Nongoma Local Municipality
(Registration number KZN265)
Annual Financial Statements
for the year ended 30 June 2022

General Information

Legal form of entity	Low Capacity Municipality (Local Government)
Nature of business and principal activities	Service Delivery
The following is included in the scope of operation	Service Delivery: Rates, waste management and general services.
	Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development.
	The mandate of the municipality is in terms of section 152 of the Constitution of South Africa
Mayor	Cllr M.A. Mncwango
Deputy Mayor	Cllr G.S Nkosi
Speaker	Cllr B.W .Zulu
Exco Members	Cllr N.M. Mthembu
	Cllr T.J Nsele
	Cllr J.T. Nkosi
	Cllr M.C. Ndabandaba
	Cllr K.M. Dladla
MPAC Chairperson	Cllr.P.W. Gumbi
MPAC Members	Cllr T.M. Ndwandwe
	Cllr M.A. Mtshali
	Cllr N.A. Manqele
	Cllr T.J.C Mthimkhulu
	Cllr M.E. Ndwandwe
	Cllr B.A. Mncwango
Chief Whip	Cllr S.S.P Mbatha
Ordinary Councillors	Cllr M.N. Sokhela
	Cllr C.S.P. Sithole
	Cllr F.M. Shongwe
	Cllr G.N. Mthiyane
	Cllr B.G. Ndwandwe
	Cllr S.L. Mbongwa
	Cllr S.A. Mhlongo
	Cllr D.J Mtshali
	Cllr M.P. Nxumalo
	Cllr S.S.Z. Dlamini
	Cllr N.S. Ntshangase
	Cllr T.M. Ndwandwe
	Cllr Z.H. Zungu
	Cllr N.Msomi
	Cllr N.P. Ndebele
	Cllr B.S Buthelezi
	Cllr B.L. Buthelezi
	Cllr M.H. Zulu
	Cllr V.P Mpanza
Out Going Councillors	Cllr A.N. Xulu
	Cllr B.J. Ntshangase
	Cllr R.Z. Buthelezi
	Cllr A.N. Ndabandaba

General Information

	Cllr S.A. Hlongwane
	Cllr N.P. Mlambo
	Cllr E.M. Masango
	Cllr D.P Cebekhulu
	Cllr P.M. Xhakaza
	Cllr J.Z. Zungu
	Cllr N.P Mbatha
	Cllr M.N. Mkhwanazi
	Cllr M.E. Nkosi
	Cllr E. Shiba
	Cllr J.T. Dlamini
	Cllr M.S. Hadebe
	Cllr N.B. Nhleko
	Cllr B.G. Ntombela
	Cclr S.C. Ngcobo
	Cllr S.M. Mbatha
	Cllr T.N. Mthethwa
	Cllr M.D. Ndwandwe
	llr Z.S. Hlongwa
	Cllr Sp Nhleko
	Cllr K.M. Mtshali
Grading of local authority	3
Acting Chief Finance Officer (CFO)	Mr N Shandu
Accounting Officer	Mr MM Zungu
Telephone	035 831 7500
Business address	Lot 103 Main Street Nongoma 3950
Postal address	P O Box 84 Nongoma 3950
Bankers	First National Bank
Auditors	Auditor General South Africa Registered Auditors
Attorneys	Nxumalo & Partners Shepstone & Wylie Lembede & Associates Dludlu Attorneys
Website	www.nongoma.gov.za

Index

The Reports and Statements set out below comprise the Annual Financial Statements presented to the Provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
UIF	Unemployment Insurance Fund
GRAP	Generally Recognised Accounting Practice
FMG	Financial Management Grant
AGSA	Auditor General South Africa
INEP	Intergrated National Electrification Program
LG SETA	Local Government Sector Education and Training Authority
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SARS	South African Revenue Services
PAYE	Pay As You Earn

Accounting Officer's Responsibilities and Approval

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The Accounting officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I also certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act..

The Annual Financial Statements set out on page 7, which have been prepared on the going concern basis, were approved by the on 31 August 2022 and were signed on its behalf by:

Mr MM Zungu
Accounting officer

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	6&8	5 843 839	5 913 651
Receivables from non-exchange transactions	7&8	38 131 979	31 428 935
VAT receivable	9	9 816 036	6 639 668
Cash and cash equivalents	10	-	14 663 019
		53 791 854	**58 645 273**
Non-Current Assets			
Property, plant and equipment	3	358 498 371	349 581 379
Intangible assets	4	29 092	43 416
		358 527 463	**349 624 795**
Total Assets		**412 319 317**	**408 270 068**
Liabilities			
Current Liabilities			
Finance lease obligation	11	786 527	815 589
Operating lease liability	5	81 633	77 602
Payables from exchange transactions	14	66 887 932	67 285 746
Unspent conditional grants and receipts	12	450 131	238 360
Provisions	13	179 067	774 766
Bank overdraft	10	12 155 850	-
		80 541 140	**69 192 063**
Non-Current Liabilities			
Finance lease obligation	11	2 607 873	3 387 597
Provisions	13	14 948 785	11 245 446
		17 556 658	**14 633 043**
Total Liabilities		**98 097 798**	**83 825 106**
Net Assets		**314 221 519**	**324 444 962**
Accumulated surplus		314 221 519	324 444 962
Total Net Assets		**314 221 519**	**324 444 962**

* See Note 42 & 41

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		27 036	13 168
Service charges	15	1 996 450	1 923 868
Rental of facilities and equipment	16	170 859	174 923
Interest income from long outstanding debtors	20	2 138 199	4 104 635
Licences and permits	18	1 007 661	838 861
Commissions received	19	80 311	90 492
Insurance Refund	19	-	63 377
Interest received - investment	21	410 075	706 290
Total revenue from exchange transactions		**5 830 591**	**7 915 614**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	27 352 097	25 510 632
Transfer revenue			
Government grants & subsidies	23	211 362 031	232 941 791
Public contributions and donations	24	4 217 496	-
Fines, Penalties and Forfeits	17	706 500	469 721
Total revenue from non-exchange transactions		**243 638 124**	**258 922 144**
Total revenue		**249 468 715**	**266 837 758**
Expenditure			
Employee related costs	25	(110 228 761)	(103 430 044)
Remuneration of councillors	26	(14 809 828)	(14 050 506)
Depreciation and amortisation	27	(24 450 378)	(21 093 897)
Finance costs	29	(3 416 355)	(896 910)
Lease rentals on operating lease	31	(599 638)	(976 780)
Debt Impairment	30	(694 191)	(9 968 422)
Contracted services	33	(49 792 319)	(48 112 198)
Free basic electricity	32	(106 629)	(113 451)
General Expenses	34	(55 941 290)	(58 969 952)
Total expenditure		**(260 039 389)**	**(257 612 160)**
Operating (deficit) surplus		**(10 570 674)**	**9 225 598**
Loss on disposal of assets and liabilities		(1 623 327)	-
Actuarial gains/losses		(97 000)	(585 783)
Impairment loss	28	(2 169 808)	(65 457)
Reversal of accrual		4 237 367	-
		347 232	**(651 240)**
(Deficit) surplus for the year		**(10 223 442)**	**8 574 358**

* See Note 42 & 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	317 220 698	317 220 698
Adjustments		
Correction of errors	(1 350 094)	(1 350 094)
Balance at 01 July 2020 as restated*	**315 870 604**	**315 870 604**
Changes in net assets		
Deficit for the year	8 574 358	8 574 358
Total changes	8 574 358	8 574 358
Restated* Balance at 01 July 2021	**324 444 961**	**324 444 961**
Changes in net assets		
Surplus for the year	(10 223 442)	(10 223 442)
Total changes	(10 223 442)	(10 223 442)
Balance at 30 June 2022	**314 221 519**	**314 221 519**

Note 41

* See Note 42 & 41

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		24 931 204	30 713 402
Grants		211 360 082	232 941 791
Interest income		410 075	706 290
Refunds Received		-	63 377
Rental income received (Rental of Billboards and Hall Hire)		205 875	174 923
Licence and permits		1 007 661	838 861
Fines, penalties and other receipts		193 637	469 721
Sale of goods		27 036	13 168
		238 135 570	265 921 533
Payments			
Employee costs		(125 038 590)	(119 415 694)
Suppliers		(107 628 653)	(104 193 462)
Finance costs		(376 089)	(896 910)
		(233 043 332)	(224 506 066)
Net cash flows from operating activities	36	**5 092 238**	**41 415 467**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(31 112 042)	(38 852 203)
Proceeds from sale of property, plant and equipment	3	9 721	-
Net cash flows from investing activities		**(31 102 321)**	**(38 852 203)**
Cash flows from financing activities			
Finance lease liability movements		(808 786)	3 771 770
Net increase/(decrease) in cash and cash equivalents		**(26 818 869)**	**6 335 034**
Cash and cash equivalents at the beginning of the year		14 663 019	8 327 985
Cash and cash equivalents at the end of the year	10	**(12 155 850)**	**14 663 019**

The accounting policies on pages 14 to 36 and the notes on pages 37 to 72 form an integral part of the annual financial statements.

