Umhlabuyalingana Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

General Information

Legal form of entity	Municipality KZN 271
Nature of business and principal activities	The main purposes of the municipality is to engage in local governance activities which include planning and promotions of integrated development planning, economic and environmental development and supplying of services to the community.
Mayoral committee	Current
Mayor	Cllr. TS Khumalo
Deputy Mayor	Cllr. EZ Mtshali (Appointed 02 June 2022) Cllr. MZ Mhlongo (Resigned 02 June 2022)
Speaker	Cllr. MD Mathenjwa
Mayoral Committee	Previous
Mayor	Cllr. NS Mthethwa
Deputy Mayor	Cllr. FG Mlambo
Speaker	Cllr. BT Tembe
Grading of local authority	Medium capacity municipality
Accounting Officer	Mr. NPE Myeni
MPAC Chairperson	Cllr. TS Myeni (Current) Cllr. SP Mthethwa (Previous)
Acting Chief Finance Officer (CFO)	Mrs. NP Mkhabela
Ordinary Executive Members	Cllr. ZM Mhlongo (Incoming) Cllr. KC Mthembu (Incoming) Cllr. HK Gumede (Incoming) Cllr. HK Gumede (Incoming) Cllr. LD Tembe (Incoming) Cllr. PT Vumase (Incoming) Cllr. BN Ntsele (Outgoing) Cllr. SN Tembe (Outgoing) Cllr. MD Mathenjwa (Outgoing) Cllr. MZ Mhlongo (Outgoing) Cllr ZM Mhlongo (Outgoing)
Registered office	Municipal Building Kwangwanase 3973
Business address	Main Street Manguzi
Postal address	Private Bag X 901 Kwangwanase 3973
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	AP Shangase Associates Millicent Hlengwa Attorneys

General Information

List of councilors in office

Cllr. TP Manzini
Cllr. JP Zikhali
Cllr. T Mngomezulu
Cllr. FG Mlambo
Cllr. SS Manukuza
Cllr. FS Mpanza
Cllr. BK Mbuyazi
Cllr. SM Tembe
Cllr. MV Mahamba
Cllr. SJ Mabika
Cllr. SL Ntuli
Cllr. BD Mtshali
Cllr.IT Gwala
Cllr. PV Khathwayo
Cllr. NC Mdletshe
Cllr. NJ Khumalo
Cllr. KA Buthelezi
Cllr. BE Biyela
Cllr. AT Nxumalo
Cllr.SS Mkhumbuzi
Cllr. KA Kunene
Cllr. NP Khumalo
Cllr. SH Vumase
Cllr. TS Myeni
Cllr.TN Magagula
Cllr. NP Mthembu
Cllr. WNO Nxumalo
Cllr. SM Gumede
Cllr. MZ Mhlongo
Cllr. TS Khumalo
Cllr. HN Ntshangase
Cllr. KO Tembe Outgoing)
Cllr. M Mthembu (Outgoing)
Cllr. SG Nxumalo (Outgoing)
Cllr. GS Mthembu (Outgoing)
Cllr. DA Tembe (Outgoing)
Cllr. MI Mthembu (Outgoing)
Cllr. N Vumase (Outgoing)
Cllr. JB Gwala (Outgoing)
Cllr. NJ Ndabeni (Outgoing)
Cllr. EG Mhlongo (Outgoing)
Cllr. JE Sithole (Outgoing)

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

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Abbreviations used:

DBSA	Development Bank of South Africa
SDL	Skills Development Levy
GRAP	Generally Recognised Accounting Practice
MAP	Municipal Assistant Programme
FMG	Finance Management Grant
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers

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

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

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

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

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

I would like to bring to your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of councilors as disclosed in note 25 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

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

Accounting Officer
Mr. NPE Myeni (Acting Municipal Manager)

Wednesday, 31 August 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Inventories	8	164 563	282 312
Receivables from non-exchange transactions	10	9 026 007	9 787 162
Receivables from exchange transactions	9	726 978	1 313 596
Cash and cash equivalents	11	102 442 026	84 157 693
		112 359 574	**95 540 763**
Non-Current Assets			
Property, plant and equipment	3	346 203 620	332 629 607
Intangible assets	4	275 201	592 526
		346 478 821	**333 222 133**
Total Assets		**458 838 395**	**428 762 896**
Liabilities			
Current Liabilities			
Payables from exchange transactions	5	17 753 713	17 045 455
VAT payable	6	2 823 659	1 153 737
Employee benefit obligation	7	179 446	230 821
Unspent conditional grants and receipts	12	6 410 225	3 680 842
Provisions	13	2 099 379	1 878 455
INEP liability	52	297 799	-
		29 564 221	**23 989 310**
Non-Current Liabilities			
Employee benefit obligation	7	3 640 812	3 137 595
Provisions	13	22 725 706	22 082 993
		26 366 518	**25 220 588**
Total Liabilities		**55 930 739**	**49 209 898**
Net Assets		**402 907 656**	**379 552 998**
Accumulated surplus		402 907 656	379 552 998
Total Net Assets		**402 907 656**	**379 552 998**

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Service charges	14	624 360	624 360
Donations received	23	1 351 262	126 638
Licences and permits	17	2 895 660	3 237 150
Commissions received	15	170 302	154 121
Rental income	18	412 357	395 302
Other income	19	2 036 380	350 055
Interest received - investment	20	2 680 564	1 995 584
Total revenue from exchange transactions		**10 170 885**	**6 883 210**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	23 053 030	21 771 606
Transfer revenue			
Government grants & subsidies	22	233 437 617	271 423 069
Fines, Penalties and Forfeits	16	1 534 400	1 047 350
Total revenue from non-exchange transactions		**258 025 047**	**294 242 025**
Total revenue		**268 195 932**	**301 125 235**
Expenditure			
Employee related costs	24	(73 906 542)	(76 253 220)
Remuneration of councillors	25	(13 814 546)	(12 988 462)
Depreciation and amortisation	26	(28 069 115)	(24 584 452)
Impairments	27	(2 353 122)	(1 294 512)
Finance costs	28	(2 541 464)	(1 953 209)
Rentals expense	35	(2 133 571)	(2 806 020)
Debt Impairment	29	(8 682 557)	(7 771 628)
Inventory consumed	8	(1 080 525)	(1 750 068)
Assets write off	32	(97 650)	(367 001)
Contracted services	33	(47 616 996)	(49 774 079)
Transfers and Subsidies	31	(16 311 515)	(13 887 501)
Covid 19 expenditure	8	-	(1 996 740)
Loss on disposal of assets and liabilities		-	-
Actuarial losses	7	(43 248)	(412 646)
Operational cost	30	(48 190 423)	(43 616 526)
Total expenditure		**(244 841 274)**	**(239 456 064)**
Surplus for the year		**23 354 658**	**61 669 171**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	317 863 847	317 863 847
Adjustments		
Prior year adjustments	19 980	19 980
Balance at 01 July 2020 as restated*	**317 883 827**	**317 883 827**
Changes in net assets		
Surplus for the year	61 669 171	61 669 171
Total changes	61 669 171	61 669 171
Balance at 01 July 2021	**379 552 998**	**379 552 998**
Changes in net assets		
Surplus for the year	23 354 658	23 354 658
Total changes	23 354 658	23 354 658
Balance at 30 June 2022	**402 907 656**	**402 907 656**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Sale of goods and services		28 848 223	16 997 730
Grants		233 437 617	272 043 366
Interest income		2 680 564	1 995 584
Other receipts		-	3 542 586
		264 966 404	294 579 266
Payments			
Employee costs		(87 735 055)	(89 247 618)
Suppliers		(113 960 926)	(129 383 340)
Finance costs		(235 766)	(1 953 209)
		(201 931 747)	(220 584 167)
Net cash flows from operating activities	34	**63 034 657**	**73 995 099**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(44 750 326)	(54 159 157)
Purchase of other intangible assets	4	-	(26 498)
Net cash flows from investing activities		**(44 750 326)**	**(54 185 655)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**18 284 331**	**19 809 444**
Cash and cash equivalents at the beginning of the year		84 157 695	64 348 250
Cash and cash equivalents at the end of the year	11	**102 442 026**	**84 157 694**

