

- IGRAP 32 The limit on a defined benefit asset, minimum funding requirements and their interaction - no effective date
- GRAP 1 on *Presentation of Financial Statements* (amended 2022) (no effective date determined)
- GRAP 103 on *Heritage assets* (amended) (no effective date determined)
- GRAP 105 on *Transfer of Functions Between Entities Under Common Control* (amended) (no effective date determined)
- GRAP 106 on *Transfer of Functions Between Entities Not Under Common Control* (amended) (no effective date determined)
- GRAP 107 on *Mergers* (amended) (no effective date determined)
- Improvements to Standards of GRAP (2023) (no effective date determined)
- GRAP 104 on *Financial instruments* (amended) (Effective April 2025)
- IGRAP 22 on Foreign Currency Transactions and Advance Consideration (Effective April 2025)

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	44 656 464	(6 041 779)	38 614 685	44 740 543	(5 641 163)	39 099 380

Reconciliation of investment property - 2024

	Opening balance	Transfers	Depreciation	Total
Investment property	39 099 380	(84 080)	(400 615)	38 614 685

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	39 349 878	(250 498)	39 099 380

Restrictions and Contractual obligations

No restrictions or contractual obligations exist on Investment Property. The addition of the Investment Property for the current period relates to a tuck-shop that has been donated to the municipality.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>3. Investment property (continued)</b>		
<b>Maintenance of investment property</b>		
The following maintenance costs were incurred for repairs and maintenance		
Repairs and Maintenance: Investment property	10 982	41 220
<b>Amounts recognised in surplus or deficit</b>		
Rental revenue from Investment property	1 282 885	1 083 383

**Notes to the Annual Financial Statements**

Figures in Rand

**4. Property, plant and equipment**

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 812 330	-	2 812 330	2 796 477	-	2 796 477
Buildings	15 218 676	(11 104 037)	4 114 639	15 218 676	(10 204 171)	5 014 505
Plant and machinery	6 613 714	(2 106 580)	4 507 134	3 985 692	(1 835 540)	2 150 152
Furniture and fixtures	3 871 662	(2 491 167)	1 380 495	3 441 412	(2 219 567)	1 221 845
Motor vehicles	5 280 085	(4 098 648)	1 181 437	5 280 085	(3 716 722)	1 563 363
IT equipment	2 143 554	(1 299 285)	844 269	1 960 302	(975 565)	984 737
Infrastructure	164 865 567	(89 688 853)	75 176 714	155 895 845	(79 629 983)	76 265 862
Community	37 404 526	(19 157 986)	18 246 540	30 992 451	(13 025 560)	17 966 891
<b>Total</b>	<b>238 210 114</b>	<b>(129 946 556)</b>	<b>108 263 558</b>	<b>219 570 940</b>	<b>(111 607 108)</b>	<b>107 963 832</b>

**Notes to the Annual Financial Statements**

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**4. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2024**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	2 796 477	-	-	15 853	-	-	2 812 330
Buildings	5 014 505	-	-	-	(419 659)	(480 207)	4 114 639
Plant and machinery	2 150 152	2 628 022	-	-	(271 040)	-	4 507 134
Furniture and fixtures	1 221 845	430 250	-	-	(271 600)	-	1 380 495
Motor vehicles	1 563 363	-	-	-	(381 926)	-	1 181 437
IT equipment	984 737	183 252	-	-	(323 720)	-	844 269
Infrastructure	76 265 862	15 890 770	-	(6 921 045)	(10 058 873)	-	75 176 714
Community	17 966 891	-	(6 050 774)	6 989 274	(658 851)	-	18 246 540
	<b>107 963 832</b>	<b>19 132 294</b>	<b>(6 050 774)</b>	<b>84 082</b>	<b>(12 385 669)</b>	<b>(480 207)</b>	<b>108 263 558</b>

GRAP 17: Property, Plant and Equipment requires that the eMadlangeni Local Municipality shall at each reporting date assess whether there has been an indication that the Municipality's expectation about the remaining useful lives of assets have changed. Such review has been completed and the following results were achieved.

The indicator, "The asset is approaching the end of its previously expected useful life", was identified in respect of 594 immovable assets and 263 movable assets. Management determined that these assets will still be in use for at least the next two financial periods and the remaining useful lives of these assets were extended accordingly.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment for the 2024 financial period has decreased by R 537 379.62 made up of R 366 706 Infrastructure assets and R 170 673 Movable assets. This change in depreciation is expected to remain the same over the next 24 months.

The municipality had not accounted for structures erected on leased property owned by the council. A prior period adjustment to Property, plant and Equipment was made in the current financial period. In accordance with GRAP 17, Property, Plant, and Equipment, the entity has made extensive efforts to determine the opening balances for the current financial period. However, it has been deemed impracticable to do so due to the following reasons:

Lack of access to adequate historical records or documentation to accurately determine the opening balances due to the passage of time resulting in the challenge and impracticability to reconstruct the necessary data.

Lack of market information dating back to the period when the assets ought to have been recorded.

There's insufficient publicly available information to determine the depreciated replacement cost specific to areas around Utrecht and surrounding towns.

The cost associated with getting an expert to perform the recalculations in managements opinion is not considered practical.

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

Significant challenges in valuing these leasehold improvements due to the absence or lack of market data or comparable transactions for the period in question.

The municipality used the services of the property valuator already contracted perform the municipal valuation roll to assist in sub-dividing the properties and determining the market value for the leasehold improvements.

As a result, the municipality has taken due consideration in applying relevant standards to determine the deemed cost for these assets. Thus, the applied accounting policies will be applied prospectively from the beginning of the current financial period.

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

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

	Opening balance	Additions	Landfill re-measurement	Disposals	Depreciation	Impairment loss	Total
Land	2 796 477	-	-	-	-	-	2 796 477
Buildings	5 501 688	-	-	(15 276)	(425 663)	(46 244)	5 014 505
Plant and machinery	1 168 662	1 348 253	-	(67 350)	(306 316)	6 903	2 150 152
Furniture and fixtures	1 240 947	296 243	-	(45 615)	(273 635)	3 905	1 221 845
Motor vehicles	2 000 085	-	-	(49 719)	(387 003)	-	1 563 363
IT Equipment	1 225 130	167 052	-	(305 425)	(105 471)	3 451	984 737
Infrastructure	77 941 872	5 923 325	3 187 251	(103 796)	(8 856 070)	(1 826 720)	76 265 862
Community	23 156 851	477 993	-	(174 821)	(863 295)	(4 629 837)	17 966 891
	<b>115 031 712</b>	<b>8 212 866</b>	<b>3 187 251</b>	<b>(762 002)</b>	<b>(11 217 453)</b>	<b>(6 488 542)</b>	<b>107 963 832</b>

##### Restrictions and contractual obligations

No restrictions or contractual obligations exist.

There are no amounts of compensation from or to third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit



## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

##### Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	4 065 543	4 065 543
Additions/capital expenditure	15 890 770	15 890 770
Transferred to completed items	(19 121 829)	(19 121 829)
	<b>834 484</b>	<b>834 484</b>

##### Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	10 980 771	10 980 771
Additions/capital expenditure	6 013 125	6 013 125
Correction of prior period error	(4 804 914)	(4 804 914)
Transferred to completed items	(8 123 439)	(8 123 439)
	<b>4 065 543</b>	<b>4 065 543</b>

##### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	438 285	655 641
Motor Vehicles	534 237	735 129
Machinery	5 939	36 805
	<b>978 461</b>	<b>1 427 575</b>

The average period to complete WIP projects is estimated to be 24 months based on past experience. All the projects included within the carrying amount of WIP for the current and prior period is less than 6 months old. There are no projects that were halted during the current or prior period.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## Notes to the Annual Financial Statements

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### 5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 560 201	(1 556 761)	3 440	1 560 201	(1 506 223)	53 978

#### Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	53 978	(50 538)	3 440

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	214 717	(160 739)	53 978

#### Restrictions and Contractual obligations

No restrictions or contractual obligations exist.

## Notes to the Annual Financial Statements

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### 6. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage Assets (Land and Buildings- refer to reconciliation below)	1 490 000	(299 419)	1 190 581	1 490 000	(299 419)	1 190 581

#### Reconciliation of heritage assets 2024

	Opening balance	Total
Buildings	942 247	942 247
Land	248 334	248 334
	<b>1 190 581</b>	<b>1 190 581</b>

#### Reconciliation of heritage assets 2023

	Opening balance	Total
Buildings	942 247	942 247
Land	248 334	248 334
	<b>1 190 581</b>	<b>1 190 581</b>

No repairs and maintenance was incurred on Heritage Assets.

#### Restrictions and contractual obligations

No restrictions or contractual obligations exist.

**Notes to the Annual Financial Statements**

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**7. Employee benefit obligations**

**Defined benefit plan**

The employee benefit obligation includes the plan for the post employment medical benefit plan and Long service award and the provision for the 13th cheque.

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

<b>Carrying value</b>		
Opening balance	(4 368 495)	(2 825 000)
Current service cost	(192 000)	(153 000)
Interest cost	(330 000)	(299 000)
Benefits paid	382 000	321 000
Actuarial gain/(loss)	(77 000)	(182 000)
Provision for 13th cheque	(22 250)	(1 230 495)
	<b>(4 607 745)</b>	<b>(4 368 495)</b>
Non-current liabilities	(1 636 000)	(2 982 000)
Current liabilities	(2 971 745)	(1 386 495)
	<b>(4 607 745)</b>	<b>(4 368 495)</b>

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date: 30 June 2024 & 2023 respectively

Actual return on plan assets	1,00 %	1,00 %
Discount rates used	10,70 %	11,03 %
Expected rate of return on assets	5,52 %	6,04 %
Expected rate of return on reimbursement rights	7,02 %	7,54 %
Actual return on reimbursement rights	3,44 %	3,25 %
Expected increase in salaries	1,00 %	1,00 %
Expected pension increases	11,23 %	11,47 %
Proportion of employees opting for early retirement	5,81 %	6,33 %
Expected increase in healthcare costs	6,81 %	7,33 %
Future changes in maximum state healthcare benefits	4,14 %	3,86 %

1.POST EMPLOYMENT MEDICAL SUBSIDY

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Emadlangeni Municipality does not have a formal medical subsidy policy for retired employees.