* See Note 42 & 41

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	1 233 000	2 964 000	**4 197 000**	27 036	**(4 169 964)**	Note 50
Service charges	1 920 000	-	**1 920 000**	1 996 450	**76 450**	
Rental of facilities and equipment	305 000	(163 000)	**142 000**	170 859	**28 859**	Note 50
Interest income from long outstanding debtors	2 986 000	(1 093 000)	**1 893 000**	2 138 199	**245 199**	Note 50
Licences and permits	2 901 000	(871 000)	**2 030 000**	1 007 661	**(1 022 339)**	Note 50
Commissions received	-	-	-	80 311	**80 311**	
Interest received - investment	700 000	(350 000)	**350 000**	410 075	**60 075**	Note 50
Total revenue from exchange transactions	**10 045 000**	**487 000**	**10 532 000**	**5 830 591**	**(4 701 409)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	27 830 000	-	**27 830 000**	27 352 097	**(477 903)**	
Transfer revenue						
Government grants & subsidies	210 668 000	-	**210 668 000**	211 362 031	**694 031**	
Public contributions and donations	-	-	-	4 217 496	**4 217 496**	
Fines, Penalties and Forfeits	377 000	68 000	**445 000**	706 500	**261 500**	Note 50
Total revenue from non-exchange transactions	**238 875 000**	**68 000**	**238 943 000**	**243 638 124**	**4 695 124**	
Total revenue	**248 920 000**	**555 000**	**249 475 000**	**249 468 715**	**(6 285)**	
Expenditure						
Employee related costs	(105 922 000)	-	**(105 922 000)**	(110 228 761)	**(4 306 761)**	
Remuneration of councillors	(16 895 000)	2 300 000	**(14 595 000)**	(14 809 828)	**(214 828)**	
Depreciation and amortisation	(21 819 000)	12 889 000	**(8 930 000)**	(24 450 378)	**(15 520 378)**	Note 50
Impairment loss/ Reversal of impairments	-	-	-	(2 169 808)	**(2 169 808)**	
Finance costs	(900 000)	100 000	**(800 000)**	(3 416 355)	**(2 616 355)**	Note 50
Lease rentals on operating lease	-	-	-	(599 638)	**(599 638)**	
Debt Impairment	(2 000 000)	-	**(2 000 000)**	(694 191)	**1 305 809**	Note 50
Contracted Services	(30 008 000)	(7 766 000)	**(37 774 000)**	(49 792 319)	**(12 018 319)**	Note 50
Free Basic Electricity	(1 200 000)	(3 700 000)	**(4 900 000)**	(106 629)	**4 793 371**	Note 50
General Expenses	(33 427 000)	(5 427 000)	**(38 854 000)**	(55 941 290)	**(17 087 290)**	Note 50
Total expenditure	**(212 171 000)**	**(1 604 000)**	**(213 775 000)**	**(262 209 197)**	**(48 434 197)**	
Operating deficit	**36 749 000**	**(1 049 000)**	**35 700 000**	**(12 740 482)**	**(48 440 482)**	
Loss on disposal of assets and liabilities	-	-	-	(1 623 327)	**(1 623 327)**	
Actuarial gains/losses	-	-	-	(97 000)	**(97 000)**	
Reversal of accrual	-	-	-	4 237 367	**4 237 367**	
	-	**-**	**-**	**2 517 040**	**2 517 040**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit before taxation	**36 749 000**	**(1 049 000)**	**35 700 000**	**(10 223 442)**	**(45 923 442)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**36 749 000**	**(1 049 000)**	**35 700 000**	**(10 223 442)**	**(45 923 442)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	2 459 000	6 640 000	**9 099 000**	5 843 839	**(3 255 161)**	Note 50
Receivables from non-exchange transactions	65 347 000	(23 182 000)	**42 165 000**	38 131 979	**(4 033 021)**	Note 50
VAT receivable	-	-	-	9 816 036	**9 816 036**	Note 50
Cash and cash equivalents	18 968 000	(12 981 000)	**5 987 000**	(12 155 850)	**(18 142 850)**	
	86 774 000	**(29 523 000)**	**57 251 000**	**41 636 004**	**(15 614 996)**	
Non-Current Assets						
Property, plant and equipment	411 160 000	(17 331 000)	**393 829 000**	358 498 371	**(35 330 629)**	Note 50
Intangible assets	350 000	(307 000)	**43 000**	29 092	**(13 908)**	Note 50
	411 510 000	**(17 638 000)**	**393 872 000**	**358 527 463**	**(35 344 537)**	
Total Assets	**498 284 000**	**(47 161 000)**	**451 123 000**	**400 163 467**	**(50 959 533)**	
Liabilities						
Current Liabilities						
Finance lease obligation	766 000	(719 000)	**47 000**	786 527	**739 527**	Note 50
Operating lease liability	-	-	-	81 633	**81 633**	Note 50
Payables from exchange transactions	48 340 000	(12 215 000)	**36 125 000**	66 887 932	**30 762 932**	Note 50
Unspent conditional grants and receipts	-	-	-	450 131	**450 131**	Note 50
Provisions	-	7 445 000	**7 445 000**	179 067	**(7 265 933)**	Note 50
	49 106 000	**(5 489 000)**	**43 617 000**	**68 385 290**	**24 768 290**	
Non-Current Liabilities						
Finance lease obligation	3 370 000	18 000	**3 388 000**	2 607 873	**(780 127)**	Note 50
Provisions	17 113 000	-	**17 113 000**	14 948 785	**(2 164 215)**	Note 50
	20 483 000	**18 000**	**20 501 000**	**17 556 658**	**(2 944 342)**	
Total Liabilities	**69 589 000**	**(5 471 000)**	**64 118 000**	**85 941 948**	**21 823 948**	
Net Assets	**428 695 000**	**(41 690 000)**	**387 005 000**	**314 221 519**	**(72 783 481)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	428 695 000	(41 690 000)	**387 005 000**	314 221 519	**(72 783 481)**	

The accounting policies on pages 14 to 36 and the notes on pages 37 to 72 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When there is evidence that expected future economic benefits from an assets differs from previous assessment, the asset is impaired to its recoverable amount. The recoverable amount is expected to be the higher of fair value less costs to sale and value in use. Estimates are used to calculate value in use and fair value less costs to sale.

Provisions

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

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

An impairment loss for debtors is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

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

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

Item	Depreciation method	Average useful life
Land		Indifinite
Buildings	Straight-line	25 - 30 years
Plant and machinery	Straight-line	4 - 5 years
Furniture and fixtures	Straight-line	7 - 10 years
Motor vehicles	Straight-line	7 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	5 years
Leasehold assets	Straight-line	2 years
Infrastructure	Straight-line	10 - 50 years

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

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

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

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

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

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

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

1.4 Property, plant and equipment (continued)

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

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

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

1.5 Site restoration on landfill site asset

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.

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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

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

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

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

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

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

Accounting Policies

1.6 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.

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

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

1.7 Financial instruments

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

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Accounting Policies

1.7 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transaction	Financial asset measured at amortised cost
Receivables from Non-exchange transaction	Financial asset measured at amortised cost
VAT Receivables	Financial asset measured at amortised cost
Consumer deposit	Financial asset measured at amortised cost

Class	Category
Unspent Conditional Grant	Financial liability measured at amortised cost
Payables from exchange transaction	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost
Provision liability	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Subsequent measurement of financial assets and financial liabilities

Additional text

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

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost

1.7 Financial instruments (continued)

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

Financial liabilities

Financial liabilities

The entity 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.

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 entity 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 entity 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.

Sub-heading

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

1.8 Statutory receivables

Identification

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

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

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

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

1.8 Statutory receivables (continued)

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.

Impairment losses

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

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

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

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

1.8 Statutory receivables (continued)

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

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

Derecognition

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

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

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

1.9 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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.

1.9 Leases (continued)

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.

1.10 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.

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable 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 cash-generating asset is recognised immediately in surplus or deficit.

