



uPHONGOLO Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	Service delivery: electricity, waste management and general services
Members of Council	
Mayor	Cllr VM Sikhosana
Deputy Mayor	Cllr BJ Thwala
Speaker	Cllr KE Nxumalo
EXCO Member	Cllr BR Shongwe
EXCO Member	Cllr SR Mhlongo
EXCO Member	Cllr NP Van Zuydam
Chief Whip	Cllr BES Ntshangase
Other Councillors	Cllr JB Ngema- MPAC Chair Cllr MB Mthembu Cllr SA Xulu Cllr MP Mafuleka Cllr NP Mavuso Cllr MG Ndlangamandla Cllr CN Mavundla Cllr ZS Khumalo Cllr ZZ Buthelezi Cllr TA Ntshangase Cllr NG Ncube Cllr CM Nxumalo-Sibiya Cllr NT Gumbi Cllr GL Sibiya Cllr SV Dlamini-Nkambule Cllr TD Buthelezi Cllr FS Masango Cllr NA Nkosi Cllr ZB Motha Cllr P Masuku Cllr MT Msibi Cllr XH Dhlamini
Grading of local authority	Grade 2
Municipal Manager	Mr MB Khali
Chief Financial Officer	Mr KWG Ngcobo
Registered office	61 Martin Street Pongola 3170
Postal address	PO Box 191 Pongola 3170
Bankers	First National Bank, Standard Bank, Absa Bank and Nedbank
Auditors	Auditor General South Africa

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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

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Abbreviations used:

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

uPHONGOLO Local Municipality

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the 30th of June 2023 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.

I, **MB Khali** as the Accounting Officer acknowledge that I am 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 me to meet these responsibilities, I have 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.

I am 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.

I have reviewed the municipality's cash flow for the period ended 30th of June 2023 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The External Auditors are responsible for independent reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by External Auditors.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 5 to 78, were approved by the Accounting Officer on 31st of August 2023 and were signed on its behalf by:



Mr MB Khali
Municipal Manager

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand

	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Statutory receivables from non-exchange transactions	7	16 607 899	16 216 817
VAT receivable	8	3 804 726	1 637 475
Receivables from exchange transactions	9	13 952 009	13 764 974
Cash and cash equivalents	10	5 864 260	10 432 775
		40 228 894	42 052 041
Non-Current Assets			
Investment property	2	65 220 998	63 477 380
Property plant and equipment	3	373 463 252	362 510 235
Intangible assets	4	747 117	1 284 222
Heritage assets	5	70 945	70 945
		439 502 312	427 342 782
Non-Current Assets		439 502 312	427 342 782
Current Assets		40 228 894	42 052 041
Total Assets		479 731 206	469 394 823
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	17	32 139 272	41 718 777
Consumer deposits	18	2 842 007	2 862 261
Trade and other payables from non-exchange transactions	12	287 056	8 891 255
Provisions: current portion	14	1 685 218	1 405 035
Long service award - current portion	15	506 343	34 560
Employee benefits obligation - current portion	6	265 262	279 697
Long term loans- current portion	16	-	1 235 113
		37 725 158	56 426 698
Non-Current Liabilities			
Other financial liabilities	13	341 542	341 542
Employee benefit obligation: non-current portion	6	2 308 136	2 916 457
Provisions: non-current portion	14	9 366 024	9 879 576
Long service award: non-current portion	15	5 430 577	1 934 942
		17 446 279	15 072 517
Non-Current Liabilities		17 446 279	15 072 517
Current Liabilities		37 725 158	56 426 698
Total Liabilities		55 171 437	71 499 215
Assets		479 731 206	469 394 823
Liabilities		(55 171 437)	(71 499 215)
Net Assets		424 559 769	397 895 608
Accumulated surplus		424 559 769	397 895 608
Total Net Assets		424 559 769	397 895 608

* See Note 42

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand

	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	56 516 775	57 716 511
Construction contract revenue	53	5 752 895	55 264 482
Rental of facilities and equipment	20	500 849	619 975
Interest received (trading)	23	828 482	19 194 257
Agency services	54	948 852	955 326
Licence and permits	22	1 718 051	1 437 218
Operational revenue	24	5 387 349	671 874
Interests earned from current assets	25	2 449 102	1 301 061
Total revenue from exchange transactions		74 102 355	137 160 704
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	45 570 560	43 252 956
Transfer revenue			
Government grants & subsidies	27	232 155 470	212 086 892
Fines, Penalties and Forfeits	21	1 681 100	2 136 960
Total revenue from non-exchange transactions		279 407 130	257 476 808
Total revenue		353 509 485	394 637 512
Expenditure			
Employee related costs	28	(124 087 557)	(105 231 611)
Remuneration of councillors	29	(11 228 161)	(10 277 654)
Depreciation and amortisation	30	(25 372 447)	(28 023 906)
Finance costs	31	(1 903 663)	(1 737 255)
Debt Impairment	32	(5 925 865)	(33 732 889)
Construction contract expenditure	53	(5 752 895)	(55 264 482)
Debtors written-off	55	(11 811 690)	-
Bulk purchases	33	(35 985 209)	(36 689 378)
Operational costs	34	(102 364 465)	(119 173 543)
Total expenditure		(324 431 952)	(390 130 718)
Operating surplus		29 077 533	4 506 794
Fair value adjustments	35	1 743 618	1 620 380
Actuarial losses	52	(3 804 909)	(1 519 622)
Loss on disposal of capital assets		(350 698)	(147 351)
		(2 411 989)	(46 593)
Surplus for the year		26 665 544	4 460 201

* See Note 42

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	393 227 699	393 227 699
Adjustments		
Correction of prior period errors 42	207 708	207 708
Balance at 01 July 2021 as restated*	393 435 407	393 435 407
Restated balance	393 435 407	393 435 407
Surplus for the year	4 460 201	4 460 201
	-	-
Restated* Balance at 01 July 2022	397 895 608	397 895 608
Surplus for the year	26 665 544	26 665 544
Total changes	26 665 544	26 665 544
Balance at 30 June 2023	424 559 769	424 559 769

* See Note 42

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand

	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		93 409 774	89 450 951
Grants		230 596 930	279 461 230
Interest income		2 449 102	1 301 061
		326 455 806	370 213 242
Payments			
Employee costs		(124 907 935)	(104 126 162)
Suppliers		(155 781 108)	(211 065 786)
Finance costs		(97 199)	(289 357)
Remuneration of councillors		(11 228 161)	(10 277 654)
		(292 014 403)	(325 758 959)
Total receipts		326 455 806	370 213 242
Total payments		(292 014 403)	(325 758 959)
Net cash flows from operating activities	37	34 441 403	44 454 283
Cash flows from investing activities			
Purchase of property plant and equipment	3	(37 753 701)	(35 592 198)
Proceeds from sale of property plant and equipment	3	-	21 002
Net cash flows from investing activities		(37 753 701)	(35 571 196)
Cash flows from financing activities			
Movement in other liability 3		(1 255 367)	(2 110 116)
Net increase/(decrease) in cash and cash equivalents		(4 568 516)	6 772 971
Cash and cash equivalents at the beginning of the year		10 432 776	3 659 807
Cash and cash equivalents at the end of the year	10	5 864 260	10 432 778

* See Note 42

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	59 382 024	-	59 382 024	56 516 775	(2 865 249) Ref to note 51
Construction contract revenue	-	-	-	5 752 895	5 752 895
Rental of facilities and equipment	659 968	-	659 968	500 849	(159 119)
Interest received (trading)	2 607 146	(1 135 995)	1 471 151	828 482	(642 669)
Agency services	-	-	-	948 852	948 852
Licence and permits	2 017 233	-	2 017 233	1 718 051	(299 182)
Operational revenue	2 989 451	1 933 917	4 923 368	5 387 349	463 981
Interests earned from current assets	1 587 678	434 397	2 022 075	2 449 102	427 027
Gains on disposal of assets	219 858	(219 858)	-	-	-
Total revenue from exchange transactions	69 463 358	1 012 461	70 475 819	74 102 355	3 626 536

Revenue from non-exchange transactions

Property rates	45 592 637	-	45 592 637	45 570 560	(22 077)
Government grants & subsidies	209 936 000	40 365 269	250 301 269	232 155 470	(18 145 799)
Fines, Penalties and Forfeits	2 992 710	-	2 992 710	1 681 100	(1 311 610)
Total revenue from non-exchange transactions	258 521 347	40 365 269	298 886 616	279 407 130	(19 479 486)

Total revenue	327 984 705	41 377 730	369 362 435	353 509 485	(15 852 950)
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Expenditure

Employee related costs	(113 137 366)	(9 059 694)	(122 197 060)	(124 087 557)	(1 890 497)
Remuneration of councillors	(10 428 276)	(375 001)	(10 803 277)	(11 228 161)	(424 884)
Depreciation and amortisation	(25 675 280)	-	(25 675 280)	(25 372 447)	302 833
Finance costs	(1 124 568)	(351 853)	(1 476 421)	(1 903 663)	(427 242)
Debt impairment	(9 707 111)	-	(9 707 111)	(5 925 865)	3 781 246
Debtors written-off	-	-	-	(11 811 690)	(11 811 690)
Bulk purchases	(37 875 896)	2 628 909	(35 246 987)	(35 985 209)	(738 222)
Construction contract expenditure	-	-	-	(5 752 895)	(5 752 895)
Operational expenditure	(75 755 387)	(19 139 467)	(94 894 854)	(102 364 465)	(7 469 611)
Total expenditure	(273 703 884)	(26 297 106)	(300 000 990)	(324 431 952)	(24 430 962)
Operating surplus	54 280 821	15 080 624	69 361 445	29 077 533	(40 283 912)
Fair value adjustments	-	-	-	1 743 618	1 743 618
Actuarial losses	(219 858)	-	(219 858)	(3 804 909)	(3 585 051)
Loss on disposal of capital assets	-	-	-	(350 698)	(350 698)
	(219 858)	-	(219 858)	(2 411 989)	(2 192 131)
Surplus before taxation	54 060 963	15 080 624	69 141 587	26 665 544	(42 476 043)
(Deficit) surplus for the year	54 060 963	15 080 624	69 141 587	26 665 544	(42 476 043)

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Statutory receivables from non-exchange transactions	21 231 781	(7 191 393)	14 040 388	16 607 899	2 567 511	Ref to note 51
VAT receivable	16 558 187	(11 096 062)	5 462 125	3 804 726	(1 657 399)	
Receivables from exchange transactions	20 786 168	(7 040 460)	13 745 708	13 952 009	206 301	
Cash and cash equivalents	15 652 345	(12 852 659)	2 799 686	5 864 260	3 064 574	
	74 228 481	(38 180 574)	36 047 907	40 228 894	4 180 987	

Non-Current Assets

Investment property	61 270 000	2 207 380	63 477 380	65 220 998	1 743 618	
Property plant and equipment	408 704 911	(26 906 022)	381 798 889	373 463 252	(8 335 637)	
Intangible assets	2 433 073	(1 541 005)	892 068	747 117	(144 951)	
Heritage assets	70 945	-	70 945	70 945	-	
	472 478 929	(26 239 647)	446 239 282	439 502 312	(6 736 970)	

Current Assets	74 228 481	(38 180 574)	36 047 907	40 228 894	4 180 987	
Non-Current Assets	472 478 929	(26 239 647)	446 239 282	439 502 312	(6 736 970)	
Total Assets	546 707 410	(64 420 221)	482 287 189	479 731 206	(2 555 983)	