The accounting policies on pages 10 to 35 and the notes on pages 36 to 80 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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						
Services Charges	208 500	465 860	**674 360**	624 360	**(50 000)**	Note 47.1
Donations received	-	1 351 262	**1 351 262**	1 351 262	**-**	
Licences and permits	6 293 640	(2 826 598)	**3 467 042**	2 895 660	**(571 382)**	Note 45.2
Commissions received	32 322	158 871	**191 193**	170 302	**(20 891)**	Note 47.4
Rental income	394 600	12 583	**407 183**	412 357	**5 174**	Note 47.3
Other income	434 180	125 201	**559 381**	2 036 380	**1 476 999**	Note 47.7
Interest on Outstanding Debtors	967 707	(967 707)	**-**	-	**-**	
Interest received - Investment	2 145 919	600 000	**2 745 919**	2 680 564	**(65 355)**	Note 47.5
Total revenue from exchange transactions	**10 476 868**	**(1 080 528)**	**9 396 340**	**10 170 885**	**774 545**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	18 240 560	5 595 080	**23 835 640**	23 053 030	**(782 610)**	Note 47.8
Transfer revenue						
Government grants	231 447 000	4 720 000	**236 167 000**	233 437 617	**(2 729 383)**	Note 47.9
Fines	3 326 721	-	**3 326 721**	1 534 400	**(1 792 321)**	
Total revenue from non-exchange transactions	**253 014 281**	**10 315 080**	**263 329 361**	**258 025 047**	**(5 304 314)**	
Total revenue	**263 491 149**	**9 234 552**	**272 725 701**	**268 195 932**	**(4 529 769)**	
Expenditure						
Employee related cost	(92 974 672)	18 564 781	**(74 409 891)**	(73 906 542)	**503 349**	Note 47.11
Remuneration of councilors	(16 522 612)	2 694 233	**(13 828 379)**	(13 814 546)	**13 833**	Note 47.12
Depreciation and amortisation	(23 026 560)	(5 663 618)	**(28 690 178)**	(28 069 115)	**621 063**	Note 47.14
Impairment loss	-	(2 355 906)	**(2 355 906)**	(2 353 122)	**2 784**	
Finance costs	(995 472)	(1 550 000)	**(2 545 472)**	(2 541 464)	**4 008**	Note 47.15
Operating lease expense	(2 688 767)	553 778	**(2 134 989)**	(2 133 571)	**1 418**	
Debt Impairment	(3 944 747)	(4 800 000)	**(8 744 747)**	(8 682 557)	**62 190**	Note 47.13
Inventory consumed	(1 417 250)	(55 000)	**(1 472 250)**	(1 080 525)	**391 725**	
Assets Written - Off	-	(111 108)	**(111 108)**	(97 650)	**13 458**	
Contracted service	(32 771 477)	(15 228 237)	**(47 999 714)**	(47 616 996)	**382 718**	Note 47.16
Transfer and Subsidies	(9 010 000)	(7 671 889)	**(16 681 889)**	(16 311 515)	**370 374**	Note 47.17
Operational cost	(32 931 576)	(15 258 847)	**(48 190 423)**	(48 190 423)	**-**	Note 47.19
Total expenditure	**(216 283 133)**	**(30 881 813)**	**(247 164 946)**	**(244 798 026)**	**2 366 920**	
Operating surplus	**47 208 016**	**(21 647 261)**	**25 560 755**	**23 397 906**	**(2 162 849)**	
Actuarial gains/losses	-	(43 248)	**(43 248)**	(43 248)	**-**	
Surplus before taxation	**47 208 016**	**(21 690 509)**	**25 517 507**	**23 354 658**	**(2 162 849)**	
Surplus for the year excluding capital expenditure	**47 208 016**	**(21 690 509)**	**25 517 507**	**23 354 658**	**(2 162 849)**	
Capital Expenditure	(47 208 015)	2 294 670	**(44 913 345)**	(42 131 446)	**2 781 899**	

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
Comparison of Budget and Actual amounts	**1**	**(19 395 839)**	**(19 395 838)**	**(18 776 788)**	**619 050**	

Accounting Policies

Figures in Rand	Note(s)	2022	2021

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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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 municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for 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.

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 key 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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions, contingent liabilities

Management’s judgment is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material, the using cost of capital. 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.

Provisions for Landfill site

The entity has an obligation to rehabilitate it's landfill site in terms of it's licence stipulations. Provision is made for this obligation based on the size/ extent of the land to be rehabilitated and the rehabilitation period.Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Effective interest rate

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

Allowance for doubtful debts

On debtors an impairment loss 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.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow :

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

Additional information is disclosed in Note 52.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are 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.

Post retirement benefit

The cost of long services awards benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

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.

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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	20 -30 years
Boreholes	Straight-line	20 years
Mobile clinics	Straight-line	30 years
Furniture and fixtures	Straight-line	7 - 10 years
Motor vehicles	Straight-line	5 -7 years
Office equipment	Straight-line	3 - 7 years
IT equipment	Straight-line	3 - 7 years
Creche	Straight-line	30 years
Infrastructure	Straight-line	3 - 30 years
Roads and Paving	Straight-line	20 years
Roads and Water	Straight-line	3 - 10 years
Gravel roads	Straight-line	10 years
Community Halls	Straight-line	30 years
Bins and containers	Straight-line	15 years
Libraries	Straight-line	30 years
Fence	Straight-line	5 - 10 years
Gates	Straight-line	5 - 10 years
Jojo Tanks	Straight-line	30 years
Park facilities	Straight-line	10 years
Landfill sites	Straight-line	30 years
Leased Office Equipment	Straight-line	5 years
Specialised vehicles	Straight-line	10 years
Special Plant and Equipment	Straight-line	10 - 15 years
Street lights	Straight-line	10 - 25 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.

1.4 Property, plant and equipment (continued)

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

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

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

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

1.5 Intangible assets

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

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.

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	Straight-line	5 years
Other Intangible assets	Straight-line	3 years

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

Accounting Policies

1.5 Intangible assets (continued)

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

1.6 Financial instruments

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

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

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

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

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

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

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

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

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

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

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.

Accounting Policies

1.6 Financial instruments (continued)

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

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

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

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.

Accounting Policies

1.6 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
Consumer debtors	Financial asset measured at amortised cost
Receivables and exchange transactions	Financial asset measured at amortised cost
Receivables and non-exchange transactions	Financial asset measured at amortised cost
VAT Receivables	Financial asset measured at amortised cost

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

Class	Category
Unspent conditional grants	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.
The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.
Financial instruments are measured initially at fair value plus in case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to acquisition or issue.
Transaction costs on financial instruments at fair value through surplus or loss are recognised in surplus or loss.

Subsequent measurement

Financial instruments at fair value are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or loss for the period.
Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets; (individually for all significant debtors account and collectively for other debtors with similar credit risk characteristics), other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.
For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.
Impairment losses are recognised in surplus or loss.
Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.
Reversals of impairment losses are recognised in surplus or loss.

1.7 Statutory receivables

Identification

1.7 Statutory receivables (continued)

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

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.

1.7 Statutory receivables (continued)

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

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

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

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

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

Derecognition

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

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

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

1.8 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.

Accounting Policies

1.8 Leases (continued)

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.

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

Operating leases - lessor

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

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

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

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

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

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.

Accounting Policies

1.9 Inventories

Inventories comprise current assets, consumption or distribution during the ordinary course of business.

Inventories shall be recognised as an asset if, and only if:
• it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
• the cost of the inventories can be measured reliably.

Inventories are initially measured at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their present location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories held for sale in the ordinary course of business are valued at the lower of cost and net realisable value , or where unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Inventories held for consumption, distribution, consumables stores, raw materials, are valued at lower of cost or net replacement cost.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The first-in-first-out method is the basis of allocating costs to inventories, except for water balance which is determined at weighted average cost at the reporting date based on the water volume in the network on hand.

Redundant and slow-moving inventories are identified and written down to the estimated net realisable value, and are recognised as an expense in the period in which the write-down or loss occurs. Inventories identified for write-down/write-off, but for which a council resolution, to authorise the write-down/write-off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.10 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

Accounting Policies

1.10 Cash and cash equivalents (continued)

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

Bank overdrafts which are repayable on demand forms an integral part of the entity’s cash management activities, and as such are included as a component of cash and cash equivalents.

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.

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.

Designation

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

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

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

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

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

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.

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.