1.11 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.

Accounting Policies

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

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

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

A cash-generating unit is the smallest identifiable group of assets 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.

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.

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.

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

Value in use

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

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

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.

Accounting Policies

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

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.

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.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

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 entity, 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 entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, 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 entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity'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.

Accounting Policies

1.12 Employee benefits (continued)

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

Short-term employee benefits include items such as:
- wages, salaries and social security 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 recognises 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 entity recognises 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.

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 entity 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 recognises the expected cost of bonus, incentive and performance related payments when the entity 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 entity 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.

Accounting Policies

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect 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 post-employment benefit obligations.

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.

1.13 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

A contingent liability is:

(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

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

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

Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

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

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Accounting Policies

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

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

Accounting Policies

1.15 Revenue from exchange transactions (continued)

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 surveys of work performed.

Interest income

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

.

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:.

it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably, and to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.17 Investment income

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

1.18 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.

1.19 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.

Accounting Policies

1.19 Accounting by principals and agents (continued)

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).

Recognition

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

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

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

1.20 Comparative figures

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

1.21 Unauthorised expenditure

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

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

1.22 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.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -.
(a) this Act and has not been condoned in terms of section 170, or.
(b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act or
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998);
(d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Accounting Policies

1.23 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited 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.

1.24 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.25 Budget information

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

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

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

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

1.26 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (as revised 2021): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4 396 811	-	4 396 811	5 754 293	-	5 754 293
Buildings	17 310 772	(4 194 833)	13 115 939	16 021 172	(3 354 017)	12 667 155
Leased assets	4 564 494	(1 164 175)	3 400 319	4 686 832	(605 822)	4 081 010
Plant and machinery	4 527 107	(2 296 840)	2 230 267	4 825 235	(1 685 687)	3 139 548
Furniture and fixtures	4 175 767	(2 409 613)	1 766 154	3 847 353	(1 741 552)	2 105 801
Motor vehicles	10 973 681	(9 646 160)	1 327 521	10 303 681	(8 992 241)	1 311 440
IT equipment	3 129 412	(2 248 843)	880 569	2 756 887	(1 850 796)	906 091
Infrastructure	205 391 070	(51 600 521)	153 790 549	207 331 266	(59 868 852)	147 462 414
Community	226 467 092	(74 368 237)	152 098 855	216 037 923	(61 963 805)	154 074 118
Storm water infrastructure	26 699 593	(6 350 833)	20 348 760	19 262 767	(4 664 610)	14 598 157
Landfill site asset	9 029 011	(4 224 717)	4 804 294	7 202 645	(3 721 293)	3 481 352
Water network	350 000	(11 667)	338 333	-	-	-
Total	**517 014 810**	**(158 516 439)**	**358 498 371**	**498 030 054**	**(148 448 675)**	**349 581 379**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Donations	Transfers in	Transfers out	Landfill site adjustment	Depreciation	Impairment loss	Total
Land	5 754 293	-	(1 357 482)	-	-	-	-	-	-	4 396 811
Buildings	12 667 155	1 289 600	-	-	-	-	-	(811 085)	(29 731)	13 115 939
Leased assets	4 081 010	-	(4 052)	-	-	-	-	(676 639)	-	3 400 319
Plant and machinery	3 139 548	68 059	(149 454)	-	-	-	-	(827 886)	-	2 230 267
Furniture and fixtures	2 105 801	104 730	(112 465)	477 866	-	-	-	(809 778)	-	1 766 154
Motor vehicles	1 311 440	670 000	-	-	-	-	-	(653 919)	-	1 327 521
IT equipment	906 091	401 546	(9 595)	68 162	-	-	-	(485 635)	-	880 569
Infrastructure	147 462 414	14 033 722	-	-	4 040 058	(4 040 058)	-	(6 705 377)	(1 000 210)	153 790 549
Community	154 074 118	6 757 559	-	3 671 468	-	-	-	(11 365 209)	(1 039 081)	152 098 855
Storm water infrastructure	14 598 157	7 436 826	-	-	10 297 582	(10 297 582)	-	(1 585 437)	(100 786)	20 348 760
Landfill site asset	3 481 352	-	-	-	-	-	1 826 364	(503 422)	-	4 804 294
Water Supply Infrastructure	-	350 000	-	-	-	-	-	(11 667)	-	338 333
	349 581 379	**31 112 042**	**(1 633 048)**	**4 217 496**	**14 337 640**	**(14 337 640)**	**1 826 364**	**(24 436 054)**	**(2 169 808)**	**358 498 371**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Transfers	Landfill sile adjustment	Prior period adjustment	Depreciation	Impairment loss	Change in estimate	Total
Land	5 754 293	-	-	-	-	-	-	-	-	5 754 293
Buildings	8 865 127	4 345 434	-	-	-	-	(543 406)	-	-	12 667 155
Leased assets	120 256	4 405 903	-	-	-	-	(445 149)	-	-	4 081 010
Plant and machinery	2 301 133	76 212	-	-	-	146 590	(553 648)	-	1 169 261	3 139 548
Furniture and fixtures	742 229	932 624	-	-	-	133 062	(486 952)	-	784 838	2 105 801
Motor vehicles	2 656 770	75 922	-	-	-	-	(1 421 252)	-	-	1 311 440
IT equipment	727 070	475 845	-	-	-	204 501	(518 960)	17 635	-	906 091
Infrastructure	139 931 191	12 880 091	10 829 643	(10 492 008)	-	-	(5 675 938)	(10 565)	-	147 462 414
Community	157 332 171	7 453 137	12 710 590	(12 277 669)	-	-	(11 144 111)	-	-	154 074 118
Storm water infrastructure	8 127 029	8 207 035	-	-	-	-	(1 663 382)	(72 525)	-	14 598 157
Landfill site asset	3 633 797	-	-	-	366 669	-	(519 114)	-	-	3 481 352
	330 191 066	**38 852 203**	**23 540 233**	**(22 769 677)**	**366 669**	**484 153**	**(22 971 912)**	**(65 455)**	**1 954 099**	**349 581 379**

Pledged as security

No assets were pledged as security in the current year.

Reconciliation of Work-in-Progress 2022

	Infrastructure assets	Community assets	Storm water assets	Total
Opening balance	18 851 670	5 081 459	9 625 397	33 558 526
Additions/capital expenditure	14 036 568	6 689 369	7 436 827	28 162 764
Transferred to completed items	(4 040 058)	-	(10 297 581)	(14 337 639)
	28 848 180	**11 770 828**	**6 764 643**	**47 383 651**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Infrastructure assets	Community assets	Storm water assets	Total
Opening balance	13 610 768	10 499 012	1 418 522	25 528 302
Additions/capital expenditure	15 732 910	6 860 116	8 206 875	30 799 901
Transferred to completed items	(10 492 008)	(12 277 669)	-	(22 769 677)
	18 851 670	**5 081 459**	**9 625 397**	**33 558 526**

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

	2022	2021
Maintenance of buildings and facilities	6 866 408	11 352 519
Maintenance of Equipment	71 447	101 236
Maintenance of Infrastructire assets	8 088 019	10 506 765
Employee cost	1 293 898	1 287 778
	16 319 772	**23 248 298**

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

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 594 806	(1 565 714)	29 092	1 823 540	(1 780 124)	43 416

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	43 416	(14 324)	29 092

Reconciliation of intangible assets - 2021

	Opening balance	Change in accounting estimate	Amortisation	Total
Computer software, other	119 498	(15 820)	(60 262)	43 416

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Operating lease asset (accrual)

Current liabilities	81 633	77 602

Operating lease accrual represent rentals payable by the municipality for telephone rental over 3 years.

6. Receivables from exchange transactions

Gross Balances		
Prepaid expenses	293 577	190 142
Refuse Removal	12 995 606	11 651 351
Rental and Billboads	420 525	421 323
	13 709 708	**12 262 816**

Less: Allowance for impairment		
Refuse Removal	(7 607 604)	(6 135 543)
Rental and Billboads	(258 265)	(213 622)
	(7 865 869)	**(6 349 165)**

Net Balances		
Prepaid expenses	293 577	190 142
Refuse Removal	5 388 002	5 515 808
Rental	162 260	207 701
	5 843 839	**5 913 651**

Statutory receivables general information

Refuse Removal		
Current (0 -30 days)	176 228	304 595
31 - 60 days	284 726	109 282
61 - 90 days	125 390	108 953
91 - 120 days	115 320	104 276
121-365 days	12 293 941	12 931 751
	12 995 605	**13 558 857**

Rental and Billboads		
Current (0 -30 days)	10 780	27 405
31 - 60 days	4 572	1 641
61 - 90 days	888	210 325
91 - 120 days	-	1 497
121-365 days	404 285	3 852
	420 525	**244 720**

Trade and other receivables pledged as security

None of the receivables from exchange transaction has been pledged as security in prior and current year.