Liabilities

Current Liabilities

Finance lease obligation	1 044 210	(93 097)	951 113	-	(951 113)	
Trade and other payables from exchange transactions	21 507 066	(6 558 315)	14 948 751	32 139 272	17 190 521	
Consumer deposits	2 289 397	698 803	2 988 200	2 842 007	(146 193)	
Trade and other payables from non-exchange transactions	-	-	-	287 056	287 056	
Provisions: current portion	2 456 579	(2 152 514)	304 065	1 685 218	1 381 153	
Long service award - current portion	-	-	-	506 343	506 343	
Employee benefits obligation - current portion	-	-	-	265 262	265 262	
	27 297 252	(8 105 123)	19 192 129	37 725 158	18 533 029	

Non-Current Liabilities

Other financial liabilities	341 542	-	341 542	341 542	-	
Employee benefit obligation: non-current portion	-	3 196 154	3 196 154	2 308 136	(888 018)	
Provisions: current portion	11 501 928	592 416	12 094 344	9 366 024	(2 728 320)	
Long service award: non-current portion	-	3 002 215	3 002 215	5 430 577	2 428 362	
Other liability 3	7 356 343	(4 344 515)	3 011 828	-	(3 011 828)	
	19 199 813	2 446 270	21 646 083	17 446 279	(4 199 804)	

	27 297 252	(8 105 123)	19 192 129	37 725 158	18 533 029	
	19 199 813	2 446 270	21 646 083	17 446 279	(4 199 804)	
Total Liabilities	46 497 065	(5 658 853)	40 838 212	55 171 437	14 333 225	

Assets	546 707 410	(64 420 221)	482 287 189	479 731 206	(2 555 983)	
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Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Liabilities	(46 497 065)	5 658 853	(40 838 212)	(55 171 437)	(14 333 225)	
Net Assets	500 210 345	(58 761 368)	441 448 977	424 559 769	(16 889 208)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	500 210 345	(58 761 368)	441 448 977	424 559 769	(16 889 208)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	85 648 582	1 933 917	87 582 499	93 409 774	5 827 275	Ref to note 51
Grants	209 936 000	36 088 654	246 024 654	230 596 930	(15 427 724)	
Interests income	1 587 678	434 397	2 022 075	2 449 102	427 027	
	297 172 260	38 456 968	335 629 228	326 455 806	(9 173 422)	
Payments						
Employee costs	(117 029 299)	2 492 353	(114 536 946)	(124 907 935)	(10 370 989)	
Suppliers	(127 357 362)	(32 859 326)	(160 216 688)	(155 781 108)	4 435 580	
Finance costs	(1 124 568)	942 823	(181 745)	(97 199)	84 546	
Remuneration of Councillors	(10 428 276)	(375 001)	(10 803 277)	(11 228 161)	(424 884)	
	(255 939 505)	(29 799 151)	(285 738 656)	(292 014 403)	(6 275 747)	
Total receipts	297 172 260	38 456 968	335 629 228	326 455 806	(9 173 422)	
Total payments	(255 939 505)	(29 799 151)	(285 738 656)	(292 014 403)	(6 275 747)	
Net cash flows from operating activities	41 232 755	8 657 817	49 890 572	34 441 403	(15 449 169)	
Cash flows from investing activities						
Purchase of PPE	(36 742 550)	(19 546 000)	(56 288 550)	(37 753 701)	18 534 849	
Cash flows from financing activities						
Movements in other liabilities	(3 841 667)	2 606 554	(1 235 113)	(1 255 367)	(20 254)	
Net cash flows from financing activities	(3 841 667)	2 606 554	(1 235 113)	(1 255 367)	(20 254)	
Net increase/(decrease) in cash and cash equivalents	648 538	(8 281 629)	(7 633 091)	(4 568 518)	3 065 426	
Cash and cash equivalents at the beginning of the year	3 000 000	7 432 778	10 432 778	10 432 778	-	
Cash and cash equivalents at the end of the year	3 648 538	(848 851)	2 799 687	5 864 260	3 065 426	

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with GRAP, in accordance with section 122 (3) of the MFMA" or "The annual financial statements have been prepared in accordance with GRAP, issued by the ASB in accordance with section 89(1) of the PFMA

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.

The municipality changes an accounting policy only if the change:

- (a) Is required by a standard of GRAP or
- (b) Results in the financial statements providing reliable and more relevant information about the effects of transaction, other events or conditions on the performance or cash flow.

The following GRAP standards have been approved and effective to the municipality:

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4 The effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing costs
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After Reporting Date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 18 Segment Reporting
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 Related Party Disclosures
GRAP 21 Impairment of Non-cash-generating Assets
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 25 Employee benefits
GRAP 26 Impairment of Cash-Generating Assets
GRAP 31 Intangible Assets
GRAP 34 Separate Financial Statement
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 108 Statutory Receivables
GRAP 109 Accounting by Principals and Agents

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE.

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

GRAP 1 Presentation of Financial Statements - effective date not yet stated.
GRAP 103 Heritage Assets - effective date not yet stated.
GRAP 104 Financial Instruments (amendments) - effective date 1 April 2025.
Guideline The application of materiality to financial statement

Impact on the municipality's financial statements once implemented:

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Management has considered all of the foregoing GRAP standards issued but not yet effective and effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

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 Expenditure

Expenditure is recognised on an accrual basis.

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:

Trade receivables

The municipality assesses its financial instruments 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.

Depreciation/Amortization and Impairment testing

As described in the accounting policy disclosure relating to PPE and intangible assets with definite useful lives, the municipality depreciates/amortises the aforementioned assets over their estimated useful lives, taking into account the residual values of the assets at the end of their useful lives. The useful lives and residual values of the assets are based on industry knowledge.

The depreciation/amortization period and the depreciation/amortization method for intangibles assets are reviewed at each reporting date.

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 municipality assesses at each reporting date whether there is any indications of impairment. If any such indications exist, the municipality conducts an impairment test.

Useful lives and residual value of Property, Plant and Equipment (PPE) and Intangible assets:

The municipality assesses at each reporting date whether there is any indication that the municipality expectations on 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.

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 14 - Provisions.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Employee benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6 & 15.

1.5 Investment property

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

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

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the 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.

Fair value

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

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

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

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

1.6 Property plant and equipment

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

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

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

Property plant and equipment is initially measured at cost.

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1.6 Property plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Landfill sites	Straight-line	20-25 years
Buildings		
• Parkhomes	Straight-line	05-10 years
• Residential	Straight-line	10-33 years
• Ablutions	Straight-line	25-50 years
• Car ports	Straight-line	15-30 years
• Community halls	Straight-line	25-50 years
• Testing centre	Straight-line	25-50 years
• Libraries	Straight-line	25-50 years
• Sport fields	Straight-line	25-50 years
• Creches	Straight-line	24-50 years
• Store rooms	Straight-line	25-30 years
Electricity		
• Cables	Straight-line	25-45 years
• Panels	Straight-line	03-14 years
• Fencing	Straight-line	10-25 years
• High mast lights	Straight-line	15-25 years
• Overheads lines	Straight-line	20-30 years
• Meters	Straight-line	20-30 years
• Substation equipment indoors	Straight-line	30-40 years

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1.6 Property plant and equipment (continued)

• Substation equipment outdoors	Straight-line	20-30 years
• Switchgears	Straight-line	20-30 years
• Substation	Straight-line	20-30 years
• Transformers	Straight-line	25-50 years
Roads		
• Traffic calming	Straight-line	10-30 years
• Roads barriers	Straight-line	10-30 years
• Kerb & channels	Straight-line	40-50 years
• Roads asphalt surfaces	Straight-line	30-50 years
• Road asphalt surfaces	Straight-line	10-22 years
• Road gravel surfaces	Straight-line	03-25 years
• Pedestrians footpaths	Straight-line	13-30 years
• Roads streetlights	Straight-line	25-40 years
• Traffic lights	Straight-line	15-20 years
• Traffic signs	Straight-line	05-15 years
• Culverts	Straight-line	25-40 years
• Drains concrete	Straight-line	25-50 years
• Roads	Straight-line	10-20 years
Furniture and fittings		
• Air conditioners	Straight-line	03-30 years
• Office equipment	Straight-line	05-30 years
• Other furniture	Straight-line	05-30 years
• Paintings, sculptures and ornaments	Straight-line	05-10 years
Transport assets		
• Motor vehicles	Straight-line	04-30 years
• Trailers & accessories	Straight-line	05-30 years
• Trucks	Straight-line	05-30 years
Other machinery and equipment		
• Audio visual equipment	Straight-line	05-30 years
• Domestic equipment	Straight-line	03-30 years
• Electric wire and power distribution	Straight-line	03-12 years
• Farm or agricultural equipment	Straight-line	05-33 years
• Gardening equipment	Straight-line	02-33 years
• Irrigation equipment	Straight-line	10-15 years
• Kitchen appliances	Straight-line	05-25 years
• Medical and allied equipment	Straight-line	05-25 years
• Photographic equipment	Straight-line	05-10 years
• Radio equipment	Straight-line	05-25 years
• Roads equipment	Straight-line	03-30 years
• Security equipment	Straight-line	05-30 years
• Survey equipment	Straight-line	03-12 years
• Telecommunication equipment	Straight-line	05-11 years
• Workshop equipment	Straight-line	05-30 years
Computer equipment		
• Computer hardware	Straight-line	04-25 years
• Computer network	Straight-line	05-10 years
Solid waste disposal		
• Bins containers	Straight-line	10-15 years

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 revised to accommodate the changed pattern. Such a change, is accounted for as a change in an accounting estimate.

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Accounting Policies

1.6 Property plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations on 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 municipality assesses at each reporting dates whether there is any indications of impairment. If any such indications exists, the municipality conducts an impairment test.

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

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

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.8 Intangible assets

An asset is identifiable if it either:

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

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.

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.

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Accounting Policies

1.8 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Licence	Straight-line	2-30 years
Computer software	Straight-line	2-30 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

The municipality assesses at each reporting dates whether there is any indications of impairment. If any such indications exists, the municipality conducts an impairment test.

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.

uPHONGOLO Local Municipality

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Accounting Policies

1.9 Heritage assets (continued)

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 of impairment. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

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

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

1.10 Financial instruments

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

A financial asset is:

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

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

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

Classification

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

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

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

Class	Category
Long-term loans	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at cost

Initial recognition

uPHONGOLO Local Municipality

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Accounting Policies

1.10 Financial instruments (continued)

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

Initial measurement of financial assets and financial liabilities.

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

Subsequent measurement of financial assets and financial liabilities.

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

- Financial instruments at amortised cost
- Financial instruments at cost

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

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost

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

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

Financial assets measured at cost

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

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

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Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

uPHONGOLO Local Municipality

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Accounting Policies

1.11 Statutory receivables from non exchange transactions

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

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.

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Accounting Policies

1.11 Statutory receivables from non exchange transactions (continued)

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

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

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

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

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

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

Derecognition

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

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

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

1.12 Tax

The uPhongolo Local municipality is exempt from tax in terms of section 10(1)(a) of the Income Tax Act.

1.13 Leases

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

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

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Accounting Policies

1.13 Leases (continued)

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.

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.

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.

Operating leases - lessee

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

1.14 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.

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

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

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

The municipality 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 .

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

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

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

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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.