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

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

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

1.12 Employee benefits (continued)

Defined benefit plans

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

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

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

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

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

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

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

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

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

1.13 Provisions and contingencies

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

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

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

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

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

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

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

Accounting Policies

1.13 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating surplus .

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 37.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.15 Revenue from exchange transactions (continued)

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

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

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

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

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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

Recognition

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

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

Measurement

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

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.17 Investment income

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

1.18 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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.

1.19 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.20 Comparative figures

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

Accounting Policies

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.

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

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.

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

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

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

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; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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.

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.

1.23 Irregular expenditure (continued)

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.

Irregular expenditure, in relation to a municipality, means-
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170;25
- 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 the Act;
- 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 30 No. 20 of 1998) or
- expenditure incurred by a municipality or municipal entity 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 35 terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

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 Segment information

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

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

Measurement

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

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

Accounting Policies

1.26 Budget information

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

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

The approved budget is prepared on a accrual basis.

The approved budget covers the fiscal period from 2021/07/01 to 2023/06/30.

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

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

1.27 Related parties

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

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

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

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

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

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

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

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

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

1.28 Events after reporting date

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

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

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

Accounting Policies

1.28 Events after reporting date (continued)

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

1.29 Use of an estimate

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.30 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.31 Retention

Retention is also commonly called retainage and is a term referring to the percentage of payment held back from a construction contract.

This is a financial term and the owners of a building, or those who are paying for its work to be done, take the lead in drawing up and enforcing the retention plan. General contractors sometimes have retention plans as well.

Retention is a percentage of the amount certified as due to the contractor on an interim certificate, that is deducted from the amount due and retained by the client.

The purpose of retention is to ensure that the contractor properly completes the activities required of them under the contract. Retention can also be applied to nominated sub-contractors, and the main contractor may also apply retention to domestic subcontractors.

Often the percentage of retention ranges from 5% to 10% depending on:
a) The risk of the project, if the risk of failure is high then the percentage will be at maximum 10%.
b) The experience of the awarded contractor, if the contractor has minimum experience of the work to be executed then the percentage will be maximum 10%.

Half of the amount retained is released on certification of practical completion ('substantial completion' for Institution of Civil Engineers (ICE) contracts) and the remainder is released upon certification of making good defects (or 'final statement' for design and build contracts such as Joint Contracts Tribunal (JCT).

Interim certificates should make clear the amount of retention and a statement should also be prepared showing retention for nominated sub-contractors. The contract may require that retention is kept in a separate bank account and that this is certified to contractors. In this case, the client will generally keep any interest paid on the account.

Accounting Policies

1.32 Commitments

Items are classified as commitments where the municipality commits itself into future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and contracted commitments;
- Where the expenditure has been approved and the contract has been awarded at the reporting date; and
- Where disclosure is required by specific GRAP standard.

The municipality will disclose authorised capital expenditure, that which has been approved and contracted for. Outstanding operating lease commitments owing by the municipality and the periods in which payments fall due will also be disclosed.

Commitments are disclosed under note 37 of the annual financial statements.

1.33 Contracted Services

Contracted Services are distinguish between Outsourced Services, Contractors and Professional and Special Services.

Outsourced Services

The municipality should have the capacity and expertise to carry out certain services, but for some reasons not utilising their own staff. The reasons might include temporary incapacity or the outsourcing of services to save costs. In evaluating the classification of outsourced services it should be established whether the services being procured could have been provided by the municipality itself. It could also be that the municipality ordinarily has the expertise to provide the service but temporarily could not do so or to save costs.

Consultants and Professional Services

Consulting services refer to specialist services and skills provided that are required for the achievement of a specific objective, with the aim of providing expert and professional advise on a time and material basis. It is unnecessary to maintain these skills in-house, since they are required on a once-off or temporary basis. Therefore a consultant is a professional person appointed by the department to provide technical and specialist advise or to assist with he design and implementation of specific projects/programs. The legal status of this person can be an individual a partnership or a corporation. The fact that a consultant is defined as a professional person implies that the consultant is professionally qualified. The provision of advise or service is in line with a contractual arrangement. Remuneration is usually based on an hourly fee or a fixed fee for a product/deliverable. This category consists of groups for "Business and Advisory Services", "Infrastructure and Planning", "Laboratory" and "Legal Service".

Contractors

Contractors are required to provide services that are not the core business of the municipality. It is normally not cost effective to maintain these skills within the department. Contractors include costs associated with the use of contracted individuals or businesses on projects or tasks. This does not include amounts payable to contractors in respect of provision of services such as cleaning and security even if a staff element can be identified.

1.34 Value Added Tax (VAT)

The municipality accounts for VAT on cash basis.

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effecive, but not yet adopted

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 2022	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2022	Unable to reliably estimate the impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unable to reliably estimate the impact

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2025	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

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
Buildings	39 706 406	(15 776 227)	23 930 179	39 592 053	(14 477 534)	25 114 519
Infrastructure assets	476 855 122	(174 059 194)	302 795 928	427 277 160	(135 920 770)	291 356 390
Other property, plant and equipment	36 426 000	(16 948 487)	19 477 513	31 017 181	(14 858 483)	16 158 698
Total	**552 987 528**	**(206 783 908)**	**346 203 620**	**497 886 394**	**(165 256 787)**	**332 629 607**

Reconciliation of property, plant and equipment - 30 June 2022

	Opening balance	Additions	Additions through WIP	Donated assets	WIP Transfers received	WIP Transfers	Write off	Change in estimate	Depreciation	Impairment loss	Total
Buildings	25 114 519	118 000	-	-	-	-	(3 661)	-	(1 298 679)	-	23 930 179
Infrastructure assets	291 356 390	-	38 587 433	-	37 270 814	(38 587 433)	-	342 868	(23 821 020)	(2 353 124)	302 795 928
Other property, plant and equipment	16 158 698	4 693 634	-	1 351 261	-	-	(93 989)	-	(2 632 091)	-	19 477 513
	332 629 607	**4 811 634**	**38 587 433**	**1 351 261**	**37 270 814**	**(38 587 433)**	**(97 650)**	**342 868**	**(27 751 790)**	**(2 353 124)**	**346 203 620**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Additions through WIP	Donated assets	WIP transfers received	WIP Transfers	Write off	Change in estimate	Reallocation	Depreciation	Impairment loss	Adjustment	Total
Buildings	25 864 471	196 500	362 460	-	-	(362 460)	-	-	-	(1 308 911)	-	362 459	25 114 519
Infrastructure assets	262 532 533	-	52 260 589	-	69 085 098	(68 722 638)	(169 043)	298 288	(1 823 466)	(20 448 000)	(1 294 512)	(362 459)	291 356 390
Other property, plant and equipment	15 557 783	1 339 608	-	126 638	-	-	(197 816)	-	1 823 466	(2 490 981)	-	-	16 158 698
	303 954 787	**1 536 108**	**52 623 049**	**126 638**	**69 085 098**	**(69 085 098)**	**(366 859)**	**298 288**	**-**	**(24 247 892)**	**(1 294 512)**	**-**	**332 629 607**

Pledged as security

There was no property, plant and equipment pledged as security.

Figures in Rand	2022	2021

3. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure - Multipurpose Centre	37 328 162	33 541 085
Manguzi Market stalls	246 474	-
Infrastructure- Market Stalls	-	1 043 470
Ntshongwe Community Hall	3 434 374	-
Infrastructure - Roads	-	17 483 011
Youth Enterprise	-	887 971
Manguzi Boarder Fish Market	2 539 127	-
Manguzi Internal Road	2 043 874	-
Mbazwana Internal Road	5 158 936	-
	50 750 947	**52 955 537**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Manguzi Multipurpose	37 328 162	33 541 085
Manguzi Multipurpose Centre is a multi year project, we have recently appointed the new contractor to complete the project that was surrendered by previous contractor. There were further delays that prompted the work to carried over to 2022/23 financial period, and the project is expected to be completed in the next financial period.		
	37 328 162	**33 541 085**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	17 483 011	35 472 525	52 955 536
Impairment	-	(887 970)	(887 970)
Additions/capital expenditure	7 467 928	29 802 886	37 270 814
Transferred to completed items	-	(38 587 433)	(38 587 433)
	24 950 939	**25 800 008**	**50 750 947**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	28 082 866	41 334 719	-	69 417 585
Additions/capital expenditure	41 719 019	10 541 570	362 460	52 623 049
Transferred to completed items	(52 318 874)	(16 403 764)	(362 460)	(69 085 098)
	17 483 011	**35 472 525**	**-**	**52 955 536**