Receivables past due but not impaired

	60 Days	**30 Days**
Refuse	39 305	39 192
Service charges	114	114
Service charges business	324 526	512 427
	363 945	**551 763**

Figures in Rand	2022	2021

6. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2022, R 476 306 (2021: R 421 380) were past due but not impaired.

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

1 month past due	187 008	170 986
2 months past due	289 298	25 394

Reconciliation of provision for impairment of trade and other receivables

Opening balance	6 349 703	6 310 181
Provision for impairment	1 434 402	39 522
	7 784 105	**6 349 703**

7. Receivables from non-exchange transactions

Gross balances		
Traffic fines	3 231 133	2 718 568
Consumer debtors - Rates	47 418 327	41 743 652
Debtors with creditor balances	138 978	445 686
	50 788 438	**44 907 906**
Less: Allowance for impairment		
Traffic fines	(1 556 717)	(1 234 563)
Consumer debtors - Rates	(11 099 742)	(12 244 408)
	(12 656 459)	**(13 478 971)**
Net balances		
Fines	1 674 416	1 484 005
Debtors with credit balance	138 978	445 686
Consumer debtors - Rates	36 318 585	29 499 244
	38 131 979	**31 428 935**
Property rates		
Current (0 - 30 days)	1 307 053	1 929 901
31 -60 days	1 033 742	425 537
61 - 90 days	358 520	462 381
91 - 120 days	423 167	572 147
121 - 365 days	44 295 845	36 882 734
	47 418 327	**40 272 700**

Figures in Rand	2022	2021

7. Receivables from non-exchange transactions (continued)

Traffic fines		
Current (0 - 30 days)	62 100	40 600
31 -60 days	40 200	67 950
61 - 90 days	15 400	16 550
91 - 120 days	17 900	59 050
121 - 365 days	3 077 292	2 754 687
	3 212 892	**2 938 837**

Receivables from non-exchange transactions pledged as security

No statutory receivables balances were pledged as security in current year.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 2 months past due are not considered to be impaired. At 30 June 2022, R 54 151 (2021: R 2 853 241) were past due but not impaired.

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

	60 Days	30 Days
Interest	54 091	68 968
Rates	70 012	69 984
Tates	69 810	73 834
Traffic	15 400	40 200

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	13 478 971	13 247 956
Provision for impairment	-	231 015
Provision for impairment reversal	(1 144 666)	-
	12 334 305	**13 478 971**

Statutory debtors disclosed above are accounted for in accordance with GRAP 108 requirements. Below is a detailed description of all municipal statutory debtors:

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004. Property rates values are calculated based on market value of properties as per applicable valuation roll. Provision for bad debts on statutory debtors is determined risk profile of each customer and default rate per risk profile as determined by the municipality. The main trigger for impairment loss on statutory debtors is late payment or non-payment of accounts by customers. Simple interest rate is charged on property rates at 18% per annum.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa. Traffic fines charged are determined by The National Road Traffic Offence Charge Book. Due to high rate of default payments of traffic fines, the municipality provides for bad debts at rate of 50% of the outstanding balance. No interest is charged for traffic fines statutory receivables.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

8. Consumer debtors disclosure

Consumers/ Residential		
Current (0 -30 days)	187 273	315 077
31 - 60 days	346 583	156 847
61 - 90 days	155 397	133 030
91 - 120 days	153 532	134 770
121 - 365 days	14 661 800	13 079 250
	15 504 585	**13 818 974**

Industrial/ Commercial		
Current (0 -30 days)	1 107 492	1 427 365
31 - 60 days	784 728	155 845
61 - 90 days	289 145	287 429
91 - 120 days	283 405	318 670
121 - 365 days	21 235 776	17 503 920
	23 700 546	**19 693 229**

National and provincial government		
Current (0 -30 days)	121 302	365 924
31 - 60 days	55 335	170 551
61 - 90 days	(26 839)	108 362
91 - 120 days	14 062	174 154
121 - 365 days	17 696 359	16 675 215
	17 860 219	**17 494 206**

Vacant Land		
Current (0 -30 days)	77 994	138 492
31 - 60 days	136 394	53 218
61 - 90 days	67 096	44 155
91 - 120 days	87 487	50 325
121 - 365 days	3 400 136	2 979 168
	3 769 107	**3 265 358**

Totals		
Current (0 -30 days)	1 494 061	2 246 858
31 - 60 days	1 323 040	536 461
61 - 90 days	484 799	572 976
91 - 120 days	538 486	677 919
121 - 365 days	56 994 071	50 237 553
Prepayments	293 577	190 142
Traffic fines	3 231 133	2 718 568
Less: Allowance for debt imairment	(20 522 328)	(19 828 136)
Debtors with creditor balances	138 978	445 686
	43 975 817	**37 798 027**

9. VAT receivable

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

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

VAT	9 816 036	6 639 668

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Bank balances	150 972	14 641 571
Short-term deposits	225 219	20 268
Cashier Collection clearing account	355	1 180
Bank overdraft	(12 532 396)	-
	(12 155 850)	**14 663 019**

The maximum petty cash amount is **R 5 000** as per petty policy. All the petty cash slips for specific month are submitted and capture in that specific month, however the cheque to refill the petty cash will only be processed in the following month. As at end of each month, the petty cash account will have a negative balance that will be cleared in the following month. As at 30 June 2022, petty cash slips was been captured and the cheque will be deposited in subsequent periods.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank Cheque Account 531-5327-8884	(12 532 396)	14 526 425	8 154 582	(12 532 396)	14 526 425	8 154 582
First National Bank Licensing Cheque Account - 622-0376-1962	90 280	79 256	117 995	104 989	99 776	123 775
First National Bank MIG Cheque Account - 622-0222-6751	45 982	15 370	27 911	45 982	15 370	27 911
First National Bank Call Account - 613-1500-0549	-	-	3 136	-	-	3 136
First National Bank Cheque Account - 623-7063-9373	-	-	882	-	-	882
First National Bank Cheque Account - 623-7306-3222	224 847	1 062	3 278	224 847	1 062	3 278
First National Bank Cheque Account - 623-7063-8573	114	114	16 075	114	114	16 075
First National Bank 7 Day Notice Deposit Account - 744-2706-5468	259	19 093	1	259	19 093	1
Cash on hand	-	-	-	355	1 180	3 275
Total	**(12 170 914)**	**14 641 320**	**8 323 860**	**(12 155 850)**	**14 663 020**	**8 332 915**

The balance as per the bank statement is lower than the balance as per cash book by **R 14 710**. This is due to outstanding deposits on FNB Licence Cheque Account-622 0376 1962 an amount of **R 5 780** arising from 2016/17 and **R 8 930** was cash on hand as at 30 June 2022.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

11. Finance lease obligation

Minimum lease payments due		
- within one year	1 162 616	815 589
- in second to fifth year inclusive	2 906 540	3 421 976
	4 069 156	4 237 565
less: future finance charges	(674 756)	(34 379)
Present value of minimum lease payments	**3 394 400**	**4 203 186**

Present value of minimum lease payments due		
- within one year	786 527	815 589
- in second to fifth year inclusive	2 607 873	3 387 597
	3 394 400	**4 203 186**

Non-current liabilities	2 607 873	3 387 597
Current liabilities	786 527	815 589
	3 394 400	**4 203 186**

Cellular and communication devices
The municipality procured cellular and communication devices over a period of twenty four (24) months which have been classified as finance leases. Monthly instalments are payable in arrears. The average interest rate implicit in respective lease contracts is approximately 10.5% (2021: 10.5%) All leases have fixed repayments and no arrangements have been entered into for contingent lease rentals.