Emadlangeni Municipality is aware of five (5) continuation pensioners that are currently subsidised for medical contributions with the following subsidy requirements:

- subsidy percentages of 60% to current pensioners and their dependents; and
- subsidy percentages of 60% to deceased pensioners' spouses and their dependents.

ELIGIBLE EMPLOYEES

We summarise the participants eligible for post employment medical aid subsidy as at the current valuation date, 30 June 2024, as provided by Emadlangeni.

The employees' contributions are those payable to the employees and their spouses in retirement, at the current rates. The contributions include risk and the medical savings account.

## Notes to the Annual Financial Statements

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### 7. Employee benefit obligations (continued)

#### VALUATION METHOD

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference to Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

#### VALUATION ASSUMPTIONS

##### NET DISCOUNT RATE

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised above:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2023 the duration of liabilities was 11.03% per annum. At this duration the discount rate as at 30 June 2024 is 11.70% per annum.

A healthcare cost inflation rate of 7.02%% (2023:7.54%) was assumed.

It is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.44% (2023:3.25%) per annum. This year's valuation basis is consistent with the previous year's basis from a discount rate perspective. basis used to determine the overall expected rate of return on assets is as follow:

#### DEMOGRAPHIC AND DECREMENT ASSUMPTIONS

The demographic and decrement assumptions were consistent in the previous and current valuation period.

#### CONTINUATION PERCENTAGES

We have assumed continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

#### 2.LONG SERVICE AWARDS

Emadlangeni offers bonuses for every 5 years of completed service from the 10th year in service to 45 years. Below we outline the benefits awarded to qualifying employees. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed.

#### VALUATION METHOD

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

#### VALUATION ASSUMPTIONS

##### NET DISCOUNT RATE

The key assumptions used in the valuation are consistent with the prior years' assumptions shown for comparison, are summarised above:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

At this duration the discount rate determined as at 30 June 2024 was 11.23% (2023:11.47%) per annum.

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, 6.81% (2023:7.33%) per annum.

## Emadlangeni Local Municipality

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#### 7. Employee benefit obligations (continued)

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.14% (2023: 3.86%) per annum.

##### DEMOGRAPHIC AND DECUREMENT ASSUMPTION

The demographic and decrement assumptions were consistent in the previous and current valuation period.

The following sensitivity analysis is relevant: Long Service

Assumption	Variation	Change in accrued liability	Change in annual expense
Salary inflation	+1%	+7.3%	+8.4%
Salary Inflation	-1%	-6.6%	-7.5%
Withdrawal rates	-20%	+7.4%	+9.9%
Withdrawal rates	+20%	-5.0%	-5.9%
Discount rate	+1%	-6.2%	-2.8%
Discount rate	-1%	+7%	+3.1%

The following sensitivity analysis is relevant: Post Employee Benefit

Assumption	Variation	Change in accrued liability	Change in annual expense
Mortality	PA(90) -1	+4.8%	+5.2%
Mortality	PA(90) -2	+9.7%	+10.5%
Healthcare cost inflation	+1%	+5.7%	+6.2%
Healthcare cost inflation	-1%	-5.3%	-5.7%
Discount	+1%	-5.0%	+3.4%
Discount	-1%	+5.6%	-3.9%

#### 8. Prepayments

Eskom	148 654	148 654
Eskom: addition	16 289	-
	<b>164 943</b>	<b>148 654</b>

#### 9. Receivables from exchange transactions

Consumer debtors - Electricity	7 149 272	6 762 744
Consumer debtors - Refuse	3 148 060	2 309 387
Consumer debtors - Other	985 595	(320 689)
Accrued Interest Income	154 337	-
	<b>11 437 264</b>	<b>8 751 442</b>

No debtors has been pledged as security.

Refer to note 12 for further details on gross and impairment balances.

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

Consumers are charged interest at 1.5% on all outstanding balances over 30 days.

Provision for impairment

## Notes to the Annual Financial Statements

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### 9. Receivables from exchange transactions (continued)

Receivables from exchange transactions: the municipality first assesses whether objective evidence of impairment exists individually for debtors that are individually significant. If the municipality determines that no objective evidence of impairment exists for an individually assessed debtor, it includes the asset in a group of debtors with similar credit risk characteristics and collectively assesses them for impairment.

Debtor balances outstanding for more than 30 days serves as an indication of possible impairment. Organs of state is seen as a financial asset falling within a different credit profile to the usual community consumers. For all intents and purposes, all inter-governmental debt should be fully collectible. Government debt is therefore not provided for.

The impairment loss is calculated as the difference between the assets carrying amount and the present value of estimated future cashflows discounted. A discount rate applied to the estimated future cash flows of 12% (2023:10%) was used which was calculated as the effective interest rate.

The past payment history of consumer debtors is used as the basis to estimate the future cashflows. Once the estimated cashflow is established, it is discounted. Government debt also forms part of the estimated future cashflows.

#### Trade and other receivables past due but not impaired

The amount past due but not impaired relates to all government debt that is past the due date of 30 days. Government debt is considered recoverable and has not been provided for. At 30 June 2024, the amount past due and not impaired amounts to R23 082 559.

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

Category of service	31-60 days	61-90 days	91-120 days	> 121 days	Total
Property rates	-	392 182	379 027	11 344 424	12 115 633
Electricity	-	286 076	251 692	4 184 477	4 722 246
Refuse	-	200	2 861	140 907	143 968
Rental	-	4 600	4 600	25 821	35 021
Other	-	-	-	626	627
Interest	-	311 606	43 621	5 709 836	6 065 064
	-	<b>994 664</b>	<b>681 801</b>	<b>21 406 091</b>	<b>23 082 559</b>

### 10. Receivables from non-exchange transactions: Statutory receivables

Fines	48 266	714 976
Consumer debtors - Rates	26 342 478	31 294 357
	<b>26 390 744</b>	<b>32 009 333</b>

No debtors has been pledged as security.

Refer to note 12 for further details on gross and impairment balances.

The provision for impairment for traffic fines is R3 124 546 (2022: R1 533 427). Refer to provision for impairment reconciliation below.

**Notes to the Annual Financial Statements**

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**10. Receivables from non-exchange transactions: Statutory receivables (continued)**

**Statutory receivables general information**

**Transaction(s) arising from statute**

Traffic fines-section 56 and 139 of the traffic management act determines the type of fines that maybe levied by the municipality to motoroists that contraves these acts.

Property rates-property rates are levied in accordance with the MPRA that requires different percentage to be levied on different properties depending on the use and the extent of those properties.

**Determination of transaction amount**

Traffic fines: The transaction amount is determined by reference to the traffic fines issues per the traffic fine books used by the traffic fines department which is in accordance with section 56 and 139 in relation to traffic fines.

Property rates: The transaction amount is levied in accordance with the MPRA that requires different percentage to be levied on different properties depending on the use and the extent of those properties.

**Interest or other charges levied/charged**

The municipality does not levy interest on late payments on traffic fines.Interest on late payments of property rates is levied at 1.5% on accounts overdue for more than 30 days.

**Basis used to assess and test whether a statutory recelvable is impaired**

Traffic fines: The municipality is using the collection rate as a basis to perform the assessment for the estimate of the provision for impairment of traffic fines.

Property rates: the municipality first assesses whether objective evidence of impairment exists individually for debtors that are individually significant. If the municipality determines that no objective evidence of impairment exists for an individually assessed debtor, it includes the asset in a group of debtors with similar credit risk characteristics and collectively assesses them for impairment.

Debtor balances outstanding for more than 30 days serves as an indication of possible impairment. Organs of state is seen as a financial asset falling within a different credit profile to the usual community consumers. Its is anticipated that all balances from organs of state will be received and is therefore not considered for impairment.  
The impairment loss is calculated as the difference between the assets carrying amount and the present value of estimated future cashflows discounted.

The past payment history of consumer debtors is used as the basis to estimate the future cashflows. Once the estimated cashflow is established, it is discounted A discount rate applied to the estimated future cash flows of 12% (2023:10%) was used which was calculated as the effective interest rate.

The difference between the carrying value and the discounted cashflows is results in the provision amount.



# Emadlangeni Local Municipality

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

#### Reconciliation: Traffic fines

Gross balance	3 172 812	2 248 402
Allowance for impairment	(3 124 546)	(1 533 426)
	<b>48 266</b>	<b>714 976</b>

Reconciliation of provision for impairment: Traffic fines	-	-
Opening balance	1 533 426	1 490 676
Increase in provision for impairment	1 655 270	42 750
Amounts written off as uncollectible	(64 150)	-
	<b>3 124 546</b>	<b>1 533 426</b>

Refer to note 12 for the reconciliation on rates.

### 11. VAT receivable

VAT	-	1 407 038
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VAT is accounted for using the accrual basis of accounting however the cash basis is applied when submitting the VAT 201.

### 12. Consumer debtors disclosure

#### Gross balances

Consumer debtors - Rates	53 874 653	56 907 122
Consumer debtors - Electricity	14 621 424	9 916 769
Consumer debtors - Refuse	6 438 295	4 730 764
Consumer debtors - Other	2 015 701	1 447 353
	<b>76 950 073</b>	<b>73 002 008</b>

#### Less: Allowance for Impairment

Consumer debtors - Rates	(27 532 176)	(25 703 207)
Consumer debtors - Electricity	(7 472 152)	(4 173 066)
Consumer debtors - Refuse	(3 290 235)	(2 135 668)
Consumer debtors - Other	(1 030 106)	(944 269)
	<b>(39 324 669)</b>	<b>(32 956 210)</b>

#### Net balance

Consumer debtors - Rates	26 342 477	31 294 357
Consumer debtors - Electricity	7 149 272	6 762 744
Consumer debtors - Refuse	3 148 060	2 309 387
Consumer debtors - Other	985 595	(320 689)
	<b>37 625 404</b>	<b>40 045 799</b>

#### Rates

Current (0 -30 days)	3 113 623	3 497 335
31 - 60 days	1 222	12 037
61 - 90 days	1 789 795	1 991 992
91 - 120 days	1 347 905	1 679 620
> 365 days	47 622 108	49 726 138
	<b>53 874 653</b>	<b>56 907 122</b>

## Emadlangeni Local Municipality

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#### 12. Consumer debtors disclosure (continued)

##### Electricity

Current (0 -30 days)	2 096 354	1 543 799
31 - 60 days	-	1 010
61 - 90 days	147 471	390 222
91 - 120 days	408 390	368 747
> 365 days	11 969 209	6 940 067
	<b>14 621 424</b>	<b>9 243 845</b>

##### Refuse

Current (0 -30 days)	310 153	270 801
31 - 60 days	1 015	4 055
61 - 90 days	(68 965)	108 739
91 - 120 days	128 170	138 035
> 365 days	6 067 922	4 209 134
	<b>6 438 295</b>	<b>4 730 764</b>

##### Other

Current (0 -30 days)	143 214	130 773
31 - 60 days	-	648
61 - 90 days	(248 418)	45 770
91 - 120 days	42 148	41 875
> 365 days	2 078 757	1 228 287
	<b>2 015 701</b>	<b>1 447 353</b>

Other debtors relates to rental of houses and municipal sites.