Designation

Asset are designated as non-cash-generating or cash-generating based on the municipality's objective of using the asset. Asset can either be used with the objective of generating a commercial return or delivering services

The assessment of a municipality's objective of using the asset is performed at initial recognition, based on management's expected use of the asset over its useful life. Subsequent to initial recognition and designation, a municipality shall redesignate an asset, if there has been a change in a municipality's expected use of the asset that is expected to result in positive cash flows that are significantly higher than the cost of the asset.

Identification

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1.16 Impairment of cash-generating assets (continued)

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

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

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

1.17 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present

- It does not have the power to determine the significant terms and conditions of the transaction,
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit, and
- It is not exposed to variability in the results of the transaction.

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

Recognition

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1.17 Accounting by principals and agents (continued)

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

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

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

1.18 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employee.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

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

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

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

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

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

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

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

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related services.

Short-term employee benefits include items such as:

- wages, salaries and social contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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1.18 Employee benefits (continued)

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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Defined contribution plans

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

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

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

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

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

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

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

Retirement Funds

The municipality contributes towards retirement benefits of its employees to the following funds:

- The Natal Joint Municipal Pension Fund;
- Government Employees Pension Fund;

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1.18 Employee benefits (continued)

Municipal Gratuity Fund;
Municipal Employee Pension Fund.
Super Annuation Fund
KwaZulu Natal Retirement Fund

Post employment medical care benefit.

The municipality provides post-retirement medical care benefits by subsidising the medical aid contributions to retired employees and their legitimate spouses. The entitlement of post-medical benefits is based on employees remaining in service up to the retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment. Post employment medical care benefits are accounted for in accordance to GRAP 25.

1.19 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.

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.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

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1.20 Commitments (continued)

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

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.

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 services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest 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 in surplus or deficit using the effective interest rate method.

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1.21 Revenue from exchange transactions (continued)

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

1.22 Receivables from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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Accounting Policies

1.22 Receivables from non-exchange transactions (continued)

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.

Property rates

The municipality recognises property rates in terms of the Municipal Property Rates Act and the municipal rates policy.

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. The taxable event for property tax is the passing of the date on which the tax is levied.

Transfers

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

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

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

Government grants

Grants and donations received, or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of the related conditions. Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, the liability is transferred to revenue as and when the conditions attached to the grant are met.

Unconditional grants are recognised as revenue in full when the asset is recognised, at an amount equal to their fair value of the asset received.

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.

1.23 Investment income

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

1.24 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

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1.25 Unauthorised expenditure (continued)

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.

1.26 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.

1.27 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 excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned before year end and/or before the finalisation of financial statements must also be recognised appropriately recognised in the irregular expenditure register. In such an instance, no further actions also required with the exception of updating the note to the financial statement.

Irregular expenditure that was incurred and identified during the current financial year and for which will be condoned at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register

1.28 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.

Identification of segment

The municipality is organised and reports to management on the basis of three major functional areas: Finance & Admin, Community & Public Safety and Planning & Development. The segments were organised around the type of goods and services delivered. Management uses these same segments for determining strategic objectives. Supporting services segment was aggregated for reporting purposes.

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1.28 Segment information (continued)

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

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.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The necessary information is not available and the cost to develop it would be excessive.

Aggregated segments

Support services segment was aggregated as a practical limit has been reached beyond which segment information becomes too detailed. Management is of the view that such additional detailed segments are not useful and relevant.

Types of goods and/or services by segment

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

Finance & administration	Provision of support services
Community & public safety	Provision of community facilities, refuse removal & protection services
Planning & development	Economic and infrastructure development

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.

Information about geographical areas

The municipality's operations are in the KwaZulu-Natal Province.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develop the necessary information would be excessive.

1.29 Budget information

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

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

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

Reasons were provided for variance more than 5%, as these were considered material.

1.30 Related parties

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1.30 Related parties (continued)

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

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

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

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

1.31 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.

1.32 Value Added Tax

Recognition of asset and liability

The municipality accounts for VAT on the accrual basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.33 Impairment of non-cash generating assets

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

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

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

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

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Accounting Policies

1.33 Impairment of non-cash generating assets (continued)

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

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

Useful life is either:

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

Designation

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

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

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

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

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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Accounting Policies

1.33 Impairment of non-cash generating assets (continued)

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

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2. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Vacant land	65 220 998	-	65 220 998	63 477 380	-	63 477 380

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Vacant land	63 477 380	1 743 618	65 220 998

Reconciliation of investment property - 2022

	Opening balance	Additions	Fair value adjustments	Total
Vacant land	61 270 000	587 000	1 620 380	63 477 380

Pledged as security

No investment property were pledged as security.

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.

Details of valuation

The effective date of the valuations was Friday, 30 June 2023. The valuations were performed by an independent valuer, Mr WF Hamilton, of BPG Mass Appraisals (Pty) Ltd. BPG Mass Appraisals (Pty) Ltd are not connected to the municipality and have recent experience in location and category of the investment property being fair valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

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3. Property plant and equipment

	2023		2022	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Land	71 302 265	-	71 302 265	71 302 265
Buildings	173 917 532	(40 958 460)	132 959 072	153 970 826
Infrastructure	249 873 980	(113 587 740)	136 286 240	236 734 020
Solid waste	8 853 328	(619 010)	8 234 318	9 601 867
Other PPE	56 073 027	(31 391 670)	24 681 357	53 891 038
Total	560 020 132	(186 556 880)	373 463 252	525 500 016
			(162 989 781)	362 510 235

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3. Property plant and equipment (continued) Reconciliation of property plant and equipment - 2023

	Opening balance	Additions	Disposals	Change in estimates	Depreciation	Impairment loss	Total
Land	71 302 265	-	-	-	-	-	71 302 265
Buildings	118 347 425	20 064 660	(117 953)	-	(4 163 032)	(1 172 027)	132 959 073
Infrastructure	137 580 710	13 140 008	-	-	(14 215 163)	(219 314)	136 286 241
Solid waste	9 100 595	866 932	-	(1 615 471)	(117 739)	-	8 234 317
Other equipment	26 179 218	3 682 976	(232 745)	-	(4 495 513)	(452 578)	24 681 358
	362 510 213	37 754 576	(350 698)	(1 615 471)	(22 991 447)	(1 843 919)	373 463 254

Reconciliation of property plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	71 302 265	-	-	-	-	71 302 265
Buildings	110 460 980	15 940 748	-	(4 129 392)	(3 924 910)	118 347 426
Infrastructure	137 898 479	13 983 123	-	(14 300 891)	-	137 580 732
Solid waste	9 085 487	132 848	-	(117 739)	-	9 100 596
Other PPE	25 823 355	5 535 479	(168 350)	(5 001 106)	(10 159)	26 179 219
	354 570 566	35 592 198	(168 350)	(23 549 128)	(3 935 069)	362 510 238

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	23 152 551	22 314 471	45 467 022
Additions/capital expenditure	13 234 940	20 064 660	33 299 600
Assets disposal	-	(117 953)	(117 953)
	36 387 491	42 261 178	78 648 669

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	14 461 235	22 617 873	37 079 108

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		2023	2022
3. Property plant and equipment (continued)			
Additions/capital expenditure	13 718 027	15 921 248	29 639 275
Impairment	-	(3 924 910)	(3 924 910)
Transferred to completed items	(5 026 711)	(12 299 740)	(17 326 451)
	23 152 551	22 314 471	45 467 022
Expenditure incurred to repair and maintain property, plant and equipment			
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance			
Municipal houses & IT		722 047	550 039
Infrastructure maintenance		10 272 495	12 530 433
Fleet & other assets		2 039 877	1 625 112
		13 034 419	14 705 584

Projects taking longer to complete

1. Construction of Emkhiwaneni sportfield ward 09

The project was halted and referred to the municipal attorneys for investigation which resulted in an impairment of R3 942 910. It was suspected that the actual work done and the cumulative expenditure did not correlate.

2. Emgome (Emdonini) community hall ward 9

The project was halted and impaired by an amount of R265 674 to take into account the deterioration on the structure. The service provider could not finish the project.

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.

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4. Intangible assets

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 958 065	(2 210 948)	747 117	3 061 310	(1 777 088)	1 284 222
Reconciliation of intangible assets - 2023						
Computer software				Opening balance	Amortisation	Total
				1 284 222	(537 105)	747 117
Reconciliation of intangible assets - 2022						
Computer software				Opening balance	Amortisation	Total
				1 823 904	(539 682)	1 284 222

Pledged as security

No intangible assets were pledged as security.

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.

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5. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Work of arts	23 996	-	23 996	23 996	-	23 996
Other Heritage Assets	46 949	-	46 949	46 949	-	46 949
Total	70 945	-	70 945	70 945	-	70 945

Reconciliation of heritage assets 2023

	Opening balance	Total
Work of arts	23 996	23 996
Other Heritage Assets	46 949	46 949
	70 945	70 945

Reconciliation of heritage assets 2022

	Opening balance	Total
Work of arts	23 996	23 996
Other Heritage Assets	46 949	46 949
	70 945	70 945

Pledged as security

No heritage assets pledged as security.

6. Employee benefit obligation

Defined benefit plan

Medical Benefits:

An actuarial valuation has been performed by One Pangaea & Solutions to ascertain the municipality's liability in respect of the benefits to eligible beneficiaries who were employed by the municipality on the old conditions of service and have already retired.

The actuarial valuation is performed every year.

2023	Opening balance	Service cost	Interest cost	Benefit payments	Actuarial (gain)/loss over the financial year	Total
Non-current portion	3 196 154	-	338 639	(548 770)	(677 887)	2 308 136
Current portion	-	-	-	265 262	-	265 262
Subtotal	3 196 154	-	338 639	(283 508)	(677 887)	2 573 398
	3 196 154	-	338 639	(283 508)	(677 887)	2 573 398

2022	Opening balance	Service cost	Interest cost	Benefit payments	Actuarial (gain)/loss over the financial year	Total

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					2023	2022
6. Employee benefit obligation (continued)						
Non-current portion	2 090 106	-	170 014	(528 962)	1 185 299	2 916 457
Current portion	-	-	-	279 697	-	279 697
Subtotal	2 090 106	-	170 014	(249 265)	1 185 299	3 196 154
	2 090 106	-	170 014	(249 265)	1 185 299	3 196 154

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

Carrying value

Opening balance		(3 196 154)	(2 090 106)
Interest costs		(338 639)	(170 014)
Benefits paid		262 744	255 159
Actuarial gain/(loss)		698 651	(1 191 193)
		(2 573 398)	(3 196 154)

Net expense recognised in the statement of financial performance

Interest cost	(338 639)	(170 014)
Actuarial (gains) losses	698 651	1 191 193
	360 012	1 021 179

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.83 %	11.08 %
Health care cost inflation	8.08 %	8.77 %
Change in the mortality assumption	7.13 %	7.71 %
Consumer price inflation	6.58 %	7.27 %
Net discount rate	3.47 %	2.12 %
1% increase discount rate in employer's accrued liability	2 391 841	2 946 972
1% increase in the discount rate	7.06 %	7.80 %
1% decrease discount rate in employer's accrued liability	2 781 565	3 484 632
1% decrease in the discount rate	6.59 %	9.03 %
1% increase medical inflation rate in employer's accrued liability	2 800 869	3 505 442
1% decrease in the medical inflation rate	7.80 %	8.47 %
1% decrease medical inflation rate in employer's accrued liability	2 372 692	2 925 518
1% increase in the medical inflation rate	8.84 %	9.68 %

Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
Present value of funded obligations	2 573 398	3 196 154	2 090 106	1 972 225	2 120 383

Benefits

The municipality has been unsuccessful in obtaining the necessary information to support proper defined plan accounting due to restrictions imposed by the multi employer plan. As a result of the restrictions, some of the entities defined benefit plans have not been treated as defined contribution plans as defined by GRAP 25, but are rather accounted for as defined contributions plans. This is in line with the GRAP 25 exemption which states that where information required for proper defined benefit plan accounting is not available in respect of multi employer state plans, these should be accounted for as defined contributions plan.