Motor vehicles
The municipality procured motor vehicles over a period of five years which have been classified as finance leases. Monthly instalments are payable in arrears. The average interest rate implicit in respective lease contracts is approximately 10.5%. All leases have fixed repayments and no arrangements have been entered into for contingent lease rentals.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Kwakhetha Modula Grant	450 131	238 360

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 23 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2022	2021

13. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Finance costs	Actuarial (gains) losses	Service costs	Total
Environmental rehabilitation	7 445 212	1 826 366	-	659 274	-	-	9 930 852
Employee benefit cost	4 575 000	-	(363 351)	504 000	97 000	384 351	5 197 000
	12 020 212	**1 826 366**	**(363 351)**	**1 163 274**	**97 000**	**384 351**	**15 127 852**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Finance costs	Actuarial (gains) losses	Service costs	Total
Environmental rehabilitation	7 078 543	366 669	-	-	-	-	7 445 212
Employee benefit cost	3 525 598	-	(275 505)	312 825	585 783	426 299	4 575 000
	10 604 141	**366 669**	**(275 505)**	**312 825**	**585 783**	**426 299**	**12 020 212**

	2022	2021
Non-current liabilities	14 948 785	11 245 446
Current liabilities	179 067	774 766
	15 127 852	**12 020 212**

There is no expected reimbursement (from the manufacturer) in respect of this provision.

The restructuring provision relates to redundancy costs incurred on the disposal of. At , approximately -% of the staff had been retrenched. The remainder departed in .

The municipality moved from its previous leased premises. The lease in non-cancellable and the lease continue for the next - years. The municipality cannot find a lessee to occupy the premises.

Employee benefit cost provision

Defined benefit plan

The defined benefit plan relate to long service award that will be paid to municipal staff after completion of 5 years working for the municipality.

Key assumptions used

Assumptions used at the reporting date:

	2022	2021
Discount rates used	11.66%	9,23%
Consumer Price Index	6,93%	4,54%
Expected increase in salaries	4,9%	5,5%

Nongoma offers bonuses for every 5 years of completed service from 5 years to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Nongoma advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2022 of 4.9%.

Figures in Rand	2022	2021

13. Provisions (continued)

Demographic and decrement assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

	2022	2021
Normal retirement age (years)*	65	65
Average retirement age (years)	63	63
Mortality	SA85-90	SA85-90

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

14. Payables from exchange transactions

	2022	2021
Trade payables	31 742 944	36 192 353
Accrued bonus	1 466 236	1 952 833
Medical aid payable	651 347	630 221
Accrued expenses	-	4 237 367
Deposits received	494	10 984
Insurance amounts payables	312 956	294 876
Garnish Payable	10 422	14 602
Unallocated Deposits	634 238	603 006
PAYE Deductions	7 744 709	2 407 640
Leave pay accrual	10 430 918	10 160 219
Pension deductions Liability	3 735 146	3 446 084
Retention Liability	9 128 945	6 401 948
Payable - Unions	16 430	15 578
Skills Development Levy liability	307 670	128 184
Unemployment Insurance Fund	380 949	171 363
Party Deductions & Caucus Payable	53 544	65 411
Bargaining Council Payable	10 365	9 354
Salary Clearing Account	121 641	98 037
Debtors with credit balances	138 978	445 686
	66 887 932	**67 285 746**

15. Service charges

	2022	2021
Refuse removal	1 996 450	1 923 868

16. Rental of facilities and equipment

	2022	2021
Premises		
Premises	111 128	125 118
Facilities and equipment		
Rental of facilities	59 731	49 805
	170 859	**174 923**

17. Fines, Penalties and Forfeits

	2022	2021
Fines, Penalties and Forfeits	706 500	469 721

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Licences and permits (exchange)

Road and Transport	1 003 840	838 861
Building Plan	3 821	-
	1 007 661	**838 861**

19. Commission received and Insurance refunds

Commissions received	80 311	90 492
Insurance refunds	-	63 377
	80 311	**153 869**

Nongoma Local municipality receives commission from medical aid companies that are providing medical aid cover to its employees.

Insurance refunds relates to claims made by the municipality to its insurer for accidents relating to municipal vehicles.

20. Interest income from long outstanding debtors

Interest received	2 138 199	4 104 635

21. Investment revenue

Interest revenue		
Bank	410 075	706 290

Figures in Rand	2022	2021

22. Property rates

Rates received

Residential	1 539 051	1 574 858
Commercial	12 170 006	12 090 685
State	13 918 436	12 350 304
Vacant Land	93 766	108 592
Less: Income forgone	(369 162)	(613 807)
	27 352 097	**25 510 632**

Valuations

Residential	169 612 000	167 482 000
Commercial	365 040 000	305 050 000
Special	-	959 325 000
Public Benefit Organisation	21 960 000	-
Public Service Purposes	907 930 000	-
Vacant Land	410 317 000	10 987 000
Public Service Infrastructure	24 000	22 000
Rural Community Land	-	397 810 000
Industrial	38 980 000	-
Agricultural	60 000	-
	1 913 923 000	**1 840 676 000**

General valuations on land and buildings are performed every 4 years in terms of the Municipal Property Rates Act. The last general valuation came into effect on 1 July 2019.

The supplementary valuation roll was performed on annual basis to take into account building additions, changes, subdivisions and consolidations.

Property rates are levied on a monthly basis.

A fixed rate is applied based on categories of properties:

- Residential Property 0.01189
- Business and Commercial Property 0.03410
- Industrial Property 0.03410
- Agricultural Property 0.00297
- Mining Property 0.03410
- Public Service Infrastructure 0.00000
- Public Benefit Organisation Property 0.00000
- Vacant Land 0.01582

Interest is levied at 18.00% per annum (2021: 18.00%) on all outstanding amounts

23. Government grants and subsidies

	2022	2021
Operating grants		
Equitable share	170 818 000	194 844 000
LG SETA	692 082	377 774
School Patrol Grant	213 720	264 377
Extended Public Works Programme	1 868 000	2 099 000
Financial Management Grant (FMG)	1 920 000	1 900 000
Cyber Cadet Library Grant	242 000	226 000
Provincial Grant - Libraries	935 000	905 000
Kwakhetha modular library grant	470 229	398 640
Osuthu Modular Library Grant	682 000	637 000
	177 841 031	**201 651 791**
Capital grants		
Municipal Infrastructure Grant	33 521 000	31 290 000
	211 362 031	**232 941 791**

Equitable Share

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

KwaKhetha Moduler Library Grant

	2022	2021
Balance unspent at beginning of year	238 360	-
Current-year receipts	682 000	637 000
Conditions met - transferred to revenue	(470 229)	(398 640)
	450 131	**238 360**

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

Municipal Infrastructure Grant

	2022	2021
Current-year receipts	33 521 000	31 290 000
Conditions met - transferred to revenue	(33 521 000)	(31 290 000)
	-	-

Expanded Public Works Programme

	2022	2021
Current-year receipts	1 868 000	2 099 000
Conditions met - transferred to revenue	(1 868 000)	(2 099 000)
	-	-

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

Financial Management Grant (FMG)

	2022	2021
Current-year receipts	1 920 000	1 900 000
Conditions met - transferred to revenue	(1 920 000)	(1 900 000)
	-	-

LG SETA

	2022	2021
Current-year receipts	692 082	377 774

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

23. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(692 082)	(377 774)
	-	-

Provisional grant - libraries

Current-year receipts	935 000	905 000
Conditions met - transferred to revenue	(935 000)	(905 000)
	-	-

School patrol grant

Current-year receipts	213 230	264 377
Conditions met - transferred to revenue	(213 230)	(264 377)
	-	-

Cyber Cadet Library Grant

Current-year receipts	242 000	226 000
Conditions met - transferred to revenue	(242 000)	(226 000)
	-	-

Osuthu Modular Library Grant

Current-year receipts	682 000	637 000
Conditions met - transferred to revenue	(682 000)	(637 000)
	-	-

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

Provide explanations of conditions still to be met and other relevant information.