##### Accrued Income

Accrued Income- Interest income	154 337	-
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**Emadlangeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2024

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**12. Consumer debtors disclosure (continued)****Reconciliation of provision for Impairment: Summary**

Balance at beginning of the year	32 956 210	38 967 528
Contributions to allowance including Debt impairment written off against allowance	6 368 460	(6 011 318)
	<b>39 324 670</b>	<b>32 956 210</b>

**Reconciliation of provision for impairment: Rates**

Balance at beginning of the year	25 703 207	29 633 305
Contributions to allowance	7 155 033	(1 918 629)
Debt impairment written off against allowance	(5 326 065)	(2 011 469)
	<b>27 532 176</b>	<b>25 703 207</b>

**Reconciliation of provision for impairment: Electricity**

Balance at beginning of the year	4 173 065	5 185 178
Contributions to allowance	3 299 087	(1 012 113)
	<b>7 472 152</b>	<b>4 173 065</b>

**Reconciliation of provision for impairment: Refuse**

Balance at beginning of the year	2 135 668	3 016 650
Contributions to allowance	1 154 567	(880 982)
	<b>3 290 235</b>	<b>2 135 668</b>

**Reconciliation of provision for impairment: Other**

Balance at beginning of the year	944 269	1 132 395
Contributions to allowance	85 837	(188 126)
	<b>1 030 106</b>	<b>944 269</b>

**13. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	1 083	1 083
Bank balances	77 611	603 031
Short-term deposits	16 934 639	2 320 067
	<b>17 013 333</b>	<b>2 924 181</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
First Primary National Bank	-	603 038	742 827	-	603 038	742 827
Account 62864159366						
INEP 06 850 0947 - 102	24 310	824	824	24 310	824	824
Nguni Cattle - 42 850 052 1 - 003	6 085	6 085	6 085	6 085	6 085	6 085
KZN Wildlife - 06 850 094 7 - 070	10 313	10 313	10 313	10 313	10 313	10 313
VAT refund account - 42 880 052 1 - 002	29 866	27 890	125 088	29 866	27 890	125 088
Repairs 376 houses - 06 850 418 7 - 001	2 312 835	2 159 027	2 034 695	2 312 835	2 159 027	2 034 695
General investments - 06 850 094 7 - 030	9 147 495	67 095	2 977	9 147 495	67 095	2 977
Proceeds from auction - 06 850 094 7 - 050	5 038	4 820	4 662	5 038	4 820	4 662
MIG 20192020 06 850 0947 - 096	5 165 454	9 881	3 696	5 165 454	9 881	3 696
Consumer deposits - 06 850 094 7 - 084	10 035	9 563	9 248	10 035	9 563	9 248
Housing rentals - 06 850 094 7 - 094	5 830	5 830	5 830	5 830	5 830	5 830
INEP Retention - 06 850 094 7 - 087	1 475	1 411	1 365	1 475	1 411	1 365
Spatial planning - 06 850 094 7 - 090	1 283	1 283	1 283	1 283	1 283	1 283
EPWP 06 850 0947 - 097	4 015	4 015	4 015	4 015	4 015	4 015
FMG 06 850 0947 - 099	40 716	2 648	2 646	40 716	2 648	2 646
Balele 06 850 0947 - 105	9 376	9 375	-	9 376	9 375	-
FNB Call Account Investment 63061842928	160 513	-	-	160 513	-	-
<b>Total</b>	<b>16 934 639</b>	<b>2 923 098</b>	<b>2 955 554</b>	<b>16 934 639</b>	<b>2 923 098</b>	<b>2 955 554</b>

### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Repair of 376 Houses	813 725	813 725
Balele	6 938 320	5 103 185
Disaster	17 563 342	-
Local economic development	500 000	-
	<b>25 815 387</b>	<b>5 916 910</b>

#### Movement during the year

Balance at the beginning of the year	5 916 910	1 278 425
Additions during the year	45 125 000	22 438 000
Income recognition during the year	(25 226 523)	(17 799 515)
	<b>25 815 387</b>	<b>5 916 910</b>

See note 32 for reconciliation of grants from National/Provincial Government.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 15. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Re- measurement	Total
Environmental rehabilitation	25 920 384	124 550	26 044 934

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	21 092 162	4 828 222	25 920 384

#### Environmental rehabilitation provision

The provision is raised for the rehabilitation of waste disposal landfill site to its original state once the site has reached the end of the useful life.

#### Key Assumptions

##### 1. Inflation rate:

An inflation rate of 5.2% has been assumed to estimate future costs. This rate is based on historical inflation trends and future economic forecasts.

##### 2. Cost Estimates:

The cost estimates for environmental rehabilitation are based on current market prices for similar restoration activities. This is based on the conceptual closure design used to compile the rehabilitation and closure cost. These estimates are reviewed annually and adjusted for any significant changes in market conditions.

##### 3. Timing of the commencement of the rehabilitation:

The waste management licence expired in December 2023. A letter indicating that the rehabilitation process will commence in stages as a result of financial constraints was sent to EDTEA in December 2023. The decommissioning has since commenced and the full technical requirements to have the site rehabilitated is underway and will be completed in stages.

##### 4. Legal and Regulatory Requirements:

Current legal requirements as stipulated in the licence has been taken into consideration.

##### 5. Technological

The site rehabilitation would require a 100mm soil levelling layer to be imported as no clay is available in close proximity to the site. Allowance was made for the gas extraction system, leachate cut off drain, Septic tank and new monitoring boreholes. These assumptions are based on current technological trends and expert opinions.

### 16. Payables from exchange transactions

Trade payables	7 830 261	11 335 925
Retention Liability	9 451 344	7 855 221
Leave Pay Accrued	3 827 656	3 663 739
Direct deposits, third parties and other	926 650	6 622 310
Deposits received	22 212	45 108
Credit balances: receivable from exchange transactions	3 083 200	374 375
Other Payable: INEP	1 305 514	691 797
	<b>26 446 837</b>	<b>30 588 475</b>

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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#### 16. Payables from exchange transactions (continued)

The debtors with credit balances amounting to R5 802 690 (2023: R2 721 328) is split between R3 083 200 (2023: R374 375) relating to receivables from exchange transactions and 2 719 490 (2023: R2 346 953) which relates to receivables from non exchange transactions.

The other payables: INEP relates to the unspent portion of the funds in terms of the agreement the municipality has in place with Eskom/Department of mineral resources and energy. The municipality has an agreement in place to construct electrical infrastructure in Eskom licenced areas. The construction contract expenses consist mainly of contracted services where-in the Municipality procures the services of contractors for the construction related expenditure. Revenue is recognised excluding Vat when the expenditure is incurred.

#### 17. Payable from non-exchange transactions

Credit non exchange debtors	2 719 490	2 346 953
-----------------------------	-----------	-----------

The debtors with credit balances amounting to R5 802 690 (2023: R2 721 328) is split between R3 083 200 (2023: R374 375) relating to receivables from exchange transactions and 2 719 490 (2023: R2 346 953) which relates to receivables from non exchange transactions.

#### 18. VAT payable

Vat	3 462 435	-
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VAT is accounted for using the accrual basis of accounting however the cash basis is applied when submitting the VAT 201.

#### 19. Consumer deposits

Electricity	185 684	175 492
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The consumer deposits represents the amounts paid by consumers in obtaining the connections for services. These amounts are refundable to consumers when the consumer accounts are transferred or closed.

#### 20. Revenue

Sale of goods	321 901	353 067
Service charges	17 004 414	16 055 778
Construction contracts	26 278 507	13 823 856
Operational Revenue	619 542	5 637
Rental of facilities and equipment	1 535 291	1 406 984
Interest received -investment	1 454 352	556 512
Licences and permits	2 307 035	1 790 921
Penalties and Interest- Exchange Transactions	1 918 351	-
Property rates	37 400 183	25 471 125
Property rates - penalties imposed	4 374 114	1 787 545
Government grants and subsidies	63 295 523	53 875 515
Fines, Penalties and Forfeits	1 003 831	688 505
	<b>157 513 044</b>	<b>115 815 445</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 20. Revenue (continued)

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

Sale of goods	321 901	353 067
Service charges	17 004 414	16 055 778
Construction contracts	26 278 507	13 823 856
Operational revenue	619 542	5 637
Rental of facilities and equipment	1 535 291	1 406 984
Interest received -investment	1 454 352	556 512
Licences and permits	2 307 035	1 790 921
Penalties and Interest- Exchange Transactions	1 918 351	-
	<b>51 439 393</b>	<b>33 992 755</b>

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

<b>Taxation revenue</b>		
Property rates	37 400 183	25 471 125
Property rates - penalties imposed	4 374 114	1 787 545
<b>Transfer revenue</b>		
Government grants & subsidies	63 295 523	53 875 515
Fines, Penalties and Forfeits	1 003 831	688 505
	<b>106 073 651</b>	<b>81 822 690</b>

### 21. Sale of goods and rendering of services

Consumables	24 060	72 596
Sub-division and consolidation fees	8 923	3 191
Tender documents	91 827	107 762
Building plans	30 974	31 288
Camping fees	57 870	55 369
Cemetery and burial	33 346	37 590
Clearance certificates	16 796	17 973
Entrance fees	47 860	21 686
Photocopies and faxes	10 245	6 252
	<b>321 901</b>	<b>353 707</b>

### 22. Service charges

Sale of electricity	14 999 753	14 138 909
Refuse removal	2 004 661	1 916 869
	<b>17 004 414</b>	<b>16 055 778</b>

The service charges represents revenues earned by the municipality from the provision of electricity and refuse removal services.