Figures in Rand	2022	2021

3. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted Services - Plumbing	237 670	375 880
Contracted services - G5 Material	538 460	544 465
Contracted services - G7 Material	1 246 270	1 129 828
Contracted - Hiring Excavator	947 600	381 800
Contracted Service - Hiring of Grader	-	130 000
TLB hire	1 292 204	928 640
Tipper truck	1 195 090	871 790
Potholes	-	179 975
Small machine maintenance	204 930	88 291
Concrete slab repair	95 483	90 000
Honey sucking	497 216	219 500
Aircon Regas	38 779	237 443
Electrical	375 426	87 500
Contracted Service - Motor Vehicle	7 339 239	5 095 884
Water tanker	180 200	179 900
Painting	-	16 501
Road markings	198 329	189 521
Security gate and fence repair	93 094	179 550
Main building renovations	817 816	565 543
Computer repair	-	51 990
Container maintenance	-	1 050
Storm water repair	-	160 000
Septic tank repair	67 682	-
Server Room repair	30 790	-
Carpert cleaning	5 244	-
	15 401 522	**11 705 051**

Repairs and Maintenance		
Employee related cost	817 816	582 044

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.

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	1 648 074	(1 372 873)	275 201	2 171 704	(1 579 178)	592 526

Reconciliation of intangible assets - June 2022

	Opening balance	Amortisation	Total
Computer software	592 526	(317 325)	275 201

Reconciliation of intangible assets - June 2021

	Opening balance	Additions	Write off	Amortisation	Total
Computer software, other	902 731	26 498	(143)	(336 560)	592 526

Pledged as security

There were no intangible assets pledged as security.

Figures in Rand	2022	2021

5. Payables from exchange transactions

	2022	2021
Trade payables	2 843 456	1 628 839
Accrued leave pay	6 590 946	6 263 792
Accrued bonus	1 631 067	1 553 171
Deposits received	2 500	-
Retention Creditors	6 537 319	7 485 424
Other creditors	89 352	104 697
Payroll related creditors	45 704	-
Debtors with credit balance	9 819	9 532
Deposits	3 550	-
	17 753 713	**17 045 455**

Ageing trade and other payables

	2022	2021
Current (0 -30 days)	2 843 456	1 594 964
60 - 90 days	-	118 783
90 -120 days	-	26 000
Less: Creditors with debit balances	-	(110 908)
	2 843 456	**1 628 839**

6. VAT payable

	2022	2021
VAT payables	2 823 659	1 153 737

7. Employee benefit obligations

Long Service Awards

In line with the guidelines of the Bargaining Council, the municipalty remunerates its employees for the long services rendered to the municipality. The estimates of the present obligation are determined through the use of the Actuarial expertise. Such estimates are reviewed annually at end of the finacial year. The finance cost and actuarial gains or losses are recogised direclty in the statement of financial performance.

The municipality offers bonuses for every 5 years of completed service from 10 to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or wholly or partially cashed. In most cases, employees choose to exercise the option to wholly convert their accumulated leave bonus into cash.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Figures in Rand	2022	2021

7. Employee benefit obligations (continued)

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

Carrying value		
Opening balance	(3 368 416)	(2 518 382)
Service cost	(417 321)	(332 688)
Interest cost	(316 843)	(254 753)
Expected benefit payment	325 570	150 053
Actuarial (gain)/loss	(43 248)	(412 646)
	(3 820 258)	**(3 368 416)**

Non-current liabilities	(3 640 812)	(3 137 595)
Current liabilities	(179 446)	(230 821)
	(3 820 258)	**(3 368 416)**

Assumptions used at the reporting date:

Discount rates used		
General Inflation Rate	11,73%	9,74%
Consumer Price Index (CPI)	6,96%	5,61%
Real Rate	7,96%	6,61%
Net discount rate	3,49%	6,91%

Members withdrawn from services: (Average for males and females)

Age 20	12,00 %	12,00 %
Age 25	6,60 %	6,60 %
Age 30	5,10 %	5,10 %
Age 35	3,60 %	3,60 %
Age 40	2,60 %	2,60 %
Age 45	1,80 %	1,80 %
Age 50	1,10 %	1,10 %
	-	**-**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(3 368 416)	(2 518 382)
Service cost	(417 321)	(332 688)
Interest cost	(316 843)	(254 753)
Benefits paid	325 570	150 053
Actuarial loss/(gain)	(43 248)	(412 646)
	(3 820 258)	**(3 368 416)**

Net expense recognised in the statement of financial performance

Current service cost	417 321	332 688
Interest cost	316 843	254 753
Actuarial (gains) losses	43 248	412 646
	777 412	**1 000 087**

Figures in Rand	2022	2021

7. Employee benefit obligations (continued)

Demographic and Decrement Assumption

Assumptions used at the reporting date:

20	12,00 %	12,00 %
25	6,60 %	6,60 %
30	5,10 %	5,10 %
35	3,60 %	3,60 %
40	2,60 %	2,60 %
45	1,80 %	1,80 %
50	1,10 %	1,10 %

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

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation
report, 30 June 2021 the duration of liabilities was 8.68 years. At this duration the discount rate determined by using the Bond
Exchange Zero Coupon Yield Curve as at 29 June 2022 is 11.73% per annum, and the yield on inflation linked bonds of a similar term was about 3.99% per annum. This implies an underlying expectation of inflation of 6.96% per annum ([1 + 11.73% - 0.5%] / (1 + 3.99%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.0% per annum, i.e. 7.96% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.94% per annum ([1 + 9.74%] / [1 + 6.61%] - 1).

Valuation assumptions

The key assumptions used in the valuation, with the prior year's assumption shown for comparison, are summarised below:

	30 June 2022	**30 June 2021**
Discount rate	11,73%	9,74%
CPI	6,96%	5,61%
Salary increase rate	7,96%	6,61%
Net discount rate	3,94%	2,94%

Valuation Method

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

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

Figures in Rand	2022	2021

8. Inventories

Opening	282 312	189 463
Inventory purchased	962 776	3 839 657
Inventory consumed	(1 080 525)	(1 750 068)
Covid-19 consumables	-	(1 996 740)
	164 563	**282 312**

Inventory consist of stationery, cleaning materials and consumable materials. Stock take was conducted at 30 June 2022 to determine the quantity and value of inventory at hand.

Inventories was assessed for redundancy and abnormal wastage. No obsolete inventory was discovered.

9. Receivables from exchange transactions

Gross balances		
Employee Debtors	29 288	15 322
Debtors Refuse	643 820	1 302 382
Debtors - Rentals	840 712	695 659
Prepayment	731 344	731 344
Other Debtors	394 788	110 908
	2 639 952	**2 855 615**

Less: Allowance for impairment		
Employee debtors	(15 322)	-
Refuse debtors	(496 136)	(1 018 561)
Rentals debtors	(670 172)	(523 458)
Prepayments	(731 344)	-
	(1 912 974)	**(1 542 019)**

Net balance		
Employee Debtors	13 966	15 322
Debtors - Refuse	147 684	283 821
Debtors - Rentals	170 540	172 201
Prepayment	-	731 344
Other debtors	394 788	110 908
	726 978	**1 313 596**

Prepayments are the debtors as a results of additional expenditure incurred to pay contractors that did'nt complete work properly. As per required specification work had to be redone and amount paid to the supplier was raised as a debtor.

The amount has been outstanding for two financial periods and the recoverability thereof in uncertain. Management decided to make provision for debt impairment.

The recoverability of staff debtors is almost impossible as follow up has been done but some of the former employees are unemployed. Provision for impairment has been made.

Debtors PMU		
Current (0 -30 days)	13 966	15 322

Debtors Refuse		
Current (0 -30 days)	88 546	107 716
31 - 60 days	21 753	47 882
61 - 90 days	21 753	42 144
91 - 120 days	16 016	42 144
121 - 365 days	495 752	1 062 496
	643 820	**1 302 382**

Figures in Rand	2022	2021

9. Receivables from exchange transactions (continued)

Rental		
Current (0 -30 days)	68 079	70 078
31 - 60 days	29 974	32 248
61 - 90 days	31 964	32 248
91 - 120 days	31 592	32 248
121 - 365 days	679 103	528 838
	840 712	**695 660**

Prepayment		
> 365 days	-	731 344

Other		
Current (0 -30 days)	394 788	110 908

Summary of debtors by customer classification

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 542 019)	(948 055)
Contributions to allowance	(912 491)	(593 964)
Write off	541 537	-
	(1 912 973)	**(1 542 019)**

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2022, 207 491 (2021: 257 924) were past due but not impaired.