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6. Employee benefit obligation (continued)

Pension benefits

The municipality's personnel are members of one of the pension funds listed below:

-KwaZulu Natal Joint Municipal Pension Fund

-KwaZulu Retirement Fund

-Municipal Gratuity Fund

-Municipal Employees Pension Fund

-Government Employees Pension Fund

-Super Annuation fund

As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained, the funds are all treated as defined contribution plans, an independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and interim valuation on an annual basis.

Super Annuation fund : The interim valuation carried out on the Super Annuation Fund as at March 2016 reflected the following:

-The memorandum account in respect of the pensioners was fully funded.

-The ability in respect of active members was 100% funded.

Retirement and Provident Fund: The latest statutory valuation on the Retirement/Provident Fund (defined contribution) as at 30 June 2023 revealed the following: The memorandum account in respect of the pensioners was fully funded.

The ability in respect of active members was 100% funded.

7. Statutory receivables from non-exchange transactions

Fines	13 794 181	12 360 431
Property rates	150 189 679	136 823 691
Impairment-Property Rates	(135 171 852)	(121 783 280)
Impairment-Traffic Fines	(12 204 109)	(11 184 025)
	16 607 899	16 216 817

Property rates: Ageing

Current (0-30 days)	9 180 408	8 175 241
31-60 days	2 502 910	2 342 911
61-90 days	2 352 304	2 227 825
91-120 days	2 341 174	2 146 788
121 + days	133 812 883	121 930 926
	150 189 679	136 823 691

Traffic fines: Ageing

Current (0-30 days)	699 750	451 900
31-60 days	-	239 850
61-90 days	-	172 150
91-120 days	-	202 060
121+ days	13 094 431	11 294 471
	13 794 181	12 360 431

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7. Statutory receivables from non-exchange transactions (continued)

Statutory receivables general information

Statutory receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R7 118 834 (2022: R9 612 307) were past due but not impaired.

The total amounts past due but not impaired is as follows:

Property rates	7 118 834	9 612 307
Reconciliation of provision for impairment of statutory receivables from non-exchange transactions		
Opening balance	(132 967 306)	(116 363 981)
Contribution to allowance	(14 408 655)	(16 603 325)
	(147 375 961)	(132 967 306)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines

The two types of traffic fines that are issued are:

- 1) Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO Act).
- 2) Traffic fines issued in terms of the Criminal Procedures Act.

Property rates

The Municipal Property Rates Act No. 06 of 2004 governs property rates billed. The Act regulates, the power of the municipality to impose rates on properties; to exclude certain properties from rating in the national interest; to make provisions for the municipality to implement a transparent and fair system of exemptions, reductions and rebates through the municipalities rating policy, making provisions for fair and equitable valuation methods of properties; to make provisions for objections and appeals.

Determination of transaction amount

Traffic fines

Traffic fines are issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

Traffic fines issued in terms of the Criminal Procedures Act are usually issued by way of notice to offenders, and can:

(a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or

(b) indicate that the offender must appear in Court on a specified date (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Property rates

Property rates are levied in terms of the municipality's property rates policy, which is aligned to the Municipal Property Rates Act No. 6 of 2004.

The amount of rates levied by the municipality on properties, is the amount in the Rand

- a) On the market value of the property;

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7. Statutory receivables from non-exchange transactions (continued)

b) In the case of public service infrastructure, on the market value of the public service infrastructure less 30% of that value as contemplated in section 17(1)(a) of the Municipal Property Rates Act of 2004 or on such a lower percentage as the minister determines in terms of section 17(4) of the Municipal Property Rates Act of 2004;

c) In the case of property to which section 17(1) (h), of the Municipal Property Rates Act of 2004, applies on the market value of the property less the amount stated in that section, or on such amount as the Minister may determine

Refer to Note 26 for rate randage.

8. VAT receivable

VAT	3 804 726	1 637 475
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The municipality accounts for VAT on the accrual basis. The municipality is liable to account for VAT at the standard rate of 15 % in terms of Section 7(1)(a) of the VAT Act in respect of goods or services, except where supplies are specifically zero rates in terms of Section 11, exempted in terms of Section 12 of the VAT Act. The municipality accounts for VAT on monthly basis.

9. Receivables from exchange transactions

Gross balances

Electricity	15 087 051	16 791 455
Refuse	124 455 433	130 845 295
Other	4 168 182	4 369 671
	143 710 666	152 006 421

Less: Allowance for impairment

Electricity	(6 641 437)	(7 982 870)
Refuse	(120 457 861)	(127 230 774)
Other	(2 659 359)	(3 027 803)
	(129 758 657)	(138 241 447)

Net balance

Electricity	8 445 614	8 808 585
Refuse	3 997 572	3 614 521
Other	1 508 823	1 341 868
	13 952 009	13 764 974

Electricity

Current (0 -30 days)	9 344 378	9 371 533
31 - 60 days	306 987	492 443
61 - 90 days	267 330	359 788
91 - 120 days	223 523	367 739
121 - 365 days	4 944 833	6 199 952
	15 087 051	16 791 455

Refuse

Current (0 -30 days)	2 955 620	1 559 608
31 - 60 days	1 242 925	1 315 896
61 - 90 days	1 238 790	1 303 054
91 - 120 days	1 228 038	1 296 344
121 - 365 days	117 790 060	125 370 393

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9. Receivables from exchange transactions (continued)

	124 455 433	130 845 295
Other (specify)		
Current (0 -30 days)	30 383	214 487
31 - 60 days	525 715	15 442
61 - 90 days	106 928	120 689
91 - 120 days	67 054	29 886
121 - 365 days	3 438 102	3 989 167
	4 168 182	4 369 671
Reconciliation of allowance for impairment		
Balance at beginning of the year	(138 241 447)	(121 177 899)
Contributions to allowance	8 482 790	(17 063 548)
	(129 758 657)	(138 241 447)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R3 198 485 (2022:R5 741 084) were past due but not impaired.

The total amounts past due but not impaired is as follows:

Electricity	1 205 121	2 054 968
Refuse	646 301	2 744 228
Other	1 347 063	941 888

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 717	1 717
Bank balances	3 527 774	10 261 465
Short-term deposits	2 334 769	169 593
	5 864 260	10 432 775

The municipality had the following bank accounts

Account number	Bank statement balances		Cash book balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
FNB - 62027530858	3 527 774	10 223 654	3 527 774	10 223 654
FNB - 62375342377	2 100 586	94	2 100 586	94
FNB - 62377992104	11 716	182	11 716	182
FNB - 62389585286	895	895	895	895
FNB - 62389586507	8 223	7 946	8 223	7 946
FNB - 62404561377	132 505	87	132 505	87
FNB - 62404287345	-	7 737	-	7 737
FNB - 62658357001	5 374	5 192	5 374	5 192
FNB - 62305239718	4 753	91 563	4 753	91 563
FNB - 74275780911	55 247	51 696	55 247	51 696
FNB - 62253771896	-	3 025	-	3 025
FNB - 62230436405	22	22	22	22
FNB - 62596797559	1 183	1 183	1 183	1 183
Cash on hand	-	-	1 716	1 717
Receipt recognised but not yet reflecting on the B/S	-	-	14 266	37 783
Total	5 848 278	10 393 276	5 864 260	10 432 776

Restricted cash balances

Government grants & subsidies	287 056	8 891 255
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10. Cash and cash equivalents (continued)

This funds are restricted for utilisation on capital and/ operational project agreed on. Refer to Note 12.

11. Operating lease commitments

Present value of minimum lease payments due

- within one year	3 567 907	2 245 957
- in second to fifth year inclusive	3 424 879	4 171 748
	6 992 786	6 417 705

The municipality leased twenty (20) motor vehicles from RIS Vehicle Hire (Pty) Ltd from 01 June 2022 to 31 May 2025. Thirty six (36) monthly lease instalments of R310 000.00 in total are payable monthly for the entire lease period. The municipality has no option to either acquire the motor vehicles at fair value or not at the end of the lease term as this is a operational lease.

12. Trade and other payables from non-exchange transactions

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Belgrade Fitness Centre	8 130	6 000 000
Integrated National Electrification Programme	-	-
Sub Rank Facility Grant	3 417	3 417
Integrated Spatial Economic Development Grant	275 508	1 003 108
Human Settlement Housing Grant	-	759 111
Integrated National Electrification Programme	-	449 783
Koppie-Allen Guesthouse Project	-	675 836
	287 056	8 891 255

13. Other financial liabilities

Designated at fair value

Other financial liability	341 542	341 542
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14. Provisions

Reconciliation of provisions 2023

	Opening Balance	Additions	Change in provision	Current year interest	Other change in provision	Total
Non current: Environmental rehabilitation	9 879 576	-	(1 615 471)	1 227 311	(125 392)	9 366 024
Current: Environmental rehabilitation	1 227 311	-	-	-	125 392	1 352 703
Current: Bonuses	177 724	154 791	-	-	-	332 515
	11 284 611	154 791	(1 615 471)	1 227 311	-	11 051 242

Reconciliation of provisions - 2022

	Opening Balance	Additions	Other change in provision	Total
Environmental rehabilitation	8 763 664	1 238 035	(122 123)	9 879 576
Current: Environmental rehabilitation	1 105 188	-	122 123	1 227 311
Current Bonuses	514 399	(336 675)	-	177 724
	10 383 251	901 360	-	11 284 611

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14. Provisions (continued)

Non-current liabilities	9 366 024	9 879 576
Current liabilities	1 685 218	1 405 035
	11 051 242	11 284 611

Bonus provision: The bonus provision is to provide for performance bonuses of the section 55 & 56 employees. Performance bonuses are paid one year in arrears as the assessment of eligible employee takes place after year end.

Rehabilitation of landfill site

Landfill Site: The rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal at the time of closure. The value of the provision is based on the present value of the expected future costs to rehabilitate the site.

Rehabilitation costs were calculated based on the following assumptions:

Assumptions.	Percentage	Percentage
Consumer price inflation (C)	7.39%	7.23%
Discount rate	12.62%	11.05%
Net discount rate	4.87%	3.56%

The landfill site is 5 hectares and area expected to be rehabilitated is 3 hectares. The estimated closure date is 15 September 2034. The municipality has an obligation to rehabilitate the landfill site at the end of the usage period of 11 years. The value of the provision is created for the rehabilitation of the current operation site at the future estimated time for closure. The value of the provision is based on the expected future cost to rehabilitate the discount back to the reporting date at the cost of capital, which is 4.87%. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purpose. The municipality estimates the useful life and makes assumption as to the useful life of the assets, which influence the provision for future costs.