### 23. Operational revenue.

Administrative and handling fees	618 239	11 110
Breakages and losses recovered	1 303	1 342
Agency fees	-	(6 815)
	<b>619 542</b>	<b>5 637</b>

### 24. Interest on Investment

Short term deposits	1 454 352	556 512
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## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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#### 25. Rental of facilities and equipment

Rental of Investment properties	1 117 211	1 083 383
Other ad-hoc rentals	418 080	323 601
	<b>1 535 291</b>	<b>1 406 984</b>

#### 26. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	1 003 831	688 505
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#### 27. Licences and permits

Game	246 130	173 009
Trading	12 951	14 294
Drivers licence certificate	1 179 360	927 296
Leaner licence application	413 440	322 113
Agency revenue- commission	250 052	216 136
Operators and public drivers permit	205 102	138 073
	<b>2 307 035</b>	<b>1 790 921</b>

#### 28. Lease rentals on operating lease

Leased Machinery	171 987	151 856
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Operating leases represents the amounts paid to service providers in leasing out the photocopying machines that are used the municipal buildings.

#### 29. Construction revenue

INEP Construction revenue	26 278 507	13 823 856
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The construction revenue relates to the revenue recognised in terms of the agreement the municipality has in place with Eskom/Department of mineral resources and energy. The municipality has an agreement in place to construct electrical infrastructure in Eskom licenced areas. The construction contract expenses consist mainly of contracted services where-in the Municipality procures the services of contractors for the construction related expenditure. Revenue is recognised excluding Vat when the expenditure is incurred.

#### 30. Penalties and Interest- Exchange transactions

Penalties & Interest	1 918 351	-
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Penalties/ interest is levied on outstanding debtor balances owing for exchange transactions being electricity, rates and refuse.



## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>31. Property rates</b>		
Property rates	37 400 183	25 471 125
	37 400 183	25 471 125
Property rates - Penalty on late payments	4 374 114	1 787 545
	<b>41 774 297</b>	<b>27 258 670</b>

Penalties/ interest is levied on outstanding debtor balances owing for non- exchange transactions being rates.

#### Valuations

Residential	486 785 000	365 490 000
Commercial	108 491 000	74 450 000
State	511 981 000	433 936 000
Municipal	96 990 000	72 265 000
Small holdings and farms	3 608 833 000	2 865 677 000
Other (PBO, Public worship, Vacant etc)	59 693 000	38 481 000
	<b>4 872 773 000</b>	<b>3 850 299 000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2023. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 32. Government grants and subsidies

#### Operating grants

Equitable share	38 069 000	36 076 000
Finance Management Grant	3 000 000	3 000 000
Expanded Public Works Programme	1 124 000	978 000
Library	1 950 000	2 414 700
Balele Tourism grant	1 164 865	1 396 815
Disaster	959 658	-
	<u>46 267 523</u>	<u>43 865 515</u>

#### Capital grants

Municipal Infrastructure Grant (MIG)	17 028 000	10 010 000
	<u>63 295 523</u>	<u>53 875 515</u>

#### Equitable Share

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

#### Repair of 376 Houses

Balance unspent at beginning of year	813 725	813 725
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Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to fund the repair of houses.

Withheld/delayed grant: None.

#### Finance Management Grant

Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(3 000 000)
	<u>-</u>	<u>-</u>

The purpose of this grant is to promote sound financial management

Grant withheld/delayed: None.

#### Expanded Public Works Programme

Current-year receipts	1 124 000	978 000
Conditions met - transferred to revenue	(1 124 000)	(978 000)
	<u>-</u>	<u>-</u>

The purpose of this grant is to reduce poverty and unemployment through the provision of temporary work.

Grant withheld/delayed: None.

#### Municipal Infrastructure Grant (MIG)

Current-year receipts	17 028 000	10 010 000
Conditions met - transferred to revenue	(17 028 000)	(10 010 000)
	<u>-</u>	<u>-</u>

The purpose of this grant is for the infrastructure development.

Grant withheld/delayed: None

**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
<b>32. Government grants and subsidies (continued)</b>		
<b>Disaster</b>		
Current-year receipts	18 523 000	-
Conditions met - transferred to revenue	(959 658)	-
	<b>17 563 342</b>	-

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to alleviate the consequences arising from disasters..  
Withheld/delayed grant: None.

The grant was received on 28th February 2024. The municipality was therefore unable to spend a considerable amount of the grant in the 4 months leading up to 30 June 2024.

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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#### 32. Government grants and subsidies (continued)

##### Library Grant

Balance unspent at beginning of year	-	464 700
Current-year receipts	1 950 000	1 950 000
Conditions met - transferred to revenue	(1 950 000)	(2 414 700)
	-	-

The purpose of this grant is to fund salaries of the librarians and library related expenditure.  
Withheld/delayed grant: None.

##### Balele Grant

Balance unspent at beginning of year	5 103 185	-
Current-year receipts	3 000 000	6 500 000
Conditions met - transferred to revenue	(1 164 865)	(1 396 815)
	6 938 320	5 103 185

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to fund the re-furbishment of the Balele game park.  
Withheld/delayed grant: None.

##### Local economic development

Current-year receipts	500 000	-
	500 000	-

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to encourage local people to work together to achieve sustainable economic growth and development thereby bringing economic benefits and improved quality of life for all residents in a local municipal area.

#### 33. Employee related costs

Basic	37 141 989	33 670 933
Bonus	2 669 419	2 177 161
Medical aid - company contributions	1 152 670	864 787
UIF	287 238	252 998
Bargaining Council	19 507	16 784
Leave pay provision charge	400 524	1 011 987
Travel, motor car, accommodation, subsistence and other allowances	1 070 171	657 800
Overtime payments	604 770	586 462
13th Cheques	22 250	247 810
Acting allowances	-	77 631
Housing benefits and allowances	235 679	220 563
Pension contributions	4 891 965	4 198 511
Stand By	2 079 523	1 933 727
Current interest costs	330 000	299 000
	50 905 705	46 216 154

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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#### 33. Employee related costs (continued)

##### Remuneration of the Municipal Manager Mrs GN Mavundla

Annual Remuneration	1 037 823	1 000 150
Backpay	45 482	3 723
Subsistence and travel	29 794	-
	<b>1 113 099</b>	<b>1 003 873</b>

##### Remuneration of Chief Finance Officer Ms SC Mhlophe

Annual Remuneration	-	194 361
Cellphone Allowance	-	2 400
	-	<b>196 761</b>

Miss Mhlophe was suspended in the 2022 financial year and the final amount payment was made in the 2023 financial year.

##### Remuneration of Acting Chief Financial Officer WS Mpanza

Annual Remuneration	-	681 295
Cellphone Allowance	-	8 000
Leave payout	-	73 592
	-	<b>762 887</b>

Mr WS Mpanza's contract ended 30 April 2023.

##### Remuneration of Chief Financial Officer: PP Sithole

Annual Remuneration	852 108	137 882
Cellphone Allowance	9 600	1 600
Backpay	7 526	-
Subsistence and travel	94 386	-
	<b>963 621</b>	<b>139 482</b>

##### Remuneration of Director Infrastructure, Planning and Development Mr N Kheswa

Annual Remuneration	-	476 472
Cellphone Allowance	-	5 600
Backpay	-	18 339
Leave payout	-	157 121
	-	<b>657 532</b>

Mr Kheswa's contract ended on 31 January 2023.

##### Remuneration of Acting Infrastructure Director - PPS Zamisa

Annual Remuneration	-	681 295
Cellphone allowance	-	8 000
Backpay	-	70 801
	-	<b>760 096</b>

Mr Zamisa's contract ended 30 April 2023.

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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#### 33. Employee related costs (continued)

##### Remuneration of Infrastructure Director - SM Nkwanyana

Annual Remuneration	852 108	137 882
Cellphone Allowance	9 600	1 600
Backpay	7 526	-
Subsistence and travel	76 292	-
	<b>945 526</b>	<b>139 482</b>

##### Remuneration Director Corporate Services - Mrs Zungu

Annual Remuneration	676 699	-
Acting Allowance	81 800	-
Cellphone Allowance	6 600	-
	<b>765 099</b>	<b>-</b>

Mrs Zungu is a Manager in the Disaster Management unit and she then acted in the position of Director Corporate Services from 01 March to 30 June 2024.

##### Director Corporate Services - GNZ Maphisa

Annual Remuneration	413 221	785 987
Cellphone Allowance	4 800	9 600
Backpay	105 685	5 585
Subsistence and travel	39 723	-
	<b>563 431</b>	<b>801 172</b>

Mrs GNZ Maphisa resigned on 22 January 2024

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	2024	2023
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### 34. Remuneration of councillors

Annual remuneration	4 198 382	4 478 898
Cellphone allowance	448 800	448 800
Subsistence and Travel	54 412	175 190
	<b>4 701 594</b>	<b>5 102 888</b>

#### Mayor- ML Buthezi

Annual Remuneration	827 829	961 571
Cellphone Allowance	40 800	40 800
Subsistence and travel	4 095	-
	<b>872 724</b>	<b>1 002 371</b>

#### Deputy Mayor- Mr PF Chongo

Annual Remuneration	369 456	374 313
Cellphone Allowance	40 800	40 800
Subsistence and travel	2 484	-
	<b>412 740</b>	<b>415 113</b>

#### Speaker - MJ Mthethwa

Annual Remuneration	-	454 435
Cellphone Allowance	-	27 200
	<b>-</b>	<b>481 635</b>

Speaker- MJ Mthethwa resigned as the Speaker on 28/02/2023.

#### Speaker - PX Qwabe

Annual Remuneration	662 264	218 760
Cellphone Allowance	40 800	13 600
Subsistence and travel	2 000	-
	<b>705 064</b>	<b>232 360</b>

Speaker-PX Qwabe was appointed as the Speaker on 01/03/2023.

#### Exco Member- Mr VC Ndlovu

Annual Remuneration	346 367	354 817
Cellphone Allowance	40 800	40 800
Subsistence and travel	1 477	-
	<b>388 644</b>	<b>395 617</b>

#### MPAC Chairperson - NM Dekker

Annual Remuneration	336 206	341 115
Cellphone Allowance	40 800	40 800
Subsistence and travel	703	-
	<b>377 709</b>	<b>381 915</b>

#### Chief WHIP - MR Khumalo

Annual Remuneration	-	232 690
Cellphone Allowance	-	27 200
	<b>-</b>	<b>259 890</b>

Mr Khumalo resigned as the Chief Whip 28/02/2023.