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

1 month past due	82 146	97 664
2 months past due	73 618	80 130
3 months past due	51 727	80 130

10. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	57 286 338	53 444 904
Fines	9 265 191	7 966 741
	66 551 529	**61 411 645**

Less: Allowance for impairment		
Consumer debtors - Rates	(49 742 674)	(45 091 756)
Fines	(7 782 848)	(6 532 727)
	(57 525 522)	**(51 624 483)**

Net balance		
Consumer debtors - Rates	7 543 664	8 353 148
Fines	1 482 343	1 434 014
	9 026 007	**9 787 162**

Figures in Rand	2022	2021

10. Receivables from non-exchange transactions (continued)

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

Rate Debtors		
Opening balance	(45 091 756)	(39 923 663)
Allowance for impairment - Rate debtors	(5 793 690)	(5 168 093)
Write off	1 142 774	-
	(49 742 672)	**(45 091 756)**
Traffic fines		
Opening balance	(6 532 727)	(4 887 205)
Allowance for impairment	(1 250 121)	(1 645 522)
	(7 782 848)	**(6 532 727)**
Net balance	**(57 525 520)**	**(51 624 483)**

Fines		
Current (0 -30 days)	493 995	423 760
31 - 60 days	366 058	314 013
61 - 90 days	605 252	519 199
91 - 120 days	573 066	491 589
121 - 365 days	7 226 820	6 218 180
	9 265 191	**7 966 741**

Figures in Rand	2022	2021

10. Receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

Business		
Current (0 -30 days)	967 509	975 107
31 - 60 days	344 924	348 109
61 - 90 days	341 751	354 971
91 - 120 days	340 304	343 639
121 - 365 days	23 839 019	21 210 202
	25 833 507	23 232 028
Less: Allowance for impairment	(24 094 062)	(21 371 516)
	1 739 445	**1 860 512**

Government and ITB		
Current (0 -30 days)	419 488	434 338
31 - 60 days	208 587	215 372
61 - 90 days	208 587	215 372
91 - 120 days	208 587	215 372
121 - 365 days	27 537 240	26 666 250
	28 582 489	27 746 704
Less: Allowance for impairment	(22 953 780)	(21 411 717)
	5 628 709	**6 334 987**

Household and Agriculture		
Current (0 -30 days)	109 282	109 282
31 - 60 days	40 350	32 192
61 - 90 days	32 192	32 192
91 - 120 days	32 192	32 192
121 - 365 days	2 646 543	2 260 234
	2 860 559	2 466 092
Less: Allowance for impairment	(2 694 831)	(2 308 522)
	165 728	**157 570**

Total		
Current (0 -30 days)	1 496 279	1 518 727
31 - 60 days	593 861	595 673
61 - 90 days	582 530	602 644
91 - 120 days	581 083	591 203
121 - 365 days	54 022 802	50 136 686
	57 276 555	53 444 933
Less: Allowance for impairment	(49 742 673)	(45 091 756)
	7 533 882	**8 353 177**

Total debtor past due but not impaired		
1 month past due	728 663	810 967
2 month past due	722 716	708 959
3 month past due	585 702	595 552
	2 037 081	**2 115 478**

Receivables from non-exchange transactions past due but not impaired Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired.

At 30 June 2022, R2 037 081 - (2021:R2 115 478) were past due but not impaired.

Figures in Rand	2022	2021

10. Receivables from non-exchange transactions (continued)

Statutory receivables general information

The municipality had the following statutory receivables where the Framework for Preparation and Presentation of Financial Statement have been applied, for the following recognition:

Consumer debtors - Rates	57 286 338	53 444 904
Fines	9 265 191	7 966 741
Less: Impairment consumer debtors - rates	(49 742 673)	(45 091 756)
Less: Impairment fines	(7 782 848)	(6 532 727)
	9 026 008	**9 787 162**

Transaction(s) arising from statute

Rates - Municipal Property Rate Act (MPR Act) section states that local municipality may levy a rate on properties in its area
Fines - Fines are issued in terms of National Road Traffic Regulation of 2000 and the National Road Traffic Act 93 of 1996.

Determination of transaction amount

Rates - Rates amount are determined in terms of Section 11 of MPR Act and the approved rates policy of municipality.
Fines - All Fines are governed by the specific regulation which is applicable to the offence.

Interest or other charges levied/charged

Rates - Interest is charged on outstanding rate
Fines - No interest is charged on outstanding fines

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

Statutory receivable are subsequently measured at amortised cost. For statutory receivables, this includes the effect of impairments.

GRAP 104 tells us that an impairment of a financial asset is calculated as being the difference between the expected future cash flows and their present (discounted) value.

This means another discounting calculation, distinct from any discounting calculations that may have been required to determine fair value at initial recognition.

An impairment calculation is forward-looking and one must therefore use the number of days that the particular financial asset
is still expected to be outstanding based on the best information available at year-end. For this estimation it will be best to use
a combination of key indicators that will provide a list of debtors that are most likely to be impaired.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash on hand	5	6
Bank balances	83 174 003	65 601 085
Short-term deposits	19 160 687	18 447 952
Cash in Transit	107 331	108 650
	102 442 026	**84 157 693**

Figures in Rand	2022	2021

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank - Current Account Hluhluwe - 62025236408	83 174 003	65 842 001	50 766 908	83 174 003	65 601 086	50 391 796
First National Bank - Call Account Hluhluwe - 62055161146	2 048 847	2 003 958	-	2 048 847	2 003 958	-
First National Bank - Call Account Hluhluwe - 62266899825	1 405 883	1 375 114	1 348 858	1 405 883	1 375 114	1 348 858
First National Bank - Call Account Hluhluwe - 74275256516	5 510 368	5 276 843	5 063 093	5 510 368	5 276 843	5 063 093
Standard Bank - Call Account Empangeni - 068824491	21 771	21 161	20 638	21 771	21 161	20 638
Nedbank - Call Account Richardsbay - 28702097	38 861	37 775	36 835	38 861	37 775	36 835
First National Bank - Call Account Hluhluwe - 62424086785	2 076 412	2 007 427	516	2 076 412	2 007 427	516
First National Bank - Fixed Deposit Account - 74622621601	8 058 545	7 725 673	7 420 998	8 058 545	7 725 673	7 420 998
Total	**102 334 690**	**84 289 952**	**64 657 846**	**102 334 690**	**84 049 037**	**64 282 734**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2022	2021
Unspent conditional grants and receipts		
COGTA - Small Town Rehabilitation	162 260	162 260
Arts and Culture	100 000	100 000
Manguzi Road Project	17 307	17 307
Urban Development	907 195	907 195
Manzengwenya Project	7 500	7 500
M A P	251 168	251 168
Phelandaba Development Grant	178 600	178 600
Nhlange Lake Restaurant	5 600	5 600
KwaTembe Concrete Project	86 111	86 111
Mbazwana and Munguzi Hubs	160 000	160 000
MIG	1 694 448	1 694 448
Town planning	110 653	110 653
Manguzi Market grant	2 729 383	-
	6 410 225	**3 680 842**

Movement during the year

	2022	2021
Balance at the beginning of the year	3 680 842	17 639 112
Additions during the year	47 878 000	41 509 696
Income recognition during the year	(45 148 617)	(55 467 966)
	6 410 225	**3 680 842**

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

Figures in Rand	2022	2021

12. Unspent conditional grants and receipts (continued)

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

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

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

Figures in Rand	2022	2021

13. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Interest cost	Reversed during the year	Addition	Total
Skhemelele landfill site	9 184 431	778 532	(1 690 850)	-	8 272 113
Mbazwana landfill site	6 312 592	680 488	-	199 256	7 192 336
Thandizwe landfill site	7 957 713	846 588	-	143 612	8 947 913
Performance bonus	506 712	-	(93 989)	-	412 723
	23 961 448	**2 305 608**	**(1 784 839)**	**342 868**	**24 825 085**

Reconciliation of provisions - 2021

	Opening Balance	Interest cost	Utilised during the year	Additions	Total
Skhemelele landfill site	9 630 450	778 622	(1 224 641)	-	9 184 431
Mbazwana landfill site	5 666 921	512 177	-	133 494	6 312 592
Thandizwe landfill site	7 147 264	645 655	-	164 794	7 957 713
Performance bonuses	570 051	-	(506 712)	443 373	506 712
	23 014 686	**1 936 454**	**(1 731 353)**	**741 661**	**23 961 448**

	2022	2021
Non-current liabilities	22 725 706	22 082 993
Current liabilities	2 099 379	1 878 455
	24 825 085	**23 961 448**

The current portion is made up of provision for bonuses 2022: (R 412 723) 2021: (R 506 712) and Skhemelele landfill site 2022: (R 1 686 656) 2021: (R 1 706 712).