15. Long service award

Employee who achieve 05 years' service has a choice of 05 days paid leave (once off) or encashment of leave.
 Employee who achieve 10 years' service has a choice of 10 days paid leave (once off) or encashment of leave.
 Employee who achieve 15 years' service has a choice of 20 days paid leave (once off) or encashment of leave.
 Employee who achieve 20 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
 Employee who achieve 25 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
 Employee who achieve 30 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
 Employee who achieve 35 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
 Employee who achieve 40 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
 Employee who achieve 45 years' service has a choice of 30 days paid leave (once off) or encashment of leave.

The above-mentioned leave is granted in addition to the annual leave entitlement and maximum accumulated granted in terms of the National Conditions of Service. The leave may be taken, converted to cash fully or partially or accumulated. The leave is only applicable to those employees who have achieved the stated years of service after the effective date of these conditions.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2023. It has been assumed that the staff turnover rate will be insignificant based on historical data.

The valuation of the liability was performed in line with GRAP 25: Employee benefits, by One Pangea Expertise and Solutions as at 30 June 2023.

The actuarial valuation is performed every two years

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15. Long service award (continued)

2023	Opening balance	Service cost	Interest cost	Benefit payments	Actuarial (gain)/loss	Total
Non-current portion	1 969 502	158 270	240 514	(1 441 269)	4 503 560	5 430 577
Current portion	-	-	-	506 343	-	506 343
Subtotal	1 969 502	158 270	240 514	(934 926)	4 503 560	5 936 920
	1 969 502	158 270	240 514	(934 926)	4 503 560	5 936 920
2022	Opening balance	Current service cost	Current interest cost	Benefit payments	Actuarial (gain)/loss	Total
Non-current portion	1 633 076	141 879	172 696	(84 776)	72 067	1 934 942
Current portion	-	-	-	34 560	-	34 560
Subtotal	1 633 076	141 879	172 696	(50 216)	72 067	1 969 502
	1 633 076	141 879	172 696	(50 216)	72 067	1 969 502

Changes in the present value of the long-service obligation are as follows:

Opening balance	(1 969 502)	(1 633 076)
Service cost	(158 270)	(141 879)
Interest cost	(240 514)	(172 696)
Actuarial gain/(loss)	(4 503 560)	(331 326)
Benefits paid	934 926	309 475
	(5 936 920)	(1 969 502)

Net expense recognised in the statement of financial performance

Service cost	(158 270)	(141 879)
Interest cost	(240 514)	(172 696)
Actuarial gain/(loss)	(4 503 560)	(331 326)
	(4 902 344)	(645 901)

Principal actuarial assumption used

Discount rate	12.52 %	12.32 %
Salary inflation rate	8.14 %	8.82 %
Net discount rate	4.05 %	3.22 %

	2023	2022
1% increase discount rate on employer's accrued liability	5 584 815	1 969 502
1% increase in the salary increase rate	6 343 822	1 968 502
1% decrease discount rate in employer's accrued liability	6 330 883	1 993 851
1% decrease in the salary increase rate	5 568 132	1 779 186

16. Long term loan

Current Liabilities	-	1 235 113
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16. Long term loan (continued)

The Municipality had a loan with Standard Bank for the purchase of property, plant and equipment. The loan bears an interest average effective borrowing rate of 7.38% per annum. The loan was repayable on a semi-annual basis with final payment made on 30 June 2023. Property, plant and equipment with a combined carrying value of R1 698 722.14 were pledged as security.

17. Trade and other payables from exchange transactions

Trade payables	8 710 132	19 781 829
Retentions	9 192 471	8 505 189
Staff leave accrual	7 310 438	7 291 060
Payroll deductions	3 742 417	3 697 564
Debtors with credit balance	3 183 814	2 443 135
	32 139 272	41 718 777

18. Consumer deposits

Electricity	2 842 007	2 862 261
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19. Service charges

Sale of electricity	45 695 926	46 907 012
Refuse removal	10 820 849	10 809 499
	56 516 775	57 716 511

20. Rental of facilities and equipment

Rental of facilities	500 849	619 975
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21. Fines, Penalties and Forfeits

Traffic Fines	1 681 100	2 136 960
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22. Licence and permits

Licence and permits	1 718 051	1 437 218
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23. Interest received (trading)

Interest charged	828 482	19 194 257
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24. Operational revenue

Electricity connection and reconnections fees	161 581	38 889
Tender document fees	13 869	44 033
Certificate clearance and validation	1 878	6 533
Dumping fees	18 744	102
Other	2 632 744	582 317
CETA Refunds	424 816	-
KZN Transport Refunds	1 133 717	-
Cleanest town award	1 000 000	-
	5 387 349	671 874

25. Interests earned from current assets

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25. Interests earned from current assets (continued)		
Interest revenue		
Bank Accounts	303 712	1 032 612
Short-term Investments and Call Accounts	2 145 390	268 449
	2 449 102	1 301 061
26. Property rates		
Rates levied		
Residential	12 242 162	11 401 844
Commercial	15 048 124	14 380 402
Public benefits organisations	593 427	566 237
Agricultural property	6 420 324	6 121 917
Vacant land	872 506	777 223
Public services infrastructure	181 815	173 485
Public services purposes	11 757 220	11 374 463
Property exclusion rebate	(826 220)	(856 751)
Property reduction rebate	(718 798)	(685 864)
	45 570 560	43 252 956
Property rates randages		
Residential Property	0.01798381	0.01716012
Business and Commercial Property	0.02247976	0.02145016
Industrial property	0.02247976	0.02145016
Vacant Land	0.02247976	0.02145016
Agricultural Property	0.00449595	0.00429003
Mining Property	0.02247976	0.02145016
Unauthorized Development	0.05395143	-
Public Service Infrastructure	0.00449595	0.00429003
Public Benefit Organisation	0.00449595	0.00429003
Public Service Purpose	0.02247976	0.02145016
Valuations		
Residential	832 973 000	811 478 000
Commercial	647 999 000	647 580 000
Public service purposes	574 259 800	537 878 000
Municipal	42 175 500	41 355 500
Small holdings and farms	1 433 699 000	1 433 699 000
Other	229 625 000	274 328 300
	3 760 731 300	3 746 318 800
<p>Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2022. Rebates of R60 000.00 are granted to residential and 30% to public services infrastructure. Rates are levied on a monthly basis on property owners.</p> <p>Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p>		
27. Government grants & subsidies		
Operating grants		
Equitable share	169 597 000	153 601 000
Expanded Public Works Programme Grant	2 978 000	2 504 000
Financial Management Grant	3 000 000	2 900 000
Provincialisation of Libraries Grant	1 964 000	1 871 000
Community Libraries Services Grant	508 000	484 000
Municipal Infrastructure Grant	1 594 450	1 486 600

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27. Government grants & subsidies (continued)		
Integrated Spatial Development Economic Plan	727 600	496 892
Municipal Emergency Housing Grant	15 500 000	15 498 000
	195 869 050	178 841 492
Capital grants		
Municipal Infrastructure Grant	30 294 550	33 245 400
Belgrade Fitness Centre Grant	5 991 870	-
	36 286 420	33 245 400
	232 155 470	212 086 892
Equitable Share		
Current-year receipts	169 597 000	153 601 000
Conditions met - transferred to revenue	(169 597 000)	(153 601 000)
	-	-

No conditions had to be met for this grant in the financial year.

Municipal Infrastructure Grant

Current-year receipts	31 889 000	34 732 000
Conditions met - transferred to revenue	(31 889 000)	(34 732 000)
	-	-

This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of the community within the municipal boundaries. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023.

Finance Management Grant

Current-year receipts	3 000 000	2 900 000
Conditions met - transferred to revenue	(3 000 000)	(2 900 000)
	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023.

Expanded Public Works Programme Grant

Current-year receipts	2 978 000	2 504 000
Conditions met - transferred to revenue	(2 978 000)	(2 504 000)
	-	-

The Expanded Public Works Programme is a special performance based incentive provided to municipalities that contribute to the employment creation efforts of the EPWP through the employment of previously unemployed people. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023.

Integrated Spatial Development Economic Plan Grant

Balance unspent at the beginning of the year	1 003 108	500 000
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27. Government grants & subsidies (continued)		
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(727 600)	(496 892)
	275 508	1 003 108

The purpose of this grant is to develop an Integrated Spatial Development Plan for the municipality. Some conditions of this grant are still to be met (refer to note 12). No funds were withheld or surrendered as at the 30th of June 2023.

Community Libraries Grant

Current-year receipts	508 000	484 000
Conditions met - transferred to revenue	(508 000)	(484 000)
	-	-

This grant is used to pay salaries for Cyber Cadets and subsidise operational costs associated with libraries. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023.

Sub-Rank Facility Grant

Balance unspent at the beginning of the year	3 417	3 417
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The purpose of this grant is to construct the Sub-Rank facility in Pongola Town. The conditions of this grant were not met (refer to note 12). No funds were withheld or surrendered as at the 30th of June 2023.

Provincialisation of Libraries Grant

Current-year receipts	1 964 000	1 871 000
Conditions met - transferred to revenue	(1 964 000)	(1 871 000)
	-	-

The purpose of this grant is to subsidise operational costs associated with libraries. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023.

Belgrade Fitness Center

Balance unspent at the beginning of the year	6 000 000	-
Current-year receipts	-	6 000 000
Conditions met - transferred to revenue	(5 991 870)	-
	8 130	6 000 000

The grant intends to promote and develop the sport and recreational activities within the municipality. Some conditions of this grant are still to be met (refer to note 12). No funds were withheld or surrendered as at the 30th of June 2023.

Municipal Emergency Housing Grant

Current-year receipts	15 500 000	15 498 000
Conditions met - transferred to revenue	(15 500 000)	(15 498 000)
	-	-

The purpose of this grant is provide emergency housing to the community of uPhongolo. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023

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28. Employee related costs

Salaries and wages	83 895 209	71 302 453
Once-off allowance	77 333	830 000
Performance and other bonus	5 829 182	4 776 394
Medical aid - company contributions	3 848 736	3 591 661
UIF- company contributions	662 497	559 314
WCA	1 029 311	491 785
SDL	1 049 481	879 144
Standby allowance	1 222 718	1 760 664
Leave payout	2 638 146	1 560 696
Shift allowance	92 799	-
Remote allowance	152 629	140 649
Group Life Insurance- company contributions	-	3 390
Pension and provident fund	10 215 542	9 057 405
Car allowances	7 441 891	5 698 867
Overtime payments	3 397 651	2 619 579
Long-service awards	158 270	1 108 636
Acting allowances	888 176	391 508
Cellphone allowance	1 385 199	376 227
Housing benefits and allowances	62 730	50 341
Industrial Council	40 057	32 898
	124 087 557	105 231 611

Remuneration of Municipal Manager: MB Khali

Annual Remuneration	1 061 252	562 484
Allowances	394 478	208 474
Leave Payout	85 219	-
Contributions to UIF, Medical, Pension Funds & SDL	15 523	7 382
	1 556 472	778 340

Mr. MB Khali was appointed on acting capacity from the 14th of December 2021, he was subsequently appointed as the Municipal Manager effective from the 01st of August 2022.

Remuneration of Former Municipal Manager: WM Nxumalo

Annual Remuneration	11 596	773 069
Allowances	15 255	168 922
Leave Payout	249 757	-
Contributions to UIF, Medical, Pension Funds & SDL	2 813	7 809
	279 421	949 800

Mr. WM Nxumalo was suspended on the 14th of December 2021, he subsequently resigned on the 23rd of March 2022.