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>34. Remuneration of councillors (continued)</b>		
<b>Chief Whip - SM Khoza</b>		
Annual Remuneration	346 367	114 412
Cellphone Allowance	40 800	13 600
Subsistence and travel	35 326	-
	<b>422 493</b>	<b>128 012</b>
Mr SM Khoza was appointed as the Chief Whip 01/03/2023		
<b>Councillor - Qwabe PX</b>		
Annual Remuneration	-	178 538
Cellphone Allowance	-	27 200
	<b>-</b>	<b>205 738</b>
<b>Councillor - Khoza SM</b>		
Annual Remuneration	-	178 539
Cellphone Allowance	-	27 200
	<b>-</b>	<b>205 739</b>
<b>Ward Councillor - N Nkosi</b>		
Annual Remuneration	261 978	265 865
Cellphone Allowance	40 800	40 800
Subsistence and travel	1 482	-
	<b>304 260</b>	<b>306 665</b>
<b>PR Councillor - NA Madida</b>		
Annual Remuneration	261 978	268 292
Cellphone Allowance	40 800	40 800
Subsistence and travel	4 782	-
	<b>307 560</b>	<b>309 092</b>
<b>PR Councillor - MR Khumalo</b>		
Annual Remuneration	261 978	87 326
Cellphone Allowance	40 800	13 600
Subsistence and travel	703	-
	<b>303 481</b>	<b>100 926</b>
<b>PR Councillor - KV Sibisi</b>		
Annual Remuneration	261 978	265 865
Cellphone Allowance	40 800	40 800
Subsistence and travel	703	-
	<b>303 481</b>	<b>306 665</b>
<b>Ward Councillor - MJ Mthethwa</b>		
Annual Remuneration	261 978	182 363
Cellphone Allowance	40 800	13 600
Subsistence and travel	655	-
	<b>303 433</b>	<b>195 963</b>

Mr MJ Mthethwa was appointed as an ordinary Councillor on 01/03/2023.



## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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#### 34. Remuneration of councillors (continued)

##### In-kind benefits

The Mayor and Speaker are employed full-time and are provided with an office and secretarial support at the cost of the Council and own vehicle for official duties and two bodyguards.  
The allowances and benefits of councillors of Emadlangeni Local Municipality for the year under review were paid in terms of Government Gazette 46470 upper limits of remuneration of public office bearers).

#### 35. Depreciation and amortisation

Property, plant and equipment	12 375 850	11 216 851
Property, plant and equipment- Impairment	480 207	6 488 542
Investment Property	400 616	250 498
Intangible assets	50 538	160 739
	<u>13 307 211</u>	<u>18 116 630</u>

#### 36. Finance costs

Trade and other payables	182 504	326 232
Loans	-	11 515
Landfill sites	124 550	1 640 970
	<u>307 054</u>	<u>1 978 717</u>

#### 37. Debt impairment

Debt impairment	15 248 453	(3 957 100)
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The debt impairment represents the movement in the provisions for consumer debtors and traffic fines as well as the debt written off. In addition, refer to debtors provision reconciliation within note 12.

Movement in consumer debtors provision	11 694 525	(3 999 850)
Movement in traffic fine provision	1 655 270	42 750
Debt write-off	1 898 658	-
	<u>15 248 453</u>	<u>(3 957 100)</u>

#### 38. Bulk purchases

Electricity - Eskom	19 281 709	15 896 269
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Bulk purchases represents the total costs of electricity purchased from Eskom.

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>38. Bulk purchases (continued)</b>		
<b>Electricity losses</b>		
Electricity units (kWh) purchased	10 498 643	10 043 675
Electricity units (kWh) sold	(6 002 430)	(6 174 931)
<b>Total loss</b>	<b>4 496 213</b>	<b>3 868 744</b>
Comprising of:		
Technical losses	3 375 231	3 566 036
Non-technical losses	1 120 981	302 708
<b>Total</b>	<b>4 496 212</b>	<b>3 868 744</b>
Percentage Loss:		
Technical losses	75 %	92 %
Non-technical losses	25 %	8 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>
<b>Total Electricity losses as a percentage of Purchases</b>	<b>43%</b>	<b>39%</b>

Electricity losses are attributable to aging electricity network infrastructure and illegal connections.

### 39. Contracted services

<b>Outsourced Services</b>		
Burial Services	26 133	4 117
Professional Staff	178 845	102 310
Valuer and Assessor	173 509	768 413
<b>Consultants and Professional Services</b>		
Accounting And Auditing	252 582	364 456
Infrastructure and Planning	548 126	-
Audit Committee	176 000	164 773
Legal advise and Litigations	1 835 980	1 515 163
<b>Contractors</b>		
Catering Services	236 156	124 080
Distribution of Electricity by Others	-	11 958
Electrical	405 004	224 688
Internet charge	96 497	72 620
Maintenance of Buildings and Facilities	451 266	714 141
Maintenance of Equipment	51 441	24 846
Maintenance of other Assets	3 339 431	3 050 528
Electricity	36 640	-
Pest Control and Fumigation	19 700	-
Transportation	152 400	138 011
Safeguard and Security	10 309 116	5 632 083
	<b>18 288 826</b>	<b>12 912 187</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>40. General expenses</b>		
Accommodation	725 704	386 178
Advertising	221 375	-
Auditors remuneration	3 487 724	3 264 364
Bank charges	326 566	242 918
Consumables	1 639 766	2 584 477
Daily allowance	42 038	157 311
Food and beverage	49 362	44 893
Agency fees- commission expense	55 278	90 009
Entertainment	8 000	6 087
Insurance	100 929	11 805
Levies	50 729	-
Motor vehicle licence and registrations	50 366	58 410
Fuel and oil	1 672 221	1 704 339
Placement fees	193 739	210 912
Postage and courier	945	-
Printing and stationery	7 421	78 654
Gifts and promotional items	45 951	14 654
Research and development costs	1 018 662	-
Subscriptions and membership fees	517 707	508 976
Telephone and fax	510 879	345 899
Own transport	695 538	277 005
Training	431 880	173 826
Travel - local	24 261	12 598
Telephone installation	-	1 383
Uniforms	798 572	278 674
Seating Allowance for Traditional Leaders	6 000	51 000
Skills Development Levy	442 403	409 531
Remuneration to ward committees	141 300	772 800
Bursaries-Community	41 700	-
Licences	265	-
Toll gate	15 455	4 032
	<b>13 322 736</b>	<b>11 690 735</b>

### 41. Construction Expenses

#### Sale of goods

Construction expenses: INEP	26 278 507	13 823 856
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The construction expenses relates to the expenses recognised in terms of the agreement the municipality has in place with Eskom/Department of mineral resources and energy. The municipality has an agreement in place to construct electrical infrastructure in Eskom licenced areas. The construction contract expenses consist mainly of contracted services where-in the Municipality procures the services of contractors for the construction related expenditure. Revenue is recognised excluding Vat when the expenditure is incurred.

The amount payable for work still to be done is recognised as a liability and disclosed under payables.

### 42. Auditors' remuneration

Fees	3 487 724	3 264 364
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### 43. Donation

Donation for the year relates to assets donated to community members:

Donation	5 747 830	-
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## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

	2024	2023
<b>44. Cash generated from operations</b>		
Deficit	(10 435 661)	(6 882 227)
<b>Adjustments for:</b>		
Depreciation and amortisation	13 307 211	18 116 630
Actuarial gain/ (loss)	84 150	182 000
Interest income	(154 337)	(556 512)
Finance costs	124 550	1 640 970
Debt impairment	15 248 453	(3 957 100)
Leave pay provision movement	637 132	1 011 987
Interest on penalties	(6 292 465)	-
Loss on disposal of assets	302 943	583 480
Donation	5 747 830	-
<b>Changes in working capital:</b>		
Receivables from exchange and non-exchange transactions	(6 552 646)	(13 084 898)
Prepayments	(16 289)	258 212
Payables from exchange transactions	(5 555 763)	10 979
VAT	4 869 473	-
Provisions	124 550	4 828 222
Unspent conditional grants and receipts	19 898 477	5 330 281
Post Employee benefits	239 250	580 810
	<b>31 576 858</b>	<b>8 042 834</b>
<b>45. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	11 016 000	1 758 405
<b>Total capital commitments</b>		
Already contracted for but not provided for	11 016 000	1 758 405
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Operational Expenditure	7 739 204	2 608 852
<b>Total operational commitments</b>		
Already contracted for but not provided for	7 739 204	2 608 852
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	11 016 000	1 758 405
Authorised operational expenditure	7 739 204	2 608 852
	<b>18 755 204</b>	<b>4 367 257</b>

This committed expenditure relates to capital and operational projects and will be financed by available, retained surpluses, existing cash resources and funds internally generated.

The municipality has current contracts with 2 service providers that is a rates based contract. The duration is for a period of 12 months which commenced on 01 March 2024 and will terminate on 28 February 2025. The nature of the contracts is for financial system support. The municipality uses these service providers as and when required. The amount payable to these service providers is dependent on the hours spent and is payable in terms of the SAICA approved rates.

**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
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**46. Contingencies**

The municipality is defending various litigation and claim cases against the Municipality. The municipality's Attorney and management strongly believe that the municipality has a strong defence.

Name of Claimant	Municipal Attorneys	Description of case	Contingent Liability
Ocean Dawn	Mdledle Attorneys Inc	<p>The company went to court alleging the unfair or irregular appointment of another security company instead of them.</p> <p>They claim they are the ones that were supposed to have been appointed and their claim is to get an appointment letter and proceed with work as per their submitted bid.</p> <p>To cut down increasing legal costs and irregular expenditure incurred, the Council has directed that negotiations of possible out of court settlements be investigated as the matter has been ongoing for a long time. The parties have engaged in settlement negotiations. The Municipality appointed Mdledle Incorporated to act on behalf of the Municipality on the 1<sup>st</sup> November 2023.</p> <p>The claim amount was obtained from the Bid document submitted by Ocean Dawn.</p>	R 7 936 143 (in addition to estimated legal costs of R150 000)

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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46. Contingencies (continued)

Mr. ZJ Mkhize	Mdlele Attorneys	Unfair dismissal claim by the Director Corporate Service whose contract was terminated as at 31 March 2022. The Director was successful at the Bargaining Council and the Municipality was ordered to compensate him for 10 months of his contract. The Municipality approached the Labour Court for a Review. The matter is currently pending in the Labour Court.	R679 219 (in addition to estimated legal costs of R200 000)
		The claim amount is the amount that the Bargaining Council found the Municipality liable for.	