24. Public contributions and donations

Public contributions and donations	4 217 496	-

Figures in Rand	2022	2021

25. Employee related costs

Basic	72 128 799	67 496 052
Bonus	4 624 578	5 324 849
Medical aid - company contributions	4 455 171	4 159 071
UIF	563 094	493 311
Leave pay provision charge	1 856 779	1 704 662
Standby Allowance	1 809 558	1 125 247
Cellphone and telephone allowance	1 248 000	1 006 188
Defined contribution plans	14 278 138	13 828 802
Travel, motor car, accommodation, subsistence and other allowances	6 958 131	6 014 961
Overtime payments	1 305 965	910 997
Long-service awards	435 536	487 220
Acting allowances	482 187	494 556
Housing benefits and allowances	46 296	350 156
Bargain Council	36 529	33 972
	110 228 761	**103 430 044**

Remuneration of municipal manager

Annual Remuneration	635 979	862 104
Car Allowance	211 993	287 368
Acting Allowance	36 260	-
Contributions to UIF, Medical and Pension Funds	1 594	1 813
Skills Development Levy and Bargain Council	10 342	8 438
Travel Claim	60 672	54 110
Cellphone allowances	31 500	42 000
Performance bonus	162 811	-
	1 151 151	**1 255 833**

Remuneration of chief finance officer

Annual Remuneration	635 749	659 295
Travel Allowance	211 916	219 765
Travel claim	7 005	9 874
Contributions to UIF, Medical and Pension Funds	2 125	1 813
Cell phone allowance	42 000	42 000
Skills Development Levy and Bargain Council	10 968	7 194
Acting Allowance	21 395	-
Travel claim	1 429	1 389
Performance bonus	114 435	-
Retention Allowance	84 767	-
	1 131 789	**941 330**

Remuneration of Technical director

Annual Remuneration	600 430	423 833
Travel Allowance	200 143	141 278
Travel claim	3 021	1 835
Contributions to UIF, Medical and Pension Funds	1 771	1 190
Skills Development Levy and Bargain Council	106	6 089
Leave pay	-	35 745
Retention Allowance	84 767	-
Cell phone allowance	35 000	28 000
	925 238	**637 970**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Remuneration of councillors (continued)

Remuneration of Corporate Services and Human Resources

Annual Remuneration	679 032	64 752
Travel allowance	237 425	21 584
Leave pay	-	8 322
Contributions to UIF, Medical and Pension Funds	22 272	149
Retention allowance	99 977	-
Travel claim	12 301	-
Skills Development Levy and Bargain Council	10 517	10
Cellphone allowance	38 500	3 500
Travel claim	13 293	-
	1 113 317	**98 317**

Remuneration of Social Services director

Annual Remuneration	848 336	848 336
Travel Allowance	189 657	59 796
Retention allowance	99 977	-
Contributions to UIF, Medical and Pension Funds	59 403	58 219
Skills Development Levy and Bargain Council	12 853	9 964
Travel Claim	-	245 504
Cell phone allowance	42 000	45 500
	1 252 226	**1 267 319**

26. Remuneration of councillors

Mayor	781 027	866 658
Deputy Mayor	592 787	670 482
Speaker	623 661	670 491
Councillors	11 594 497	10 915 703
Councillors' pension contribution	1 217 856	927 172
	14 809 828	**14 050 506**

In-kind benefits

The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

The Mayor has two full-time bodyguards. The Deputy Mayor has three full-time bodyguards.

The Speaker has three full time bodyguards.

27. Depreciation and amortisation

Property, plant and equipment	24 436 054	21 017 815
Intangible assets	14 324	76 082
	24 450 378	**21 093 897**

28. Impairment of assets

Impairments		
Property, plant and equipment	2 169 808	65 457

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Finance costs

Finance leases	395 961	255 383
Late payment to SARS and suppliers	1 857 120	328 702
Interest on provisions	1 163 274	312 825
	3 416 355	**896 910**

30. Debt impairment

Bad debts written off	694 191	9 683 293
Contributions to debt impairment provision	-	285 129
	694 191	**9 968 422**

31. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	599 638	976 780

32. Free basic electricity

Other subsidies		
Free basic electricity	106 629	113 451

33. Contracted services

Outsourced Services		
Burial Services	561 120	375 527
Catering Services	49 685	389 804
Cleaning Services	1 665 689	365
Internal Auditors	3 154 216	1 733 000
Personnel and Labour	369 985	60 000
Professional Staff	1 178 583	974 903
Refuse Removal	4 998 243	3 012 100
Security Services	98 083	114 737
Transport Services	41 800	-
Consultants and Professional Services		
Business and Advisory	4 633 216	9 343 653
LED Projects	6 825 917	1 138 560
Contractors		
Artists and Performers	-	66 750
Catering Services	719 573	491 236
Event Promoters	116 000	1 069 211
First Aid	-	36 760
Fire Protection	14 800	-
Fire Services	85 563	333 140
Interior Decorator	-	15 000
Maintenance of Buildings and Facilities	6 866 408	11 352 519
Maintenance of Equipment	71 447	101 236
Maintenance of Infrastructire assets	8 088 019	10 506 765
Pest Control and Fumigation	-	94 000
Transportation	1 401 450	592 676
Safeguard and Security	8 218 972	6 284 256
Stage and Sound Crew	633 550	26 000
	49 792 319	**48 112 198**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

34. General expenses

Accounting fees	1 475 554	1 328 042
Advertising	1 744 473	2 318 245
Auditors remuneration	1 881 832	1 486 891
Bank charges	318 644	192 592
Cleaning	4 383 505	4 973 739
Administration	-	4 968
Computer expenses	3 319 872	2 670 251
Consumables	2 628 721	2 692 852
Bursaries	120 000	525 015
Entertainment	9 000	26 087
Hire charges	7 215 296	6 438 276
Insurance	925 896	900 806
Disaster management costs - COVID 19 Response	1 175 520	5 020 437
Motor vehicle expenses	74 657	34 887
Fuel and oil	1 996 625	1 272 219
Postage and courier	-	585
Printing and stationery	3 016 402	2 159 353
Annual License fees	178 378	132 207
Remuneration of ward committees	1 406 750	1 974 900
Subscriptions and membership fees	2 102 004	1 793 458
Telephone and fax	3 607 941	3 113 275
Disaster Management expenses	-	5 949 187
Skills Development Levy	884 064	693 627
Travel - local	2 960 436	1 258 859
Refuse	7 149 135	5 464 328
Electricity	1 536 925	670 803
Uniforms and protective clothing	583 826	1 598 435
Other expenses	150 095	796 024
Staff Training	490 163	458 124
Communication Radio and TV Transformer	1 554 698	706 400
Community Events Cost	3 050 878	2 315 080
	55 941 290	**58 969 952**

35. Auditors' remuneration

Fees	1 881 832	1 486 891

Figures in Rand	2022	2021

36. Cash generated from operations

	2022	2021
(Deficit) surplus	(10 223 442)	8 574 358
Adjustments for:		
Depreciation and amortisation	24 450 378	21 093 897
Gain on sale of assets and liabilities	1 623 327	-
Finance costs - Finance leases	-	255 383
Impairment deficit	2 169 808	65 457
Debt impairment	694 191	9 968 422
Movements in operating lease assets and accruals	4 031	77 602
Movements in provisions	3 107 640	1 416 071
Actuarial Gain	-	585 783
Donation received	(4 217 496)	-
Other non-cash items	-	(51 558)
Landfill site adjustment	(1 826 364)	-
Changes in working capital:		
Receivables from exchange transactions	69 806	906 703
Consumer debtors	(694 191)	(11 714 004)
Other receivables from non-exchange transactions	(6 703 044)	2 362 454
Payables from exchange transactions	(397 809)	12 680 932
VAT	(3 176 368)	(5 044 393)
Unspent conditional grants and receipts	211 771	238 360
	5 092 238	**41 415 467**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

37. Commitments

Authorised capital expenditure

Contracted provided		
• Property, plant and equipment	70 560 861	39 756 403
Total capital commitments		
Contracted provided	70 560 861	39 756 403

Authorised operational expenditure

Appoved and contracted for		
• Operational Commitment	18 619 768	8 651 057
• Operating Lease commitments	2 476 666	4 865 656
	21 096 434	**13 516 713**
Total operational commitments		
Already contracted and provided for	21 096 434	13 516 713

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2 470 623	2 388 990
- in second to fifth year inclusive	6 043	2 476 666
	2 476 666	**4 865 656**

Operating lease payments represent rentals payable by the municipality for telephone rental over 3 years. No contingent rent is payable.

Rental expenses relating to operating leases		
Minimum lease payments	2 388 990	2 395 207

38. Contingencies

Nongoma Local Municipality vs Natal Joint municipal Pension Fund

Natal joint Municipal Pension Fund is suing Nongoma Local municipal for an excessive increase of the actuarial assessment to the level of increase on which the fund is operating at the time. The increase warrants the Committee directing the Municipality to pay an adjusted contribution. The Municipality has failed to comply with the Committee direction to pay; therefore, the Fund is suing for that adjusted contribution. The estimated financial exposure is R 5 000 000.

Nongoma Local Municipality Vs Fana Manufacturies

Fana Manufacturies is suing Nongoma local Municipality for invoices which were not paid by the municipality for goods delivered The estimated financial exposure is R 300 000.