Performance bonuses

A section 57 bonus provision is also provided for. The bonus is performance based, and is dependant on a performance assessment. The timing of the bonus is uncertain.

Environmental rehabilitation provision

Figures in Rand	2022	2021

13. Provisions (continued)

The municipality operates two Landfill sites, which are Thandizwe and Mbazwana.

Skhemelele is in the process of being closed down.

The Municipality estimated rehabilitation cost are R26 103 212 (2021: R24 679 377) to restore the landfill site at the end of its useful life, estimated to be 8 years from the date of revaluation. The amount of rehabilitation is dependent on future costs technology, inflation and site consumption. The discount rate of the provision was10.45% (2010: 8.830%).

The financial implication of rehabilitating the landfill site was determined by the independent practitioner engineer Zin Waste and Landfills.

The date on which Zin Waste and Landfills valued landfill sites was 30 June 2022. The landfill sites are revalued every four years.

During the financial period there was a change in rehabilitation cost for Mbazwana and Thandizwe Landfill Site, that resulted in an increase in the underlying assets and provision of R7 192 336 and R8 947 913 respectively.

Skhemelele Landfill Site is in the process of being rehabilitated. Detailed design for the closure of the site as laid out in the Environmental Management Programme (EMPr). The closure and rehabilitation activities will comply with the Minimum Requirements for Waste Disposal by Landfill (Second Edition, 1998). In compliance with the requirements for a communal landfill, during closure of the existing landfill the following activities will be conducted:

Closure

Depending on the volume of waste on site, the waste must be consolidated and taken to a licensed landfill facility or the waste must be consolidated and capped on site;
- Reshaping and recontouring of borrow pits so that they are no longer a safety hazard must take place;
- Placement of a “no dumping” notice at the site; and,
- Closing and locking the gate to the site so that no illegal dumping can take place.

14. Services charges

Refuse removal	624 360	624 360

15. Commission received

Motor licensing	161 261	145 762
Commision received	9 041	8 359
	170 302	**154 121**

16. Fines, Penalties and Forfeits

Traffic Fines	1 534 400	1 047 350

17. Licences and permits

License income	2 895 660	3 237 150

18. Rental Income

Rental income	408 444	394 867
Hall hire	3 913	435
	412 357	**395 302**

Figures in Rand	2022	2021

19. Other income

Business Licensing	1 800	1 200
Sundry income	144 584	148 643
Library Income	48 306	35 521
Tender Documents	169 131	153 917
Property clearance revenue	2 739	1 696
Building plans revenue	14 609	5 478
Impound fees	-	3 600
Insurance refund	55 444	-
Law enforcement fines	250	-
Staff recoveries	128 186	-
Customer recoveries	1 440	-
Retention recoveries	1 469 891	-
	2 036 380	**350 055**

20. Investment revenue

Interest revenue		
Bank	1 967 829	1 438 569
Investments	712 735	557 015
	2 680 564	**1 995 584**

Figures in Rand	2022	2021

21. Property rates

Rates

Residential	656 040	656 040
Commercial	6 542 444	6 543 314
State	14 269 640	14 269 640
Property trust	1 585 253	1 431 000
Less: Income forgone	(347)	(1 128 388)
	23 053 030	**21 771 606**

Valuations

Residential / Hospitality	131 200 000	131 200 000
Business and Commercial	754 030 000	754 030 000
Public service purposes	1 010 500 000	1 010 500 000
State trust Land	572 400 000	572 400 000
Vacant land	49 361 000	49 361 000
Protected Area	164 500 000	164 500 000
Place of Worship	6 300 000	6 300 000
Public service infrastructure	1 570 000	1 570 000
	2 689 861 000	**2 689 861 000**

Property valuations is performed after 5 years. The last general valuation roll came into effect on 1 July 2019. Annual valuations are processed on an annual basis to take into account changes in individual property value due to alterations and subdivisions.

A tariff of R0,0025 (2021: R0,0025) is applied to property valuations of ITB to determine assessment rates. The billing remained constant from previous year.

Business Properties are billed at R0.0087 (2021: R0,0087) per Rand for a period. Hospitality will be included in this category.

Residential Properties are billed at R0,0077 (2021: R0,0077) per Rand for a period.

Public Service Properties are billed at R0,0154 (2021: R0,0154) per Rand for a period.

Agricultural Properties are billed at R0,0025 (2021: R0,0025) per Rand for a period.

Protected Area and Public Benefit Organisations are valuated but exempt from billing.

The new general valuation was implemented on 01 July 2019.

Figures in Rand	2022	2021

22. Government grants & subsidies

Operating grants		
Equitable share	188 289 000	214 885 452
Financial Management Grant	1 850 000	1 900 000
EPWP Grant	1 759 000	2 952 000
Library Grant	2 795 000	2 672 000
Tourisn grant	1 720 000	1 138 240
Enviromental grant	-	96 800
Manguzi Informal Market Grant	270 617	-
Sports Grounds	-	4 500
	196 683 617	**223 648 992**

Capital grants		
Municipal Infrastructure Grant	36 754 000	47 774 077
	233 437 617	**271 423 069**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	45 148 617	56 537 617
Unconditional grants received	188 289 000	214 885 452
	233 437 617	**271 423 069**

Equitable Share

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

COGTA -Small Town Rehabilitation

Balance unspent at beginning of year	162 260	162 260

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

Spatial Development

Balance unspent at beginning of year	100 000	100 000

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

Project Consolidate Manguzi

Balance unspent at beginning of year	17 307	17 307

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

Library Grant

Current-year receipts	2 795 000	2 672 000
Conditions met - transferred to revenue	(2 795 000)	(2 672 000)
	-	**-**

Urban Development Grant

Balance unspent at beginning of year	907 195	907 195

Figures in Rand	2022	2021

22. Government grants & subsidies (continued)

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

Manzengwenya Project

Balance unspent at beginning of year	7 500	7 500

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

Municipal Assistance Program (MAP)

Balance unspent at beginning of year	251 168	251 168

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

Phelandaba Development Grant

Balance unspent at beginning of year	178 600	178 600

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

Nhlange Lake Restaurant

Balance unspent at beginning of year	5 600	5 600

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

Kwa Tembe Concrete Project

Balance unspent at beginning of year	86 111	86 111

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

Mbazwana and Manguzi Hubs

Balance unspent at beginning of year	160 000	160 000

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

MIG

Balance unspent at beginning of year	1 694 448	15 370 231
Current-year receipts	36 754 000	34 276 000
Conditions met - transferred to revenue	(36 754 000)	(47 774 077)
Transfer to equitable share	-	(177 706)
	1 694 448	**1 694 448**

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

FMG

Balance unspent at beginning of year	-	112 598
Current-year receipts	1 850 000	1 900 000
Conditions met - transferred to revenue	(1 850 000)	(1 900 000)
Transfer to equitable share	-	(112 598)
	-	**-**

Figures in Rand	2022	2021

22. Government grants & subsidies (continued)

EPWP

Balance unspent at beginning of year	-	-
Current-year receipts	1 759 000	2 952 000
Conditions met - transferred to revenue	(1 759 000)	(2 952 000)
	-	-

Town planning grant

Balance unspent at beginning of year	110 653	110 653

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

Skhemelele nodal grant

Balance unspent at beginning of year	-	96 800
Conditions met - transferred to revenue	-	(96 800)
	-	-

Border Development

Balance unspent at beginning of year	-	1 138 240
Conditions met - transferred to revenue	-	(1 138 240)
	-	-

Sports ground

Balance unspent at beginning of year	-	4 500
Conditions met - transferred to revenue	-	(4 500)
	-	-