**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
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**46. Contingencies (continued)**

Lateral Unison	Mdledle Attorneys Inc	<p>During the 2022 year ELM advertised a tender for the procurement of short term insurance. Lateral Unison Insurance submitted a bid and was subsequently appointed as the successful bidder on 1 June 2022.</p> <p>During the 2022/23 audit the Auditor General found the appointment of Lateral Unison Insurance to be irregular. The Municipality then took a decision not to continue with the service provider. According to the tender document of Lateral Unison, the insurance would lapse if premiums were not paid. The Municipality took a decision to allow the insurance to lapse and issue the tender be re-advertised in order to regularize the appointment. After failing to receive payment from the ELM, the insurance did not lapse but instead the service provider decided to bring a claim against ELM through the PMB High Court and has alleged that the Municipality has breached the contract. The Municipality is defending this matter as upon consultation it was evident that there are high prospects of success.</p> <p>The claim amount is the amount claimed in the summons.</p>	<p>R1 417 191 (in addition to interest of R222 027 and estimated legal costs of R350 000)</p>
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Utrecht Townlands Community: This is an application by Utrecht townlands community made to the land claims court for the restitution of the land that once belonged to them and is situated within the jurisdiction of eMadlangeni municipality. The case is not necessarily a claim against eMadlangeni municipality, as the municipality is amongst the respondents in the matter. Mazibuko & Associates is representing the municipality. The financial impact if any is unknown.

Evictions matters- there are number of eviction matters, where the municipality is cited as one of the respondents, in addition to those being evicted. Nompumelelo Hadebe Inc. Incorporated is representing the municipality in those matters. In the prior financial year, Phumlani Ngubani Incorporated represented the municipality. The financial impact if any is unknown. However legal costs to be incurred is estimated to be in the region of R190 000.

**47. Related parties**

The Municipality does not have any related party transactions other than those disclosed in note 33 and 34 of the financial statements

Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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48. Living resources not recognised

The entity did not recognise the following living resources, due to the definition and/or recognition criteria not being met:

Biological assets

Entity as the custodian

The nature of the entity's custodial responsibility, including the legislation or similar means that establishes the custodial responsibility over the resources, are as follows:

The National Environmental Management: Protected Areas Act, 2003 (Act No 57 of 2003) is the overarching legislation that facilitates the existence and management of protected areas. The Act aim is to "Provide for the protection and conservation of ecologically viable areas representative of South Africa's biological diversity and natural landscape and seascapes; for the establishment of a national register of all national, provincial and local protected areas; for the management of those areas in accordance with the national norms and standards; for intergovernmental co-operation and public consultation in matters concerning protected areas; and for matters in connection therewith"

The Balele Game Park was proclaimed then gazetted on 17 October 2002, under the KwaZulu Natal Nature Conservation Management Act, 1997 (Act no 9 of 1997). Gazette No 394, 2002.

The custodial nature of living and non-living things (Collectively known as biodiversity) in the Balele Game Park, is derived from Chapter 3 of the Protected Areas Act Section 17 (a) – (i) which deals (Declaration of protected areas).

Key judgements made and assumptions applied (including determination of control):

Animals in Balele Game Park are left to roam freely and are left in their natural environment or habitat. The game park only restricts the movement of wild animals by fencing off the park generally for access control and accommodation areas for security purposes thus to limit exposure to our guests and exposure of neighbouring landowners and communities to the risks associated with keeping wild animals in a reserve. These fences have not been maintained well in the past couple of years and has let to animals roaming beyond the borders of the game park. Therefore animals are able to move in and out through unfenced areas. Furthermore though the game park have fences, animal migration occurs frequently and animals do from time to time jump over, or burrow under fences.

Access control is therefore restrictive and as such Emadlangeni Municipality has concluded does not have control, which is a key requirement for asset recognition, of the individual animals within the park.

The game park performs regular aerial game count to take census in order to maintain the numbers held in the park with view of sustaining the eco system, tourism attractiveness of the town and generate revenues for the municipality.

There's no restrictions on the sale of these assets except for permits regulations for hunters allowed for cull hunting.

The last aerial count was performed on the 28<sup>th</sup> of June 2024. The following species were found and counted within the park's borders: animal groups:

Blesbok	44	36
Blue Wildebeest	260	277
Plains Zebra	63	70
Red Hartebeest	6	8
Warthog	28	17
Waterbuck	20	36
Bushpig	5	5
Eland	10	15
Impala	131	106
Nyala	10	6
Giraffe	35	37
Kudu	31	22
Grey Duiker	5	5
	648	640

Revenue generated from game park activities is contained within note 27: Licences and permits.



# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 49. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance affected by prior-year adjustments:

#### Statement of financial position

##### Accumulated Surplus

Previously reported	113 424 255
Correction of error: Moveable assets incorrectly recognised	(28 389)
Correction of error: Assets incorrectly recognised	(73 044)
Correction of error: effects of the adjustment in the recalculation of the 2022 provision for doubtful debts	11 787 266
Correction of error: Assets previously not recognised	10 272 550
Correction of error: biological assets incorrectly recognised	(4 268 701)
	<u>131 113 937</u>

##### Vat

Previously reported	1 825 920
Vat on retentions not cleared from the retentions account on payment of the supplier	(234 031)
Correction of error: Vat on Insurance expense incorrectly raised in the prior year	(184 851)
	<u>1 407 038</u>

##### Investment Property

Previously reported	34 581 830
Correction of error: Assets previously not recognised	4 517 550
	<u>39 099 380</u>

##### Biological Assets

Previously reported	4 349 646
Correction of error: biological assets incorrectly recognised	(4 349 646)
	<u>-</u>

##### Plant and Machinery

Previously reported	2 155 736
Correction of error: Moveable assets incorrectly recognised	(8 753)
Correction of error: Depreciation not previously accounted for	(5 214)
Correction of error: Clearance of Impairment on Disposed Assets	6 903
Correction of error: Reclassification: Change of class to Infrastructure - Cost	135 000
Reclassification: Change of class to Infrastructure - Accumulated Depreciation	(3 594)
Correction of Error: Cost incorrectly classified as Plant and Machinery instead of IT Equipment	(129 925)
	<u>2 150 153</u>

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>49. Prior-year adjustments (continued)</b>		
<b>Furniture &amp; Fittings</b>		
Previously reported	1 381 140	
Correction of error: Moveable assets incorrectly recognised	(19 637)	
Correction of error: Depreciation for the year	(51 258)	
Correction of error: Clearance of Impairment on Disposed Assets	3 905	
Correction of error: Incorrect Classification of Expenditure - Expense	(92 307)	
	<b>1 221 843</b>	
<b>Computer Equipment</b>		
Previously reported	800 029	
Correction of error: Depreciation for the year	51 331	
Correction of error: Clearance of Impairment on Disposed Assets	3 451	
Correction of error: cost incorrectly classified as plant and machinery instead of IT equipment	129 925	
	<b>984 736</b>	
<b>Buildings</b>		
Previously reported	5 003 670	
Correction of error: Disposed Assets cost clearance Misclassified	4 290	
Correction of error: Clearance of Impairment on Disposed Assets	6 545	
	<b>5 014 505</b>	
<b>Infrastructure</b>		
Previously reported	76 296 848	
Correction of error: cost incorrectly classified as infrastructure instead of buildings	(4 290)	
Reclassification: Change of class to Plant and Machinery - Cost	(135 000)	
Correction of error: Impairment not cleared on Disposed Assets	8 189	
Correction of error: Moveable assets not previously capitalised	7 542	
Correction of Error: Prior Period WIP capitalization	92 572	
	<b>76 265 861</b>	
<b>Community</b>		
Previously reported	12 193 494	
Correction of error: Depreciation not previously accounted for	(5 451)	
Correction of error: Assets previously not recognised	23 848	
Correction of Error: Assets not previously recognized	5 755 000	
	<b>17 966 891</b>	
<b>Payables from exchange transactions: Trade payables</b>		
Previously reported	12 438 188	
Correction of error: Commission expense payable to vendor for prepaid electricity not previously recognised	5 022	
Retentions incorrectly duplicated	309 906	
Correction of error: Insurance expense incorrectly raised in the prior year	(1 417 191)	
	<b>11 335 925</b>	
<b>Payables from Exchange Transactions: Retentions</b>		
Previously reported	8 399 158	
Vat on retentions not cleared from the retentions account on payment of the supplier	(234 031)	
Retentions incorrectly duplicated	(309 906)	
	<b>7 855 221</b>	

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>49. Prior-year adjustments (continued)</b>		
<b>Receivables from exchange transactions</b>		
Previously reported	2 410 410	
Correction of error: effects of the adjustment in the recalculation of the 2022 provision for doubtful debts	2 824 523	
Correction of error: effects of the adjustment in the recalculation of the 2023 provision for doubtful debts	3 516 508	
	<b>8 751 441</b>	
<b>Receivables from non- exchange transactions</b>		
Previously reported	10 180 935	
Correction of error: effects of the adjustment in the recalculation of the 2022 provision for doubtful debts	8 962 743	
Correction of error: effects of the adjustment in the recalculation of the 2023 provision for doubtful debts	12 865 655	
	<b>32 009 333</b>	
<b>Statement of financial performance</b>		
<b>General expenses: Electricity/ Agency fees- commission expense</b>		
Previously reported	84 987	
Correction of error: Commission expense payable to vendor for prepaid electricity not previously recognised	5 022	
	<b>90 009</b>	
<b>General expenses: Insurance</b>		
Previously reported	1 244 145	
Correction of error: Insurance expense incorrectly raised in the prior year	(1 232 340)	
	<b>11 805</b>	
<b>General expenses: Consumeables</b>		
Previously reported	2 487 977	
Correction of error: Commission expense payable to vendor for prepaid electricity not previously recognised	96 500	
	<b>2 584 477</b>	
<b>Depreciation</b>		
Previously reported	18 332 638	
Depreciation correction	64 968	
Impairment on disposed assets	(52 195)	
Reversal of impairment loss	(228 781)	
	<b>18 116 630</b>	
<b>General expenses: Own Transport</b>		
Previously reported	348 886	
Correction of error: Re-classification of councillors S&T to councillors remuneration	(71 881)	
	<b>277 005</b>	

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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49. Prior-year adjustments (continued)