39. Related parties

Relationships	
Management	Refer to accounting officer's report note 25
Councillors	Refer to note 26

40. Change in estimate

Property, plant and equipment

A change in the estimated remaining useful life of various assets of the Municipality based on their conditional assessment conducted. as at 30 June 2022 will result in the following increases/decreases in depreciation and amortisation for the 2022 financial year end and future periods

The impact on the statement of financial performance in the 2022 financial year and future periods:

	Current period	Future periods
Computer Software	(28 367)	28 367
Machinery and Equipment	(4 020)	4 020
Furniture and Office Equipment	(19 384)	19 384
Transport Assets	(295 553)	295 553
Computer Equipment	(51 891)	51 891
Community Assets	(8 472)	8 472
Stormwater Infrastructure	(60 811)	60 811
Increase (Decrease) in deprecition	**(468 498)**	**468 498**

41. Prior period errors

Government grants and subsidies

Through review of the terms of the Housing Grant and accounting treatment previously adopted by the Municipality, management came to the conclusion that Municipality is an Agent in this agreement and therefore expenditure incurred for the purposes of this grant should not be disclosed on the municipal records. In addition there should be no revenue recognised as a result spending/commitments made for this grant. Change in the accounting treatment has been accounted for as Prior Period Error and resulted to derecognition of Revenue and Expenditure in the 2021 financial year.

Receivables from non-exchange transactions

Through the detailed review and reconciliation of property rates account balance and supporting schedules noted Sojiyisa High School (Customer No 8010171) and Kwamame Primary School (Customer No 8010206) who are under Ulundi Local Municipality was incorrectly included in Nongoma Local Municipality's ''aluation roll since 2013. This resulted in the over statement of property rates and receivables from non-exchange transactions

Property, plant and equipment

During the financial period ended 30 June 2022 the following discrepancies were noted:

- an amount of R 2 804 293.48 which relates to repairs and maintenance on buildings was erroneously recorded on 30 June 2021 on the work in progress of a completed road infrastructure account of Ndzondwane to Ndongwane Causeway.The project had been capitalised on the 2019/2020 financial year. The reversal of the error back to repairs and maintenance resulted in a prior period error.

- a reversal was recorded on the Nongoma Sidewalk work in progress account, the amount being R 2 845.This was due to the invoice being recorded on the project account on 30 June 2021, but it had not been paid to the supplier and was also capitalised on the Fixed Asset Register in the 2020/2021 financial year

- professional fees for ophaphasi community hall were recorded on the 5th of October 2020 on a different account. The project was then capitalised excluding the professional fees on the 30th of April 2021.

Receivables from exchange transactions

The amount was incorrectly billed to properties with no title deeds.

Figures in Rand	2022	2021

41. Prior period errors (continued)

In addition, management noted other misstatements relating to debtors module records and general ledger resulting from account that were written off on the debtors module in the prior years while certain corresponding account balances remained on the general ledger. The error resulted to correct of both receivable form exchange and non-exchange transaction.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

	2021	**2020**
Property, plant and equipment	(2 364 370)	484 153
Receivables from non-exchange transactions	(5 050 298)	(4 718 462)
Receivables from exchange transactions	2 880 330	2 884 215
Trade and other payables	(48 525)	-
Opening Accumulated Surplus or Deficit	4 582 863	1 350 094

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

41. Prior period errors (continued)

Statement of financial performance

	2021
Interest income from long outstanding debtors	(91 565)
Service charges	(3 884)
Contracted services	69 962 530
Government grants & subsidies	(72 766 823)
Property rates	(240 275)
Depreciation and amortisation	(92 756)

Receivables from exchange transactions	
Audited amount	7 969 851
Correction of prior year error - Property rates	2 880 330
Reclassification from receivables from non-exchange transactions	(4 936 530)
	5 913 651

Receivables from non-exchange transactions	
Audited amount	31 542 703
Correction of prior year error - Repairs and maintenance	(5 050 298)
Reclassification to receivables from exchange transactions	4 936 530
	31 428 935

Property, plant and equipment	
Audited amount	351 945 749
Correction of prior year errors	(2 364 369)
	349 581 380

Payables from exchange transations	
Audited amount	(67 237 221)
Correction of prior year error	(48 525)
	(67 285 746)

Service charges	
Audited amount	1 927 752
Correction of prior year error	(3 884)
	1 923 868

interest income on long outstanding debtors	
Audited amount	4 196 197
Correction of prior year error	(91 565)
	4 104 632

Property rates	
Audited amount	25 750 907
Correction of prior year error	(240 274)
	25 510 633

Government grants and subsidies	
Audited amount	305 708 614
Correction of prior year error	(72 766 823)
	232 941 791

Figures in Rand	2022	2021

41. Prior period errors (continued)

Depreciation and amortisation

Audited amount	(21 001 141)
Correction of prior year error	(92 754)
	(21 093 895)

Contracted services

Audited amount	(118 074 727)
Correction of prior year error	69 962 529
	(48 112 198)

42. Prior-year adjustments

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

Statement of financial position

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions		7 634 155	2 884 215	(4 936 530)	5 581 840
Receivables from non-exchange transactions		34 366 147	(4 718 462)	4 936 530	34 584 215
Property, plant and equipment		330 116 940	484 153	-	330 601 093
Accumulated Surplus		317 220 693	1 350 094	-	318 570 787
		689 337 935	**-**	**-**	**689 337 935**

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions		7 969 851	2 880 330	(4 936 530)	5 913 651
Receivables from non-exchange transactions		31 542 703	(5 050 298)	4 936 530	31 428 935
Loans to shareholders		351 945 749	(2 364 370)	-	349 581 379
Payables from exchange transations		(67 237 221)	(48 525)	-	(67 285 746)
Accumulated Surplus		329 027 826	4 582 863	-	333 610 689
		653 248 908	**-**	**-**	**653 248 908**

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Service charges		1 927 752	(3 884)	1 923 868
interest income on long outstanding debtors		4 196 197	(91 562)	4 104 635
Property rates		25 750 907	(240 274)	25 510 633
Government grants and subsidies		305 708 614	(72 766 823)	232 941 791
Depreciation and amortisation		(21 001 141)	(92 754)	(21 093 895)
Contracted services		(118 074 727)	69 962 529	(48 112 198)
Surplus for the year		11 807 130	3 232 768	15 039 898
Surplus for the year		**210 314 732**	**-**	**210 314 732**

Figures in Rand	2022	2021

43. Risk management

Financial risk management

Liquidity risk

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

	2022	2021
Payables from exchange transactions	66 887 932	67 285 746
Employee obligation	179 067	774 766
Unspent conditional Grant	450 131	238 360
Finance Lease Obligation	786 527	815 589
Bank overdraft	12 155 850	-
	80 459 507	**69 114 461**

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.

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

Financial instrument	2022	2021
Trade Receivables from Exchange transaction	5 843 839	5 913 651
Trade Receivables from Non-exchange transactions	38 131 979	31 428 935
Cash and cash Equivalents	-	14 663 019
VAT Receivables	9 816 036	6 639 668

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

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 314 221 519 and that the municipality's total liabilities exceed its assets by R 314 221 519.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

45. Events after the reporting date

The municipality is not aware of any condition or event subsequent to year end that has material impact on the financial information disclosed herewith.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

46. Unauthorised expenditure

Opening balance as previously reported	-	9 194 404
Opening balance as restated	**-**	**9 194 404**
Add: Expenditure identified - current	51 553 705	26 546 551
Less: Approved by council (written off)	(51 553 705)	(35 740 955)
Closing balance	**-**	**-**

The municipality is not aware of any condition or event subsequent to year end that has material impact on the financial information disclosed herewith.

Analysed as follows: non-cash

Employee related cost	634 050	3 113 768
Depreciation and amortisation	15 520 381	1 140
Finance charges	1 163 274	28 207
Loss on disposal of property, plant and equipment	1 623 327	65 457
Provision of impairment	-	5 968 442
Impairment loss	2 169 808	-
Lease rentals on operating lease	2 016	-
Actuarial gains/losses	97 000	-
	21 209 856	**9 177 014**

Analysed as follows: cash

Lease rentals on operating lease	597 622	-
Contracted services	12 018 319	10 520 699
Councillors remuneration	214 829	-
General expenditure	-	5 872 078
Employee related costs	3 672 711	-
Other	12 387 287	976 780
Fiance charges	1 453 081	-
	30 343 849	**17 369 557**

47. Fruitless and wasteful expenditure

Opening balance as previously reported	-	286 251
Opening balance as restated	**-**	**286 251**
Add: Expenditure identified - current	1 857 120	-
Less: Amount written off - current period	(1 857 120)	(286 251)
Closing balance	**-**	**-**

Fruitless and wasteful expenditure is mainly due to late payment of suppliers and SARS.