Remuneration of Chief Financial Officer: KWG Ngcobo

Annual Remuneration	715 835	-
Allowances	312 633	-
Contributions to UIF, Medical, Pension Funds & SDL	9 123	-
	1 037 591	-

Mr. KWG Ngcobo was appointed as the CFO from the 01st of September 2022.

Remuneration of Former Chief Financial Officer: JV Nkosi

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28. Employee related costs (continued)

Annual Remuneration	10 698	713 180
Allowances	15 255	185 295
Leave Payout	255 311	-
Contributions to UIF, Medical, Pension Funds & SDL	2 813	8 735
	284 077	907 210

Mr. JV Nkosi was suspended on the 14th of December 2021, he subsequently resigned on the 23rd of March 2022.

Remuneration of Acting Chief Financial Officer: SF Mkhize

Acting Allowance	15 403	50 275
Other Allowances	28 800	131 549
	44 203	181 824

Mr. SF Mkhize was appointed to act as the CFO from the 14th of December 2021 to 31st of August 2022. He was paid the acting allowance for the period served.

Remuneration of Director Planning and Economic Development: MVM Mbatha

Annual Remuneration	868 523	634 730
Allowance	390 796	280 989
Contributions to UIF, Medical and Pension Funds	11 464	8 379
	1 270 783	924 098

Mr MVM Mbatha was appointed on the 01 September 2021.

Remuneration of Director Community Services: BA Mkhonza

Annual Remuneration	488 178	705 256
Allowance	39 275	235 190
Contributions to UIF, Medical and Pension Funds	5 923	9 814
Leave Payout	95 284	-
	628 660	950 260

Mr. BA Mkhonza was appointed on the 01st of September 2021, and he was suspended on the 08th of April 2022 and subsequently resigned on the 23 August 2022. Director Planning & Economic Development (Mr MVM Mbatha) was appointed to act on Director Community Services position until March 2023.

Remuneration of Acting Director Corporate Services: Miss SSP Xaba

Annual Remuneration	24 264	23 104
Allowance	27 168	58 800
	51 432	81 904

Miss SSP Xaba was appointed on an acting capacity from 05th of December 2022 to 04th of March 2023. She was paid the acting allowance for the period served. SSP Xaba was subsequently appointed on a permanent bases from the 20th of March 2023.

Remuneration of Director Corporate Services: Mr BA Mkhonza

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28. Employee related costs (continued)

Annual Remuneration	-	141 051
Car Allowance	-	62 442
Contributions to UIF, Medical and Pension Funds	-	1 804
Leave payout	-	136 748
	-	342 045

Mr. BA Mkhonza resigned on the 31st of August 2021, and he was subsequently appointed as Director Community Services from the 01st of September 2021.

Remuneration of Director Technical Services: Miss NR Msimango

Leave payouts	-	139 451
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Miss NR Msimango was dismissed on the 24th of June 2021. Mr. JV Nkosi was subsequently appointed to act on Director Technical, no allowance were paid for his acting.

Remuneration of Acting Chief Financial Officer: TI Khanye

Acting Allowance	-	23 104
Other Allowances	-	58 800
	-	81 904

Mr. TI Khanye was appointed to act as the CFO from the 01st of July 2021 to 30th of September 2021. He was paid the acting allowance for the period served.

Remuneration of Director Community Service: BCX Dladla

Annual Remuneration	243 384	-
Other Allowances	106 295	-
Contributions to UIF, Medical and Pension Funds	3 329	-
	353 008	-

Mr. BCX Dladla was appointed as the Director Community Services from the 20th of March 2023.

Remuneration of Director Technical Services: M Buthelezi

Annual Remuneration	209 978	-
Other Allowance	91 706	-
Contributions to UIF, Medical and Pension Funds	2 909	-
	304 593	-

Mr. M Buthelezi was appointed as the Director Technical Services from the 01st of April 2023.

Remuneration of Acting Director Technical Services: GM Simelane

Annual Remuneration	24 264	-
Allowances	32 353	-
	56 617	-

Mr. GM Simelane was appointed on an acting capacity from the 05th of December 2022 to the

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28. Employee related costs (continued)

04th of March 2023. He was paid the acting allowance for the period served.

Remuneration of Director Corporate Services: SSP Xaba

Annual Remuneration	243 384	-
Allowances	106 295	-
Contribution to SDL	3 351	-
	353 030	-

Miss SSP Xaba was appointed as the Director Corporate Services from the 20th of March 2023

29. Remuneration of councillors

Item description	Basic Salary	Other benefits	2023
Mayor	915 386	53 789	969 175
Deputy Mayor	528 999	49 926	578 925
Speaker	310 367	148 888	459 255
Chief Whip	282 081	142 382	424 463
MPAC Chair	325 571	111 838	437 409
Executive Committee	908 320	317 532	1 225 852
Other Councillor's	5 458 367	1 674 716	7 133 083
	8 729 091	2 499 071	11 228 162

Item description	Basic Salary	Other benefits	2022
Mayor	697 254	51 687	748 941
Deputy Mayor	381 710	48 532	430 242
Speaker	333 685	96 460	430 145
Chief Whip	229 268	31 049	260 317
MPAC Chair	269 224	78 977	348 201
Executive Committee	888 160	331 466	1 219 626
Other Councillors	5 126 125	1 714 057	6 840 182
	7 925 426	2 352 228	10 277 654

In-kind benefits

The municipality had a change in Council Structure after the Local Government election held on the 1st of November 2021. Municipality has 29 Councillors, both Mayor and Deputy Mayor are full-time Councillors. The Speaker and the Executive Committee Members are part-time. Each is provided with an office and secretarial support at the cost of the Council.

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

The Mayor, Deputy Mayor and Speaker each have full-time contracted bodyguards.

30. Depreciation, amortisation and impairment

Property plant and equipment	24 835 342	27 484 223
Intangible assets	537 105	539 683
	25 372 447	28 023 906

31. Finance costs

Loan and penalty fees	97 199	289 357
Landfill - capitalised	1 227 311	1 105 188
Actuarial interest cost	579 153	342 710

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31. Finance costs (continued)		
	1 903 663	1 737 255
32. Debt impairment		
Debt impairment- receivables from non-exchange and exchange transactions	5 925 865	33 732 889
33. Bulk purchases		
Electricity - Eskom	35 985 209	36 689 378
Electricity losses		
Units purchased	23 333 619	26 723 796
Units sold	(18 333 544)	(21 562 328)
Total loss	5 000 075	5 161 468
Electricity losses in Rands comprises of:		
Electricity losses	7 686 015	6 986 422
Percentage Loss:		
Electricity losses	21 %	19 %
<p>The municipality purchased 23 333 619 (2022: 26 723 796) from Eskom and unit sold was 18 333 544 (2022: 21 562 328) to customers. This represents a loss of 5 000 075 units (2022: 5 161 468) which equates to R7 686 015 (2022: R6 986 422) and translates to a percentage of 21% (2022:19%) electricity losses as a result of technical losses and illegal connections</p>		
34. Operational costs		
Advertising	484 788	1 169 689
Auditors remuneration	2 068 872	1 992 679
Bank charges	187 331	330 218
Consulting and professional fees	406 962	1 957 449
Entertainment	578 912	73 517
EPWP & Town Beautification	209 469	160 228
Insurance	999 770	1 507 884
IT Audit	492 800	-
License fees	2 189 943	1 420 862
Fuel and oil	6 090 927	3 500 516
Printing and stationery	890 032	586 106
Public participation	1 399 064	1 574 076
Repairs and maintenance	13 034 420	14 705 586
Social relief	1 403 926	1 023 654
Contracted services	29 312 722	51 414 470
Subscriptions and membership fees	1 328 626	1 208 830
Telephone and fax	955 017	1 285 785
Training	2 243 256	796 807
Travel - local	3 945 861	4 763 683
Refuse	1 204 567	1 079 507
Title deed search fees	2 622 000	1 377 600
Other expenses	30 315 200	27 244 397
	102 364 465	119 173 543

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35. Fair value adjustments		
Investment property (Fair value model)	1 743 618	1 620 380
36. Auditors' remuneration		
Fees	2 068 872	1 992 679
37. Cash generated from operations		
Surplus	26 665 544	4 460 201
Adjustments for:		
Loss on sale of assets and liabilities	-	147 351
Finance cost	1 806 464	342 710
Actuarial losses added back	3 804 909	1 522 170
Depreciation	25 372 447	28 023 906
Fair value gain	(1 743 618)	(1 620 380)
PPE disposal	350 698	-
Other non-cash items	(1 360)	(148 433)
Correction of error (Note 42)	-	1 628 464
Movements in provision:		
Movement in LSA	(776 656)	336 077
Movement in PEMA	(262 744)	-
Movements in bonuses	154 791	(336 675)
Changes in working capital:		
Receivables from exchange transactions	(187 035)	(3 783 423)
Statutory receivables from non-exchange transactions	(391 082)	(3 829 595)
Other assets	-	(91 537)
Trade and other payables from non-exchange transactions	(8 604 199)	8 387 838
Trade and other payables from exchange transactions	(9 579 505)	6 032 196
Movement in VAT	(2 167 251)	3 383 413
	34 441 403	44 454 283

38. Commitments

2022/2023	Community Assets	Infrastructure Assets	Plant & Machinery	Total
Commitments for the acquisition of property, plant and equipment	-	-	185 100	185 100
Commitments to construct or develop property, plant and equipment	13 493 015	47 634 588		61 127 603
	13 493 015	47 634 588	185 100	61 312 703
2021/2022	Community Assets	Infrastructure Assets	Plant & Machinery	Total
Commitments for the acquisition of property, plant and equipment	-	-	16 276 800	16 276 800
Commitments to construct or develop property, plant and equipment	12 463 575	10 154 891	-	22 618 466
	12 463 575	10 154 891	16 276 800	38 895 266

The committed expenditure has been disclosed exclusive of VAT. These committed capital expenditure relates only to property, plant and equipment. This commitments will financed through government grant and internal revenue.

39. Contingencies

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39. Contingencies (continued)

Contingent liabilities

Pongola advertiser suing the municipality	-	141 163
Bongani Sielency Qwabe suing the municipality	87 830	77 383
	87 830	218 546

The municipality lost the case against Pongola advertiser and paid the amount of R141 163.

Contingent assets

Elam investments-payment made for accommodation during SALGA games	164 840	164 840
Sehla JV	4 513 647	-
	4 678 487	164 840

40. Related parties

Relationships

Key management personnel

Councillors

Senior Managers

Refer to Remuneration of Councillors note 29

Refer to Employee Related Cost note 28

There were no related party transactions that were not at arms length during the financial period.

41. Change in estimate

Property plant and equipment

During the current financial year, the municipality performed the conditional assessments on assets and valuation on landfill site. With assets that were nearing their useful lives or that had impairment indicators, the remaining useful life was adjusted to take into account the current situation. The result of adjustment in change in expected depreciation. In the current year, the depreciation increase/ decreased by R698 721.27 and in future years the depreciation will increase/ decrease by the same amount.

The result of adjustment in change in expected provision. In the current year, the provision for landfill site decreased by R1 615 471.00 and it is impracticable to estimate the future implication of this change in estimate.