General Expenses: Travel		47 302
Previously reported		(34 704)
Correction of error: Re-classification of councillors S&T to councillors remuneration		
		<u>12 598</u>

**Emadlangeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
<b>49. Prior-year adjustments (continued)</b>		
<b>General Expenses: Daily Allowance</b>		
Previously reported	225 916	
Correction of error: Re-classification of councillors S&T to councillors remuneration	(68 605)	
	<b>157 311</b>	
<b>Councillors remuneration</b>		
Previously reported	4 596 854	
Correction of error: Re-classification of councillors S&T to councillors remuneration from general expenses	71 881	
Correction of error: Re-classification of councillors S&T to councillors remuneration from general expenses	34 704	
Correction of error: Re-classification of councillors S&T to councillors remuneration from general expenses	68 605	
Correction of error: Councillors back-pay incorrectly included in employee related costs from general expenses	330 845	
	<b>5 102 889</b>	
<b>Fair Value Gain on Biological assets</b>		
Previously reported	1 109 492	
Correction of error: Gain on biological assets incorrectly recognised	(1 109 492)	
	<b>-</b>	
<b>Profit/ Loss</b>		
Previously reported	(24 530 272)	
Correction of error: Depreciation	216 008	
Correction of error: Commission expense payable to vendor for prepaid electricity not previously recognised	(5 022)	
Correction of error: Insurance expense incorrectly raised in the prior year	1 232 340	
Correction of error: Inventory consumables incorrectly classified as furniture	(96 500)	
Correction of error: effects of the adjustment in the recalculation of the 2023 provision for doubtful debts	16 382 164	
Correction of error: Loss on disposal of biological assets incorrectly recognised.	1 028 547	
Correction of error: Gain on biological assets incorrectly recognised	(1 109 492)	
	<b>(6 882 227)</b>	
<b>Employee related costs: Basic</b>		
Previously reported	46 546 998	
Correction of error: Councillors back-pay incorrectly included in employee related costs	(330 844)	
	<b>46 216 154</b>	
<b>Commitments</b>		
Previously reported	4 302 165	
Correction of error: Incorrect amount recognised for expenditure on Gutakura- Kaarpoort	65 092	
	<b>4 367 257</b>	
<b>Irregular Expenditure</b>		
Previously reported	140 447 214	
Correction of error: Irregular expenditure written off by council on 29 June 2023 not previously disclosed.	(1 954 501)	
	<b>-</b>	

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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#### 49. Prior-year adjustments (continued)

**138 492 713**

#### 50. Risk management

##### Financial risk management

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a upper management and leadership. The accounting officer provide guidance for overall risk management.

##### 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.

##### 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.

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

Financial assets exposed to credit risk at year end is contained within notes 9 and 10: Receivables from exchange and non-exchange transactions and note 13: Cash and cash equivalents.

#### 51. Unauthorised expenditure

Opening balance as previously reported	67 218 886	38 637 612
<b>Opening balance as restated</b>	<b>67 218 886</b>	<b>38 637 612</b>
Add: Expenditure identified - current	16 037 612	28 581 274
Write off	(112 110)	-
<b>Closing balance</b>	<b>83 144 388</b>	<b>67 218 886</b>

The expenditure in the prior year was due to over-spending on the budget line items but the overall expenditure was within the approved budget however majority of these line items are non cash items which have no monetary impact.

The unauthorised expenditure incurred in the current year was due to actual expenditure line items exceeding the budgeted expenditure figures on the following line items.

Unauthorised Expenditure	Final Budget	Actual	Unauthorised Expenditure
Remuneration of councillors	4 473 499	4 701 594	(228 095)
Debt Impairment	10 400 000	15 248 453	(4 848 453)
Depreciation and Amortisation	9 864 329	13 307 211	(3 442 882)
Finance Costs	164 000	307 054	(143 054)
Contracted services	17 048 621	18 288 826	(1 240 205)
Donation	-	5 747 830	(5 747 830)
Actuarial Losses	-	84 150	(84 150)
Loss on disposal of assets	-	302 943	(302 943)
	<b>41 950 449</b>	<b>57 988 061</b>	<b>(16 037 612)</b>

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>52. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	1 483 279	1 114 453
<b>Opening balance as restated</b>	<b>1 483 279</b>	<b>1 114 453</b>
Add: Expenditure identified - current	181 749	368 826
Write off completed in current year	(16 879)	-
<b>Closing balance</b>	<b>1 648 149</b>	<b>1 483 279</b>

Fruitless and wasteful expenditure is caused by interest incurred on late payments.

<b>53. Irregular expenditure</b>		
Opening balance as previously reported	138 492 713	115 029 481
<b>Opening balance as restated</b>	<b>138 492 713</b>	<b>115 029 481</b>
Add: Irregular Expenditure - current	47 293 563	25 417 733
Correction of error: Write off not previously accounted for	(19 090 877)	(1 954 501)
<b>Closing balance</b>	<b>166 695 399</b>	<b>138 492 713</b>

The current year irregular expenditure relates to SCM processes not being followed as well as expired contracts exceeding the 15% threshold stipulated in MFMA Circular 62.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>53. Irregular expenditure (continued)</b>		
<b>Deviations from supply chain management regulations</b>		
<b>Disciplinary steps taken/criminal proceedings</b>		
Three written quotations not invited	-	1 786 558
Request for quotations not invited as per SCM policy	-	70 950
Deviation from procurement processes arising from an emergency	6 986 872	-
Deviation from procurement processes arising from sole provider	81 960	-
Deviation from procurement processes arising from exceptional cases where it was impractical to follow procurement processes	3 949 174	-
	<b>11 018 006</b>	<b>1 857 508</b>

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

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

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. .

**54. Additional disclosure in terms of Municipal Finance Management Act**

**Contributions to organised local government**

Current year subscription / fee	500 000	500 000
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## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>54. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Opening balance	21 563	796 752
Current year fee	4 010 883	3 796 100
	-	(82 466)
Amount paid	(4 032 446)	(4 488 823)
	<b>-</b>	<b>21 563</b>
<b>PAYE and UIF</b>		
Opening balance	375 616	534 221
Current year subscription / fee	7 525 747	7 332 850
Amount paid - current year	(7 489 070)	(7 491 455)
	<b>412 293</b>	<b>375 616</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	11 461	9 319
Current year subscription / fee	10 171 405	9 067 903
Amount paid - current year	(10 171 405)	(9 065 761)
	<b>11 461</b>	<b>11 461</b>
<b>VAT</b>		
VAT receivable	-	1 407 038
VAT payable	3 462 435	-
	<b>3 462 435</b>	<b>1 407 038</b>
<b>Councillors' arrear consumer accounts</b>		
No councillors had arrear accounts.		
<b>55. Segment information</b>		
<b>General information</b>		
<b>Identification of segments</b>		
The municipality is organised and reports to management on the basis of major functional areas. 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.		
A segment is an activity of an entity:		
(a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity.		
(b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and		
(c) for which separate financial information is available.		
The identified reportable segments are: Community and Social Services, Governance and Administration, Planning and Development, Trading services		

**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
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**55. Segment information (continued)**

**Aggregated segments**

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

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

The type of goods and services in these services are those consistent with the provision of basic services to municipal customers and community. The nature of the services generate economic benefits for the municipality as well improve the service potential of the municipality.

## Notes to the Annual Financial Statements

Figures in Rand

### 55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
<b>Revenue</b>					
Revenue from exchange transactions	1 863 567	1 679 742	940 382	45 501 350	49 985 041
Revenue from non- exchange transactions	3 402 475	82 394 653	20 276 523	-	106 073 651
Interest Revenue	-	1 454 352	-	-	1 454 352
<b>Total segment revenue</b>	<b>5 266 042</b>	<b>85 528 747</b>	<b>21 216 905</b>	<b>45 501 350</b>	<b>157 513 044</b>
<b>Entity's revenue</b>					<b>157 513 044</b>
<b>Expenditure</b>					
Employee related costs	14 872 663	18 212 247	13 093 489	4 727 306	50 905 705
Councillors remuneration	-	4 701 594	-	-	4 701 594
Depreciation and amortisation	579 496	3 541 501	7 551 973	1 634 241	13 307 211
Finance costs	-	307 054	-	-	307 054
Lease on operating	-	171 987	-	-	171 987
Debt Impairment	-	15 248 453	-	-	15 248 453
Bulk Purchases	-	-	-	19 281 709	19 281 709
Contracted services	1 221 916	15 730 203	912 444	424 263	18 288 826
Construction expenses	-	-	-	26 278 507	26 278 507
Actuarial	-	84 150	-	-	84 150
General expenses	-	13 322 736	-	-	13 322 736
Loss on disposal	-	302 943	-	-	302 943
Donation	-	5 747 830	-	-	5 747 830
<b>Total segment expenditure</b>	<b>16 674 075</b>	<b>77 370 698</b>	<b>21 557 906</b>	<b>52 346 026</b>	<b>167 948 705</b>
<b>Total segmental surplus/(deficit)</b>					<b>(10 435 661)</b>

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## Notes to the Annual Financial Statements

Figures in Rand

### 55. Segment information (continued)

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
<b>Assets</b>					
Current Assets	-	60 127 773	(5 121 489)	-	55 006 284
Non-current assets	(4 919 776)	185 428 644	(13 034 184)	(18 504 428)	148 970 256
<b>Total segment assets</b>	<b>(4 919 776)</b>	<b>245 556 417</b>	<b>(18 155 673)</b>	<b>(18 504 428)</b>	<b>203 976 540</b>
<b>Total assets as per Statement of financial Position</b>					<b>203 976 540</b>
<b>Liabilities</b>					
Current Liabilities	-	53 458 890	(520 902)	8 663 590	61 601 578
Non-current liabilities	-	27 680 934	-	-	27 680 934
<b>Total segment liabilities</b>	<b>-</b>	<b>81 139 824</b>	<b>(520 902)</b>	<b>8 663 590</b>	<b>89 282 512</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>89 282 512</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2023

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
<b>Revenue</b>					
Revenue from exchange transactions	1 654 364	1 108 090	794 153	29 879 634	-
Revenue from non- exchange transactions	3 103 205	49 641 668	29 077 819	-	-
Interest revenue	-	556 512	-	-	-
<b>Total segment revenue</b>	<b>4 757 569</b>	<b>51 306 270</b>	<b>29 871 972</b>	<b>29 879 634</b>	<b>-</b>
<b>Entity's revenue</b>					<b>115 815 445</b>