Fruitless and wasteful expenditure amounts are not recoverable and municipality implemented the MPAC recommendations to write-off fruitless and wasteful expenditure as per the final report provided.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

48. Irregular expenditure

Opening balance as previously reported	72 600	7 359 838
Opening balance as restated	**72 600**	**7 359 838**
Add: Irregular Expenditure - current	3 755 682	18 058 160
Less: Amount written off - current	(3 828 282)	(25 345 398)
Closing balance	**-**	**72 600**

The municipality implemented the MPAC recommendations to write-off all irregular expenditure as per the final report provided.

Irregular expenditure is mainly due to non-compliance with SCM process.

49. Additional disclosure in terms of Municipal Finance Management Act

Skills Development Levy

Opening balance	128 185	-
Current year subscription	884 064	693 628
Amount paid - current year	(704 579)	(565 443)
	307 670	**128 185**

Audit fees

Opening balance	442 799	23 554
Current year subscription	2 173 313	1 708 271
Amount paid - current year	(2 616 112)	(1 289 026)
	-	**442 799**

PAYE and UIF

Opening balance	2 579 002	1 337 185
Current year subscription	19 624 556	15 888 383
Amount paid - current year	(14 077 900)	(14 646 566)
	8 125 658	**2 579 002**

Pension and Medical Aid Deductions

Opening balance	4 076 305	2 291 105
Current year subscription	27 756 939	19 309 997
Amount paid - current year	(23 370 446)	(15 233 692)
Amount paid - previous years	(4 076 305)	(2 291 105)
	4 386 493	**4 076 305**

VAT

VAT receivable	9 816 036	6 639 668

Figures in Rand	2022	2021

50. Actual operating expenditure versus budgeted operating expenditure

Sale of goods
Cost vs benefits analyses indicates that its not beneficial to sale documents

Rental of facilities and equipment
More facilities were opened since the lifting of covid regulation

Interest outstanding debtors
Due to non-payment from debtors, municipality under-budgeted this line item

Licences and permits
Delays in the opening of licence station

Interest on investment
More than expected funds were invested during the year

Fines, Penalties and Forfeits
Increase in the road blocks yielded positive results

Depreciation and amortisation
Number of projects were capitalised, more than its was expected.

Finance cost
Due to financial constraints, the municipality incurred more interest expenses

Debt impairment
This line was over-budgeted taking to consideration the low collection rate from previous years

Contracted services
Decrease in equitable share after contracted has been entered

Free basic services
The amount included in the budget was included other free basic services which could not be met

General expenses
Decrease in equitable share after expenditure trend already committed.

Receivables from exchange transactions
Due slow payment pace by debtors

Receivables from non-exchange transactions
Due slow payment pace by debtors

VAT receivable
Refunds withheld by SARS due to reopening of 2018 tax year by SARS

Property, plant and equipment
Higher depreciation than budgeted amount (less than 10%)

Intangible assets
Higher amortisation than expected

Current Liabilities Finance lease obligation
Uninformed adjustment was made during budget adjustment

Operating lease liability
The amount was not budgeted for

Payables from exchange transactions
Due slow payments by debtors, the municipality could not settle creditors

50. Actual operating expenditure versus budgeted operating expenditure (continued)

Unspent conditional grants and receipts
Unspent amount is due to late allocation made by department of Art & Culture.

Provisions
Non-current provision was mistakenly budgeted under current liabilities

Finance lease obligation
Data used during budget did not take into account payments to be made during the year

Provisions
Actuarial report and engineers estimate

51. 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.

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

Deviations from municipality supply chain management regulations for the year ended 30 June 2022 amounted to **R1 063 819** and **(2021: R120 000.00)**

52. Accounting by principals and agents

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

Details of the arrangment(s) is|are as follows:

The Municipality is party to an arrangement with the Department of Energy in respect to the funding and implementation of the Integrated National Electrification Programme over the period Current year 1 April 2021 to 31 March 2022 and prior year 1 April 2020 to 31 March 2021.

The Municipality is party to an arrangement with the Department of Human Settlement for the provision of of Rural Housing Units within the municipality ares

Entity as agent

Integrated National Electrification Programme

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements The Department of Energy has allocated a budget for the capital requirements of the Integrated National Electrification Programme, for transfer to the relevant municipalities in order to meet the target on electrification backlogs in the targeted communities.

The Department upon receipt of the funds allocated from the National Treasury as contained in DoRA, transferred the funds to the Municipality which amount shall not exceed current year R 17 082 000 and Prior year R 8 400 000.The funds will only be transferred once the Municipality has furnished the Department with an approved Project list, which accords with the cash flow schedules as contemplated in this Agreement.

Exercise control over the original documentation, by keeping proper records of all the documents which are to be retained for audit purposes. All process shall be in accordance With MFMA and/or PFMA; Take all reasonable steps necessary, to ensure the program is implemented effectively and efficiently Retain any income accruing from any customers connected to the electricity.

Housing grant

The purpose of the Municipal community residential units Grant is to provide funding to municipalities for the to facilitate the upgrading of informal settlements in a structured ways.

The Department of Human Settlements has processed the applications and concluded as follows:

Liabilities and corresponding rights of reimbursement recognised as assets

No Liabilities were incurred on behalf of the principals that have been recognised by the Municipality. No Corresponding rights of reimbursement that have been recognised as assets.

Figures in Rand	2022	2021

52. Accounting by principals and agents (continued)

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Integrated National Electrification Programme

Current year receipts	17 082 000	8 400 000
Expenditure incurred	(17 082 000)	(8 400 000)
	-	-

Amount of expenses paid during the reporting period

Ebuhleni Electrification	4 973 284	4 432 947
Enfills Electrification	682 497	-
Usuthu Electrification	3 538 546	-
Mcakwini Electrification	6 835 357	2 853 871
Dabhasi Electrification	907 209	884 235
Electrification Ward 11	-	116 970
Electrification Ward 01	-	111 977
	16 936 893	**8 400 000**

Housing grant

Current year receipts	19 123 775	72 766 823
Expenditure incurred	(19 123 775)	(72 766 823)
	-	-

Amount of expenses paid during the reporting period

Mpunzana Rural Housing Project	5 747 810	27 667 131
Zidwadweni Rural Housing Development	1 073 662	14 020 535
khokhwaneni rural housing Project	3 683 776	15 915 374
Vuna Rural Housing Project	590 100	-
Nkukhwini Rural Housing Project	8 028 427	11 777 722
Osuthu Rural Housing Project	-	209 234
Maye/Dabhazi Rural Housing Project	-	3 176 827
	19 123 775	**72 766 823**

53. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Governance and administration, Community and public safety, Economic planning and development and Trading services. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality is organised and operates in three key reportable functions throughout the 23 wards under Nongoma dermacations. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Nongoma were sufficiently similar to warrant aggregation.

Community and public safety: Sports and recreation, Parks and gardens, Human settlements, Library services and Community services.

Economic planning and development: Local Development and Technical departments. Trading services: Waste management and Electricity sales

Details	Community and Public safety	Economic planning and Development	Trading services	Total
Revenue from non-exchange transactions	1 492 508	-	242 145 615	243 638 123
Revenue from exchange transactions	3 945	41 004	5 785 642	5 830 591
Total segment revenue	**1 496 453**	**41 004**	**247 931 257**	**249 468 714**
Expenditure				
Employees related costs	(21 534 411)	(6 630 992)	(82 063 358)	(110 228 761)
Remuneration of councillors	-	-	(14 809 829)	(14 809 829)
Depreciation and Amortisation	(9 344 731)	-	(15 105 650)	(24 450 381)
Contracted services	(14 959 952)	(7 357 774)	(27 474 592)	(49 792 318)
Operational costs	(15 134 741)	(2 890 411)	(43 014 102)	(61 039 254)
Total segment expenditure	**(60 973 835)**	**(16 879 177)**	**(182 467 531)**	**(260 320 543)**
Total segment surplus/(deficit)	**(59 477 382)**	**(16 838 173)**	**65 463 727**	**(10 851 828)**
Assets				
Current assets	3 217 680	-	50 293 021	53 510 701
Non-current assets	162 465 929	52 899	196 008 635	358 527 463
	165 683 609	**52 899**	**246 301 656**	**412 038 164**
Liabilities				
Current liabilities				80 541 142
Non-current liabilities				17 556 658
Total segment liabilities	-	-	-	**98 097 800**