Manguzi Informal Market Grant

Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(270 617)	-
	2 729 383	-

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

23. Public contributions and donations

Public contributions and donations	1 351 262	126 638

Figures in Rand	2022	2021

24. Employee related costs

Basic salary	50 544 582	52 187 535
Cellphone Allowance	1 071 160	1 102 148
Performance bonus	412 723	441 602
Medical aid - company contributions	2 567 924	2 514 335
UIF	384 208	359 161
Leave pay provision charge	666 542	1 252 071
Overtime payments	1 967 715	2 444 709
Long-service awards	734 164	587 441
13th Cheques	2 851 330	3 129 861
Acting allowances	684 245	137 124
Car allowance	4 315 428	4 378 404
Standby Allowance	1 120 243	1 071 645
GroupLife Insurance	493 930	527 297
SALGBC - Levies	19 529	15 692
Rural Allowance	552 848	621 881
Pension	5 519 971	5 482 314
	73 906 542	**76 253 220**

Remuneration of Municipal Manager (NP Gamede)

Annual Remuneration	1 169 406	1 169 406
Car Allowance	180 000	180 000
Performance Bonuses	-	119 900
Contributions to UIF, Levies and Pension Funds	30 624	29 794
Cellphone allowance	32 400	32 400
Rural Allowance	116 941	116 941
	1 529 371	**1 648 441**

Remuneration of Chief Finance Officer (N.P.E Myeni)

Annual Remuneration	997 316	997 316
Car Allowance	162 000	162 000
Performance Bonuses	-	103 657
Contributions to UIF, Medical and Pension Funds	26 607	25 841
Cellphone allowance	27 600	27 600
Rural Allowance	108 798	108 798
	1 322 321	**1 425 212**

Remuneration of Corporate and Human Resources (N.V.F Msane)

Annual Remuneration	966 275	997 316
Car Allowance	156 958	162 000
Performance Bonuses	-	103 657
Contributions to UIF, Medical and Pension Funds	25 261	25 848
Other	5 680	-
Cellphone allowance	27 305	27 600
Rural Allowance	99 732	108 798
	1 281 211	**1 425 219**

Remuneration of Community Director (S.Shange)

Annual Remuneration	835 477	835 477
Car Allowance	162 000	162 000
Performance Bonuses	-	87 634
Contributions to UIF, Medical and Pension Funds	21 130	20 885
Rural Allowance	83 548	83 548

Figures in Rand	2022	2021

24. Employee related costs (continued)

Cellphone	27 600	22 100
Backpay	-	18 700
	1 129 755	**1 230 344**

Remuneration of Director Technical Services (M.S Qwabe)

Annual Remuneration	-	635 170
Car Allowance	-	121 500
Performance Bonuses	-	96 491
Contributions to UIF, Medical and Pension Funds	-	153 851
Leave pay	-	160 557
Cellphone allowance	-	20 700
Rural Allowance	-	70 723
	-	**1 258 992**

Remuneration of Director Technical Services Mrs FS Msabala (Acting)

Annual Remuneration	34 390	-

Figures in Rand	2022	2021

25. Remuneration of councillors

Mayor	870 988	905 259
Deputy Mayor	669 598	733 088
Exco Members	1 814 912	2 022 965
Speaker	705 558	733 088
Councillors	6 369 051	5 055 749
Travel Allowance	2 066 639	2 300 373
Cellphone and data allowance	1 317 800	1 237 940
	13 814 546	**12 988 462**

Mayor Cllr T.S Khumalo (Appointed 22 November 2021)

Annual Remuneration	389 755	-
Car Allowance	132 872	-
Cellphone Allowance	26 422	-
Mobile data	2 331	-
SDL	5 340	-
UIF	308	-
Backpay	9 170	-
	566 198	**-**

Mayor Cllr N.S Mthethwa (Resigned 22 November 2021)

Annual Remuneration	230 772	645 644
Car Allowance	76 924	215 215
Cellphone Allowance	14 583	40 800
Mobile data	1 287	3 600
SDL	3 082	7 185
	326 648	**912 444**

Mayor Cllr M.Z Mhlongo (Appointed 22 November 2021)

Annual Remuneration	271 387	-
Car Allowance	92 552	-
Backpay	6 577	-
Cellphone Allowance	23 022	-
Mobile data	2 031	-
	395 569	**-**

Deputy Mayor Cllr E.Z Mtshali (Appointed 02 June 2022)

Annual Remuneration	17 026	-
Car Allowance	5 676	-
Cellphone Allowance	3 400	-
Mobile data	300	-
	26 402	**-**

Deputy Mayor Cllr F.G Mlambo (Resigned 22 November 2021)

Annual Remuneration	184 618	516 516
Car Allowance	61 539	172 172
Cellphone Allowance	14 583	40 800
Mobile data	1 287	3 600
SDL	2 303	5 310
	264 330	**738 398**

Speaker Cllr M.D Mathenjwa (Appointed 22 November 2021)

Annual Remuneration	314 430	-
Car Allowance	106 899	-

Figures in Rand	2022	2021
25. Remuneration of councillors (continued)		
Cellphone Allowance	26 422	-
Mobile data	2 331	-
SDL	4 560	-
UIF	308	-
Backpay	6 577	-
	461 527	**-**
Speaker Cllr B.T Tembe (Resigned 22 November 2021)		
Annual Remuneration	184 618	516 516
Car Allowance	61 539	172 172
Cellphone Allowance	14 583	40 800
Data Allowance	1 287	3 600
SDL	2 371	5 383
	264 398	**738 471**
Exco Members Cllr H.K Gumede (Appointed 22 November 2021)		
Annual Remuneration	170 714	-
Car Allowance	57 345	-
Cellphone Allowance	26 422	-
Mobile data	2 331	-
SDL	2 406	-
UIF	308	-
Backpay	1 630	-
	261 156	**-**
Exco Members Cllr Z.M Mhlongo (Appointed 22 November 2021)		
Annual Remuneration	287 593	270 145
Car Allowance	97 954	90 048
Cellphone Allowance	26 258	40 800
Mobile data	2 317	3 600
SDL	4 064	3 234
UIF	308	-
Backpay	6 577	-
	425 071	**407 827**
Exco Members Cllr L.D Tembe (Appointed 22 November 2021)		
Annual Remuneration	170 714	-
Car Allowance	57 345	-
Cellphone Allowance	20 598	-
Mobile data	2 331	-
SDL	2 332	-
UIF	308	-
Backpay	1 630	-
	255 258	**-**
Exco Members Cllr P.T Vumase (Appointed 22 November 2021)		
Annual Remuneration	81 237	-
Car Allowance	27 079	-
Cellphone Allowance	16 222	-
Mobile data	1 431	-
SDL	1 209	-
UIF	308	-
Backpay	308	-
	127 794	**-**

Figures in Rand	2022	2021

25. Remuneration of councillors (continued)

Exco Members Cllr B.N Ntsele (Resigned 22 November 2021)		
Annual Remuneration	96 558	-
Car Allowance	32 186	-
Cellphone Allowance	14 583	-
Mobile data	1 287	-
SDL	1 404	-
	146 018	**-**

Exco Member Cllr S.N Tembe (Resigned 22 November 2021)		
Annual Remuneration	96 558	270 145
Car Allowance	32 186	90 048
Data Allowance	1 287	3 600
Cellphone allowance	14 583	40 800
SDL	1 387	3 249
	146 001	**407 842**

Exco Member Cllr M.D Mathenjwa (Resigned 22 November 2021)		
Annual Remuneration	96 558	270 145
Car Allowance	32 186	90 048
Cellphone Allowance	14 583	40 800
Data Allowance	1 287	3 600
SDL	1 421	3 273
	146 035	**407 866**

Exco Member Cllr Z.M Mhlongo (Resigned 22 November 2021)		
Annual Remuneration	96 558	270 145
Car Allowance	32 186	90 048
Cellphone Allowance	14 053	40 800
Data Allowance	1 287	3 600
SDL	1 412	3 234
	145 496	**407 827**

Exco Member Cllr M.Z Mhlongo (Resigned 22 November 2021)		
Annual Remuneration	96 558	270 145
Car Allowance	32 186	90 048
Cellphone Allowance	14 583	40 800
Data Allowance	1 287	3 600
SDL	1 490	3 447
	146 104	**408 040**

In-kind benefits

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

The Executive Mayor has use of a Council owned vehicle for official duties.