42. Prior period errors

Certain comparative figures have been restated due to errors, reclassification and change in accounting policies identified in the current year. The effects of the restatement are as follows:

Accumulated surplus

Audited balance	399 316 364
Reversal of amnesty granted	(21 416)
Movements in VAT accounts	77 600
Reversal of Wesbank loan debtor	(91 537)
Reversal of Belgrade refuse billing	(1 617 200)
Reversal of electricity internal billing	(177 136)
Reversal of electricity interest internal billing	(338 114)
De-recognition of a written-off motor vehicle	40 533
Reversal of ncorrect invoices	(1 313 710)
Recognition of ommitted payments	525 896
Correction of an understated LSA	349
Reversal of incorrect Belgrade refuse billing	1 406 261
Recognition of Grap 11 transactions-Revenue	55 264 484
Recognition of Grap 11 transactions-Expenditure	(55 264 482)
Reversal of overstated revenue	691
Corretion of Wesbank refund misallocation	91 537
Amnesty granted	21 416

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42. Prior period errors (continued)

Reclassification of in-kind services	(1 023 654)
Reclassification of in-kind services, recognition and derecognition of invoices	1 040 807
Reversal of overstated actuarial loss	(2 548)
Recognition of loss in capital assets	(40 533)
	397 895 608

Operational revenue

Audited balance	1 718 737
Reversal of Wesbank refund misallocation	(91 537)
Reclassification of Agency fees	(955 326)
	671 874

Agency Services

Audited balance	-
Reclassification of Agency fees	955 326
	955 326

Surplus for the year

Audited balance	6 088 665
Net movements	(1 628 464)
	4 460 201

Long- service awards

Audited balance	1 969 153
Correction of overstated actuarial gains/ losses	349
	1 969 502

VAT Payable/ Receivables

Audited balance	1 559 772
Movement within VAT input and output	77 703
	1 637 475

Rental of facilities and equipment

Audited balance	620 666
Reversal of overstated revenue	(691)
	619 975

Trade and other payables from exchange transactions

Audited balance	42 506 604
Incorrect invoice reversals	(1 317 618)
Recognition of omitted invoice	15 139
Recognition of omitted medical aid for pensioners	514 652
	41 718 777

Construction contract revenue and expenditure

Audited Balance	-
Reclassification of GRAP 11 projects-INEP	12 652 362
Reclassification of GRAP 11 projects-HS	42 612 120
	55 264 482

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42. Prior period errors (continued)

Operational costs

Audited Balance	118 079 315
Movements in other payments	70 574
Reclassification of social relief expenditure	1 023 654
	119 173 543

Statutory receivables from non-exchange transactions

Audited balance	16 238 233
Reclassification of internal billing	(21 416)
	16 216 817

Receivables from exchange transactions

Audited balance	15 897 424
Reversal of refuse billing	(1 617 200)
Reversal of electricity internal billing	(177 136)
Reversal of electricity interest internal billing	(338 114)
	13 764 974

Service charges

Audited balance	59 122 772
Reversal of Belgrade refuse billing 21-22	(1 406 261)
	57 716 511

Transfers and Subsidies

Audited balance	1 023 654
Reclassification of social relief expenditure	(1 023 654)
	-

Debt Impairment

Audited balance	33 711 473
Amnesty granted	21 416
	33 732 889

Other current assets

Audited balance	91 537
Reallocation of Wesbank refund	(91 537)
	-

Employee benefit obligation: non-current portion

Audited balance	3 196 154
Reclassification of current obligation	(279 697)
	2 916 457

Employee benefits obligation - current portion

Audited balance	-
Reclassification of current obligation	279 697
	279 698

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42. Prior period errors (continued)

Property plant and equipment

Audited balance	362 550 768
de-recognition of a written-off motor vehicle	(40 533)
	362 510 235

Long service award: non-current portion

Audited balance	1 969 502
Reclassification of Long Service Award current portion	(34 560)
	1 934 942

Long service award: current portion

Audited balance	-
Reclassification of Long Service Award current portion	34 560
	34 560

Provisions: non - current portion

Audited balance	11 106 887
Reclassification of current year provision	(1 227 311)
	9 879 576

Provisions: current portion

Audited balance	177 724
Reclassification of current year provision	1 227 311
	1 405 035

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43. Risk management

Financial risk management

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

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

Consumer deposits	2 842 007	2 862 261
Trade payables from exchange transactions	32 139 272	41 718 777
Current portion of loans	-	1 235 113
	34 981 279	45 816 151

The municipality objective when managing its capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the municipality consist of debt, which includes borrowings (excluding derivative financial liabilities) disclosed in note 13 and 16, cash and cash equivalents in note 10 and equity as disclosed in statement of financial position. There are no externally imposed capital requirements. There have been no changes on what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements for the previous year.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated 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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

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

Financial instrument	2023	2022
Cash and cash equivalents	5 864 260	10 432 776
Receivables from exchange transactions	13 952 009	13 764 974
	-	-

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

44. 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.

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44. Going concern (continued)

In assessing the going concern, management noted some regression on ratios. However, the management is comfortable with the municipality's ability to continue operating as a going concern.

The following measures are being implemented by management to improve the municipality's cash flow going forward:

- Implementation of cost cutting measures
- Strict monitoring of the credit control and debt collection policy

Although there are some negative financial indicators, the municipality continues to adopt the going concern assumption as it is management's view that the municipality will continue to operate in its present form for the foreseeable future.

45. Events after the reporting date

The UIFW expenditure as per below notes was written-off by Council on the 28th of August 2023.

46. Unauthorised expenditure

Opening balance as previously reported	77 328 898	34 216 465
Employee related costs	1 890 497	1 793 986
Remuneration of Councillors	424 884	118 216
Debt impairment	-	23 256 073
Depreciation and amortisation	-	288 009
Debtors written-off	11 811 690	-
Finance charges	427 242	1 237 255
Operational expenditure	7 469 611	14 789 906
Construction contract expenditure	5 752 895	-
Actuarial losses	3 585 051	1 522 170
Loss on disposal of assets	350 698	106 818
Bulk Purchases	738 222	-
Less: Amount written-off by Council	(77 328 898)	-
Closing balance	32 450 790	77 328 898

The above unauthorised expenditure within the votes was as a result of year-end accounting transactions exceeding the allocated budget. This unauthorised expenditure will be tabled in the adjustment budget when the annual report is tabled in accordance with Section 23(6) of the budget and reporting regulations.

47. Fruitless and wasteful expenditure

Opening balance as previously reported	8 483 565	621 650
Add: Current year	100 593	7 861 915
Less: Amount written-off by Council	(626 379)	-
Closing balance	7 957 779	8 483 565

The fruitless and wasteful expenditure incurred during the current year has been presented to the Council. Investigation was conducted for prior years fruitless and wasteful expenditure, some were written-off as irrecoverable while some are under the process of recovering.

Fruitless and wasteful expenditure relates to interest, penalties on late payments and invalid payments made.

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on late payments	Reported to council	30 543	33 092
invalid payments made	Under investigation	-	7 828 823
SARS penalty on incorrect refunds	Reported to council	70 050	-

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	2023	2022
47. Fruitless and wasteful expenditure (continued)	100 593	7 861 915
48. Irregular expenditure		
Opening balance as previously reported	68 461 705	43 848 435
SCM processes not followed	732 248	23 277 364
Recruitment and selection process not followed	-	1 335 906
Less: Amount written-off by Council	(53 994 902)	-
Closing balance	15 199 051	68 461 705

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

	2023	2022
Disciplinary steps taken/criminal proceedings		
Reported to council	732 248	23 277 364
Reported to council	-	1 335 906
	732 248	24 613 270

The figures reported above are inclusive of VAT.

Investigation was conducted for prior years irregular expenditure, some were written-off as irrecoverable while some are under the process of recovering.

49. Additional disclosure in terms of Municipal Finance Management Act Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	1 338 626	1 208 830
Amount paid - current year	(5 000)	(1 208 830)
	1 333 626	-

Audit fees

Opening balance	-	4 686
Current year subscription / fee	2 379 976	970 068
Amount paid - current year	(2 379 976)	(970 068)

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49. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Amount paid - previous years	-	(4 686)
	-	-
PAYE and UIF		
Opening balance	1 391 383	-
Current year subscription / fee	20 462 410	16 971 330
Amount paid - current year	(20 356 710)	(15 579 947)
Amount paid - previous years	-	-
	1 497 083	1 391 383
Pension and Medical Aid Deductions		
Opening balance	1 710 594	-
Current year subscription / fee	22 712 045	20 339 589
Amount paid - current year	(22 354 412)	(18 628 995)
Amount paid - previous years	-	-
	2 068 227	1 710 594
VAT		
VAT receivable/ (payables)	3 804 726	1 637 475

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

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

Councillors' arrear consumer accounts

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr SR Mhlongo	14 780	202 904	217 684
Cllr CN Nxumalo-Sibiya	1 717	67 167	68 884
Cllr BES Ntshangase	638	30 174	30 812
Cllr CN Mavundla	1 933	13 258	15 191
Cllr JB Ngema	638	24 038	24 676
Cllr MP Mafuleka	395	13 180	13 575
Cllr KE Nxumalo	599	-	599
	20 700	350 721	371 421
30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr SR Mhlongo	7 096	185 056	192 152
Cllr CN Nxumalo-Sibiya	2 367	72 448	74 815
Cllr BES Ntshangase	1 061	27 200	28 261
Cllr CN Mavundla	2 014	25 389	27 403
Cllr JB Ngema	993	21 132	22 125
Cllr MP Mafuleka	588	11 521	12 109
Cllr KE Nxumalo	572	-	572
	14 691	342 746	357 437

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50. Deviation from supply chain management regulations

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 and includes a note to the annual financial statements.

Section 36 Deviations

SCM Regulation36(1)(a)(i)-Emergency	1 021 655	14 107 878
SCM Regulation36(1)(a)(ii)-Single provider only	332 084	48 747
SCM Regulation36(1)(a)(v)-Impractical to follow the procurement processes	600 324	5 256 658
	1 954 063	19 413 283

51. Budget differences

Material differences between budget and actual amounts

Reason were provided for variance more than 5%, as these were considered material.

Statement of Financial Performance:

Construction contract revenue: This was budgeted for under transfers and subsidies.

Rental of facilities and equipment: The decrease was due to slow demand on municipal premises available for rental.

Interest on receivables: The budget was overstated.

Agency fees: This was budgeted for under operational revenue.

Licenses and permits: The decrease is due to lower demand.

Operational revenue: The increase is due to LG SETA refunds and cleanest town award received.

Interest earned from current assets: The increase was due to change in investment method.

Loss on disposal: No disposal were anticipated during the final budget preparation.

Government grants and subsidies: decrease is due to DSR grant not received and classification of construction contract revenue budgeted under grants.

Fines, penalties and forfeits: The decrease is due improvement on compliance with road regulations.

Finance costs: The budget was understated.

Debt impairment: This was due to the implimentation of the indigent thus there were less debtors to be impaired.

Debtors written-off: This was budgeted for under debt impairment, and the implimentation of the indigent register.

Operational expenditure: The increase was due to high legal cost, security demand and new fleet bought.

Construction contract expenditure: This items were budgeted as operational cost and later reclassified.

Fair value adjustment: The budget was understated.

Actuarial losses: The municipality anticipated lower losses on actuarial evaluation.

Statement of Financial Position

Statutory receivable from non-exchange: More less payments were recieved than anticipated.

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51. Budget differences (continued)

VAT Receivable: More refunds were received from SARS than anticipated.