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## Notes to the Annual Financial Statements

Figures in Rand

### 55. Segment information (continued)

<b>Expenditure</b>						
Bulk Purchases	-	-	-	15 896 269	-	15 896 269
Contracted Services	360 115	10 994 010	1 218 062	340 000	-	12 912 187
Actuarial gain/ loss	-	182 000	-	-	-	182 000
Construction expenses	-	-	-	13 823 856	-	13 823 856
Employee related costs	11 882 907	16 763 336	12 823 187	4 746 724	-	46 216 154
Councillors remuneration	-	5 102 888	-	-	-	5 102 888
Depreciation and amortisation	857 844	7 782 135	5 431 828	4 044 823	-	18 116 630
Finance costs	-	1 978 717	-	-	-	1 978 717
Lease on operating	-	151 856	-	-	-	151 856
Debt Impairment	-	(3 957 100)	-	-	-	(3 957 100)
General Expenses	-	11 690 735	-	-	-	11 690 735
Loss on disposal	-	583 480	-	-	-	583 480
<b>Total segment expenditure</b>	<b>13 100 866</b>	<b>51 272 057</b>	<b>19 473 077</b>	<b>38 851 672</b>	<b>-</b>	<b>122 697 672</b>
<b>Total segmental surplus/(deficit)</b>						<b>(6 882 227)</b>
<b>Assets</b>						
Current assets	-	45 240 648	-	-	-	45 240 648
Non-current assets	-	77 673 493	22 095 345	48 538 933	-	148 307 771
<b>Total segment assets</b>	<b>-</b>	<b>122 914 141</b>	<b>22 095 345</b>	<b>48 538 933</b>	<b>-</b>	<b>193 548 419</b>
<b>Total assets as per Statement of financial Position</b>						<b>193 548 419</b>
<b>Liabilities</b>						
Current liabilities	-	37 743 310	-	-	2 671 015	40 414 325
Non-current liabilities	-	28 902 384	-	-	-	28 902 384
<b>Total segment liabilities</b>	<b>-</b>	<b>66 645 694</b>	<b>-</b>	<b>-</b>	<b>2 671 015</b>	<b>69 316 709</b>
<b>Total liabilities as per Statement of financial Position</b>						<b>69 316 709</b>

### 56. Budget differences

Material differences between budget and actual amounts

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 56. Budget differences (continued)

#### STATEMENT OF FINANCIAL PERFORMANCE:

**Other Revenue:** More revenue was raised from sale of tender documents and sale of goods from game park.

**Service charges:** Over-budgeting on service charges.

**Operational Revenue:** More revenue was billed arising from assets auctioned.

**Construction revenue:** Construction revenue represents revenue recognised in line with GRAP 11 on construction contracts. Construction expenses was budgeted for under capital projects (PPE) in the statement of financial position. In line with GRAP 11 on construction contracts, the budget was moved to construction expense.

**Rental of facilities:** Under-budgeted and more rental was received from game park.

**Interest earned:** Balele and Disaster grant funds received and unspent lead to an increase in interest revenue.

**Licences and Permits:** Greater number of customers applied for Licences and Permits

**Gain on biological assets:** Not budgeted for.

**Property Rates:** Municipality anticipated that the community would build more housing because of the sites which were sold in prior years which did not materialise as well as a component of over-budgeting on property rates.

**Property rates-penalties imposed:** Penalties were raised across all categories of services and not just rates as was previously done

**Government Grants & Subsidies:** Grants are base on DORA allocation. Municipality has not anticipated the Increase in MIG and equitable share allocations.

**Fines, penalties and forfeits:** More fine were raised due to more traffic officers employed.

**Debt impairment:** Under-budgeted.

**Depreciation and amortisation:** Under- budgeted. In addition impairment was not budgeted for.

**Finance Charges:** Municipality is struggling financially and we were not able to pay suppliers in time. The non-cash element of finance costs relating to the provision for the landfill site is also included in the actual figure and was not budgeted for.

**Contracted services:** Municipality did not have sufficient funds to spend on contracted services.

**General expenses:** Less spending due to cost cutting measures being implemented.

**Actuarial loss:** Actuarial loss not budgeted for. Relates to the loss on the post employee benefit valuation.

**Construction expenses:** Construction expenses was budgeted for under capital projects (PPE) in the statement of financial position. In line with GRAP 11 on construction contracts, the budget was moved to construction expense.

**Loss on disposal of assets:** Not budgeted for

**Penalties and Interest- Non exchange transactions:** Penalties were raised across all categories of services and not just rates as was previously done. Penalties and interest was also all budgeted for under revenue from non-exchange transactions.

#### STATEMENT OF FINANCIAL POSITION

**Current Assets:** The provision for impairment was greater than budget. In addition, the amount budgeted for VAT receivable was lower than budget.

**Non-current assets:** PPE additions was over-budgeted for.

**Current liabilities:** Unspent grant liabilities not budgeted for at year end was the main contributing factor in the under-budgeting of current liabilities. Disaster grant was received only 4 months before the end of the financial year.

#### CASHFLOW STATEMENT

**Cashflows from operating activities:** The municipality had budgeted to spend more of the grant funding money and to spend less on payments to suppliers than was actually spent.

**Cashflows from investing activities:** The municipality had budgeted to spend more on the acquisition of PPE.

**Cashflow from financing activities:** Consumer deposits was not budgeted for.

**Changes from the approved budget to the final budget**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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56. Budget differences (continued)

The changes between the approved and final budget is a consequence of upward and downward adjustments based on actual results during the mid-term review as well as reallocations within the approved budget parameters. For details on these changes please refer to the annual report.

57. Going Concern

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

The municipality's current liabilities exceed its current assets by R6 595 294. (2023: R4 826 323). The municipality has a net deficit of R10 435 661.(2023: R6 882 227). The municipality's cash and cash equivalents were R17 013 333 (2023: R2 924181) which is not sufficient to cover the current liabilities of the municipality. Unspent grants is not cashed backed.

The collection rate has improved slightly however there is still a risk that all the outstanding debtors will not be collected. Over the next 12 months the municipality is still committed to ensure that the expenditure is kept within the funded and approved budget funding plan approved by council.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to bill for rates and other services. In addition Provincial and National Government has neither the intention nor the need to liquidate the municipality or curtail the scale of the municipal funding and operations.

58. Accounting by principals and agents

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

**Notes to the Annual Financial Statements**

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**58. Accounting by principals and agents (continued)**

Details of the arrangement(s) are as follows:

**KZN Department of Transport:**The Department and the Municipality entered into an agreement for the transfer of registration and licensing of motor vehicle and learners license testing functions. The municipality acts as an agent in terms of the agreement it has with the department in so far as the registration and licencing of motor vehicles is concerned.

**Renewal of drivers licences:** The Municipality charges R250 per License. Off the R250, R79 is payable to the Department and the remaining R171 is the revenue of the municipality. The R79 per license becomes a payable to the Department. The department does not have the ability to use all or substantially all of the resources that result from this transaction for its own benefit. This component of the agreement therefore does not form part of the principal-agent relationship.

Under this agreement, any physical hardware to deliver on the agreement remains the asset of the department.

**Spar and Dix take aways:**The municipality appointed Spar and Dix take-aways for the purposes of dispensing and selling electricity coupons to consumers. The municipality acts as a principal in terms of the agreement it has with the these parties. A commission of 2 cents per unit sold which is the equivalent of 2% is payable to the agent.

Under both these agreements, any physical hardware to deliver on the agreements, remains the assets of the municipality.

In considering whether a principal- agent relationship exists, management uses the provisions contained within GRAP 109 to assess if a binding arrangement in which one entity (the agent) undertakes transactions with third parties on behalf and for the benefit of another entity (the principal).

Key considerations were if a binding arrangement exists, if one party was required to undertake transactions with another party on behalf of and for the benefit of the other party, who has the power to determine the significant terms and conditions of the transaction, who has the ability to use or substantially use all of the resources that result from the transaction for its own benefit and who is exposed to the variability in the results of the transaction.

The assessment of the agreement with the Department of Transport, it has been assessed that the municipality is agent as it has been directed by another entity (the department), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

The assessment of the agreement with Spar and Dix, it has been assessed that the municipality is a principal as the municipality directs another entity (Spar and Dix), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 58. Accounting by principals and agents (continued)

#### Entity as agent

##### Revenue recognised

Motor vehicle registration and licences: Commission revenue is earned at 10% (inclusive of Vat) on sale of every motor vehicle transaction undertaken by the municipality on behalf of the Department. The full transactional value is transferred to the Department. The department then transfers the 10% (inclusive of Vat) commission over to the municipality.

The aggregate amount of commission revenue for the sale of licences and permits that the entity recognised as compensation for the transactions carried out on behalf of the principal is R250 052 (2023: R216 136).

Refer to note 27: Licence and permits.

There are no expenses accrued on rendering these services that is claimable from the Department.

##### Rights of reimbursement recognised as an asset

Amounts receivable from the Principal at year end of R30 123 (2023: R12 615) have been recognised as receivables and is included in note 9: receivables from exchange.

##### Reconciliation of receivable

Opening balance	12 615	-
Commission revenue earned	250 052	216 136
Revenue received	(232 544)	(203 521)
	<b>30 123</b>	<b>12 615</b>

#### Entity as principal

##### Amounts payable to agents recognised as a liability

Amounts owing to the Agents at year end of R14 053 (2023: R9 183) have been recognised as liabilities and is included in note 16: Payables.

##### Reconciliation of payable

Opening balance	9 183	-
Commission expense incurred	55 278	90 009
Expense paid	(50 408)	(80 826)
	<b>14 053</b>	<b>9 183</b>

#### Fee paid

Fee paid as compensation to the agent	55 278	90 009
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Refer to note 40. A commission of 2 cents per unit sold which is the equivalent of 2% is payable to the agent. IT equipment in the form of computers and a printer was provided to the agents with the following carrying values:

Dix: R3 432 (2023: R5 155)

Spar: R1 965 (2023: R2 951)

From a contractual perspective either party is allowed to cancel the contract within 30 days' notice, therefore no further cost implications attached to the termination of the agreement. On termination of the agreement between Spar and Dix, the equipment provided to these entities in terms of the agreement will be re-possessed as they are the assets of the municipality. From a financial perspective, commission expense will no longer be incurred and paid to Spar and Dix. Sale of electricity by Spar and Dix will also not be earned by the municipality.