Cash and cash equivalents: This was due to the VAT refunds received from SARS than anticipated.

Finance lease obligation: There were no payments made during the financial period.

Trade and other payables from exchange transaction: This was due to cashflow problems.

Trade and other payables from non-exchange transaction: There were 3 conditional grants that were not fully spent by year end.

Employee benefit obligations: The figures are based on the expected valuations thus cannot budget for it.

Provisions: The landfill is based on the actuarial valuer's valuation thus cannot budget for it.

Long-service award: The figures are based on the expected valuations thus cannot budget for it

Statement of cash flows

Sale of goods and services: This was due to the implementation of the revenue enhancement strategy.

Grants: This was because the INEP grant was withheld, and there were 3 unspent conditional grants.

Interest income: This was a result of change in investment method.

Finance Costs: Interest associated with the expected valuations was less than budgeted.

Cash and cash equivalents: This was due to the VAT refunds received from SARS than anticipated

52. Actuarial losses

Losses from a change in fair value from employee benefit obligations	698 651	(1 191 193)
Losses from a change in fair value from long service awards	(4 503 560)	(328 429)
	(3 804 909)	(1 519 622)

53. Construction contracts

Construction contract revenue

Integrated national electrification programme	4 112 855	12 652 362
Human Settlement Grant	1 640 041	42 612 119
	5 752 896	55 264 481

Construction contract expenditure

Integrated national electrification programme	(4 112 855)	(12 652 362)
Human Settlement Grant	(1 640 041)	(42 612 119)
	(5 752 896)	(55 264 481)

Construction contract narrations

Human Settlement Grant

This grant relates to the implementation and provision of housing projects to the needy communities. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023. This grant is accounted for in terms of GRAP 11.

Balance unspent at the beginning of the year	759 111	-
Current-year receipts	880 930	43 371 230

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	2023	2022
53. Construction contracts (continued)		
Conditions met - transferred to revenue	(1 640 041)	(42 612 119)
	-	759 111

Integrated National Electrification Programme Grant

The purpose of the grant is to address the electrification backlog of permanently occupied dwellings and the installation of bulk infrastructure in order to improve quality of supply. Some conditions of this grant were not met, hence funds were withheld by funder due to slow spending on agreed projects as at the 30th of June 2023. This grant is accounted for in terms of GRAP 11. The transactions for this grant are disclosed exclusive of VAT as per National Treasury guidelines.

Balance unspent at the beginning of the year	449 783	-
Current-year receipts	8 200 000	15 000 000
Conditions met - transferred to revenue	(4 729 783)	(14 550 217)
Funds withheld by funder	(3 920 000)	-
	-	449 783

54. Agency services

Services Provided	948 852	955 326
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The municipality is the party to a principal-agent arrangement.

Department of Transport

The agreement requires the municipality to perform all the testing functions on behalf of the department which consist of driving licence test center functions. The municipality is an agent to the agreement as they are responsible for performing testing functions (testing functions, learners, vehicle registration, etc) on behalf of the Department. Thus a principal agent arrangement exist. The municipality is the agent in term of GRAP 109.

The municipality as an agent

The aggregate amount of revenue recognised as a result of functions performed is R948 852 (2022: R955 326).

Department of Tourism

The municipality was required to upgrade the Koppie-Allen Guesthouse used for booking by tourist visiting uPhongolo territory. This grant is accounted for in terms of GRAP 109, therefore the expenditure and revenue is not recognised in the books of the municipality.

Koppie-Allen guesthouse funding	2023	2022
Balance unspent at the beginning of the year	675 836	-
Current-year receipt	-	2 500 000
Conditions met	(675 836)	(1 824 164)
	-	675 836

55. Debtors written-off

Debtors written-off		
Indigent write-off	11 811 690	-

The municipality developed and approved the indigent register. Above-mentioned debtors were written-off after being assessed as indigent household.

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56. Segment information

Identification of segments

The municipality is organised and reports to management on the basis of three functional segments.

To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance.

The three functional segments comprise of:

- Community and public safety which includes community and social services, sport and recreation, waste management, and public safety,
- Planning and development services which includes planning and development, technical services, and housing services; and
- Finance and Admin services which includes finance, governance and administration.

Basis of measurement and aggregation

The uPhongolo local municipality has 15 wards within its jurisdiction. The aggregation of these segments is consistent with the functional classification in compliance with MSCOA.

Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units

The functional classification considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes

Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

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56. Segment information (continued) 2023

	Finance & Admin	Community & Public Safety	Planning & Development	Total
Revenue				
Revenue from exchange transactions	-	10 820 849	45 695 926	56 516 775
Service charges	-	500 849	-	500 849
Rental of facilities and equipment	828 482	-	-	828 482
Interest received (trading)	-	1 718 051	-	1 718 051
Licence and permits	4 204 855	998 859	183 635	5 387 349
Operational revenue	2 449 102	-	-	2 449 102
Interests earned from current assets	-	-	-	-
Revenue from non-exchange transactions	45 570 560	-	-	45 570 560
Property rates	103 903 065	59 790 563	68 461 842	232 155 470
Government grants and subsidies	-	1 681 100	-	1 681 100
Fines, penalties and forfeits	-	-	5 752 895	5 752 895
Construction contract revenue	-	-	-	-
Agency services	-	948 852	-	948 852
Total segment revenue	156 956 064	76 459 123	120 094 298	353 509 485
Expenditure				
Employee related costs	51 348 469	50 603 621	22 135 467	124 087 557
Remuneration of councillors	11 228 161	-	-	11 228 161
Depreciation, amortisation and impairment	4 545 722	3 241 141	17 585 584	25 372 447
Finance costs	676 352	1 227 311	-	1 903 663
Debt impairment	2 919 821	2 864 032	142 012	5 925 865
Debt written-off	-	11 811 690	-	11 811 690
Bulk purchases	-	-	35 985 209	35 985 209
Operational costs	58 125 599	21 453 287	22 785 579	102 364 465
Fair value adjustments	(1 743 618)	-	-	(1 743 618)
Construction contract expenditure	-	-	5 752 895	5 752 895
Actuarial losses	3 804 909	-	-	3 804 909
Loss on disposal of capital assets	350 698	-	-	350 698

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	Finance & Admin	Community & Public Safety	Planning & Development	Total
56. Segment information (continued)				
Total segment expenditure	131 256 113	91 201 082	104 386 746	326 843 941
Total segmental surplus/(deficit)				26 665 544
Assets				
Current assets				
Statutory receivables from non-exchange transactions	-	-	-	-
VAT receivable	15 017 827	1 590 072	-	16 607 899
Receivables from exchange transactions	3 804 726	-	-	3 804 726
Cash and cash equivalents	1 508 823	3 997 572	8 445 614	13 952 009
Non-current assets	5 864 260	-	-	5 864 260
Investment property	-	-	-	-
Property, plant and equipment	65 220 998	-	-	65 220 998
Intangible assets	66 282 518	108 582 337	198 460 586	373 325 441
Heritage assets	747 117	-	-	747 117
	70 945	-	-	70 945
Total assets	158 517 214	114 169 981	206 906 200	479 593 395
Additions to non-current assets				37 754 576
Total additions				37 754 576
Liabilities				
Current liabilities				
Trade and other payables from exchange transactions	-	-	9 192 471	32 139 272
Consumer deposits	22 946 801	-	-	2 842 007
Trade and other payables from non-exchange transactions	2 842 007	-	-	287 056
Provision for bonuses	-	-	287 056	332 515
Non-current liabilities	332 515	-	-	-
Other financial liabilities	-	-	-	-
Employee benefits obligations	341 542	-	-	341 542
Provisions	2 573 398	-	-	2 573 398
Long service awards	-	10 718 727	-	10 718 727
	5 936 920	-	-	5 936 920
Total segment liabilities	34 973 183	10 718 727	9 479 527	55 171 437

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56. Segment information (continued) 2022

Revenue	Finance & Admin	Community & Public Safety	Planning & Development	Total
Revenue from exchange transactions	-	-	-	-
Service charges	-	10 809 499	46 907 012	57 716 511
Rental of facilities & equipment	619 975	-	-	619 975
Construction contract revenue	-	-	55 264 482	55 264 482
Interest received (trading)	9 277 236	8 877 978	1 039 043	19 194 257
Licence & permits	-	1 437 218	-	1 437 218
Operational revenue	671 874	-	-	671 874
Agency services	-	955 326	-	955 326
Interests earned from current assets	1 301 061	-	-	1 301 061
Revenue from non-exchange transactions	-	-	-	-
Property rates	43 252 956	-	-	43 252 956
Government grants & subsidies	156 501 000	17 853 000	37 732 892	212 086 892
Fines, penalties & forfeits	-	2 136 960	-	2 136 960
Total segment revenue	211 624 102	42 069 981	140 943 429	394 637 512
Municipality's revenue				394 637 512
Expenditure				
Employee Related Cost	39 098 222	45 997 553	20 135 836	105 231 611
Remuneration of Councillors	10 277 654	-	-	10 277 654
Depreciation, Amortisation & Impairment	16 685 953	703 444	10 634 509	28 023 906
Finance Costs	1 737 255	-	-	1 737 255
Debt Impairments	15 364 761	17 375 221	992 907	33 732 889
Bulk Purchases	-	-	36 689 378	36 689 378
Construction contract expenditure	-	-	55 264 482	55 264 482
Operational Cost	73 396 335	21 129 350	24 647 858	119 173 543
Fair Value Adjustments	(1 620 380)	-	-	(1 620 380)
Actuarial losses	1 519 622	-	-	1 519 622
Loss on disposal of capital assets	147 351	-	-	147 351
Total segment expenditure	156 606 773	85 205 568	148 364 970	390 177 311
Total segmental surplus/(deficit)				4 460 201

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Figures in Rand

	Finance & Admin	Community & Public Safety	Planning & Development	Total
56. Segment information (continued)				
Assets				
Current assets				
Statutory receivables from non-exchange transactions	-	-	-	-
Receivables from exchange transactions	14 702 298	1 514 519	-	16 216 817
Cash & cash equivalents	1 341 868	3 614 521	8 808 585	13 764 974
VAT Receivable	10 432 775	-	-	10 432 775
Non-current assets	1 637 475	-	-	1 637 475
Investment property	-	-	-	-
Property, plant & equipment	63 477 380	-	-	63 477 380
Intangible assets	188 207 702	70 064 559	104 237 974	362 510 235
Heritage assets	1 284 222	-	-	1 284 222
	-	70 945	-	70 945
Total segment assets	281 083 720	75 264 544	113 046 559	469 394 823
Additions to non-current assets				35 592 198
Total additions				35 592 198
Liabilities				
Current Liabilities				
Trade & other payables from exchange transaction	41 718 777	-	-	41 718 777
Consumer deposits	2 862 261	-	-	2 862 261
Trade & other payables from non-exchange transactions	3 417	6 759 111	2 128 727	8 891 255
Provisions	177 724	-	-	177 724
Long term loans-current portion	1 235 113	-	-	1 235 113
Non-Current Liabilities	-	-	-	-
Other financial liabilities	341 542	-	-	341 542
Employee benefit obligation	3 196 154	-	-	3 196 154
Provision	-	11 106 887	-	11 106 887
Long-service awards	1 969 502	-	-	1 969 502
Total segment liabilities	51 504 490	17 865 998	2 128 727	71 499 215
Total liabilities as per Statement of financial Position				71 499 215