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

The Executive Mayor has two full-time bodyguards. The Deputy Mayor and Speaker have two full-time bodyguards.

Figures in Rand	2022	2021

26. Depreciation and amortisation

Property, plant and equipment	27 751 790	24 247 892
Intangible assets	317 325	336 560
	28 069 115	**24 584 452**

27. Impairment loss

Impairments		
Impairment fixed assets	2 353 122	1 294 512
Flood damage: Buildings and road flooded resulting in structural damage		
Excessive maintenance required on an asset: The actual spend on maintenance is significantly higher that what was budgeted or anticipated		

The main classes of assets affected by impairment losses are:

Sportsfields
Roads

There's lack of maintenance on the local sportfields. It has been visible through verification that soccer fields are not maintained and possibly vandalism on the facilities. Impairment was recommended until facilities are maintained

Municipality has assessed infrastructure assets for impairment. The impairment assessment takes into account both external and internal source of information that indicated that these assets to be impaired. During April and May the province underwent some of the worst storms that have been accompanied by floods resulting in distruction that comes with such situations. The impact of these heavy rains affected the destrict on Mkhanyakude. These heavy rains have resulted in flooding of roads, human settlements and damage to properties.
As a results most of our roads infrastructures and sportsfield were affected.

When assesing the infrastructure for impairment we considered:
- evidence of physical damage
- significant long term changes that have occurred in the way or extent to which the assets is used
- riots that caused damaged to assets
- excessive maintenance required on an asset
- intended use of an asset changed and now the assets are not being used
- performance of the asset has reduced beyond what is expected based on the age of asset or group of assets
- decision to halt the construction of the asset before it is complete or in a usable condition
- decrease in the request for a service although the asset can still perform at the level required
- Increase in rehabilitation cost for landfill sites

The main events and circumstances that led to the recognition of these impairment losses are as follows::

- Buildings and roads closed due to structural damage;
- Buildings vandalised;
- Buildings and road flooded resulting in structural damage;
- Sport fields which are not being utilised by the community although they are in working order;

28. Finance costs

Interest overdue accounts	235 766	16 755
Other interest	2 305 698	1 936 454
	2 541 464	**1 953 209**

Figures in Rand	2022	2021

29. Debt impairment

Contributions to debt impairment provision	7 960 254	7 407 578
Bad debts written off	722 303	364 050
	8 682 557	**7 771 628**

30. Operational cost

Advertising	577 548	288 908
Auditors remuneration	1 459 994	1 782 998
Bank charges	155 766	146 182
Entertainment	-	600
Gifts and promotions	3 555 174	5 997 709
Hire charges	18 887 294	16 142 058
Insurance	1 166 323	1 090 577
Community development events	2 791 651	2 583 225
IT expenses	429 655	539 228
Fleet expense	106 048	77 493
Marketing	177 837	229 730
Medical expenses	-	131 527
Motor vehicle expenses	720 064	157 422
Fuel and oil	3 023 844	2 262 163
Postage and courier	39	32 973
Printing and stationery	870 960	656 900
Software expenses	2 183 448	1 372 933
Telephone and fax	1 059 307	9 592
Transport	-	109 900
Training	634 941	1 082 935
Travelling and accommodation	3 239 025	1 832 570
Water and electricity	1 194 405	847 420
Uniforms	923 009	964 900
Tourism development	129 380	-
Skills development levy	770 041	648 604
Travel allowance	2 577 068	1 857 571
Ward committees	1 255 200	2 485 200
Burial support	302 402	285 208
	48 190 423	**43 616 526**

31. Transfers and subsidies

Bursaries	1 105 035	719 793
Social assistance	7 042 182	4 572 337
Burial services	5 073 178	5 421 692
Disaster supplies	3 091 120	3 173 679
	16 311 515	**13 887 501**

32. Asset Write Off

Property Plant and Equipment write off	97 650	366 858
Intangible assets	-	143
	97 650	**367 001**

Figures in Rand	2022	2021

33. Contracted services

Outsourced Services		
Administrative and Support Staff	264 620	728 562
Burial Services	115 570	106 025
Catering Services	6 011 636	7 238 657
Clearing and Grass Cutting Services	477 400	1 297 396
Internal Auditors	2 382 868	2 908 982
Litter Picking and Street Cleaning	-	216 683
Professional Staff	178 751	534 698
Researcher	893 779	1 007 383
Security Services	11 433 322	9 506 287
Drivers Licence Cards	465 867	731 816
Consultants and Professional Services		
Business and Advisory	4 147 589	5 759 969
Infrastructure and Planning	135 328	1 095 660
Legal Cost	447 370	759 746
Contractors		
Aerial Surveillance	384 200	-
Artists and Performers	20 000	745 380
Catering Services	107 680	224 300
Fire Services	-	110 320
Graphic Designers	355 110	190 000
Maintenance of Buildings and Facilities	2 442 076	1 340 473
Maintenance of Equipment	7 739 822	5 548 339
Maintenance of Roads	5 219 624	4 826 440
Medical Services	16 000	-
Pest Control and Fumigation	1 351 795	2 562 540
Photographer	40 600	31 000
Transportation	154 180	385 133
Sports and Recreation	2 418 859	1 594 840
Stage and Sound Crew	412 950	323 450
	47 616 996	**49 774 079**

34. Cash generated from operations

Surplus	23 354 658	61 669 171
Adjustments for:		
Depreciation and amortisation	28 069 115	24 584 452
Actuarial gain/(loss)	43 248	-
Assets write off	97 650	367 001
Donated assets	(1 351 262)	(126 639)
Impairment loss	2 353 122	1 294 512
Debt impairment	8 682 557	7 771 628
Operating lease liability	-	(11 410)
Employee benefit provision	451 842	850 034
Movements in provisions	863 637	946 762
Other movements	(128 684)	(662 304)
Changes in working capital:		
Inventories	117 749	(92 849)
Receivables from exchange transactions	215 662	(1 095 898)
Other receivables from non-exchange transactions	(5 139 883)	(6 583 849)
Payables from exchange transactions	708 162	3 553 344
Unspent conditional grants and receipts	2 729 383	(15 027 921)
VAT	1 669 922	613 759
INEP Liability	297 779	(4 054 694)
	63 034 657	**73 995 099**

Figures in Rand	2022	2021

35. Lease rental on operating lease

Photocopy machines and phones		
Rental amount	2 133 571	2 806 020

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Manguzi Multipurpose	3 885 964	6 246 598
• Posini to Library Road	-	362 554
• IYK Tarred Road	-	4 575 030
• Mqobela access road	-	139 377
• Manguzi Informal Markets	2 729 383	-
• Mahlungulu Electrification	-	2 087 856
• Mbazwana Internal Road	29 348 623	-
• Manguzi Internal Road	21 662 949	-
• Nthsongwe Community Hall	2 108 284	-
• Thandizwe Blacktop	-	1 884 820
• Kosi Bay Fish Market	-	1 650 010
• Siholwa Electrification	863 720	-
	60 598 923	**16 946 245**
Total capital commitments		
Already contracted for but not provided for	60 598 923	16 946 245

Authorised operational expenditure

Already contracted and provided for		
• Official Orders	2 525 707	4 979 665
Total operational commitments		
Already contracted for but not provided for	2 525 707	4 979 665

This committed expenditure relates to infrastructure, community and electrification projects and will be financed by government
grants.

37. Contingencies

37.1. DUDUZILE MKHIZE AND 28 OTHERS; UMHLABUYALINGANA MUNICIPALITY

We successfully opposed the unfair dismissal dispute at SALGBC.
Aggrieved by the arbitration award; Duduzile Mkhize and others applied for a review application and that application is still pending before the Labour Court.
Future legal costs are estimated at R150 000
Liability for back-pay in the event the award is set aside is estimated at R2 688 000

37.2 NIMROD NGUBANE AND 65 OTHERS// UMHLABUYALINGANA MUNICIPALITY

This matter relates to the alleged unlawful termination of contracts of employment. It is pending in the Labour Court.
Financial liability
In the event the Applicants become successful the estimated back-pay would be an amount of R5 896 800
Future legal costs are estimated at R90 000

Figures in Rand	2022	2021

38. Related parties

Relationships
Management remuneration — Refer to note 26
Council remuneration — Refer to note 27

Supplier name	Person in relationship	Name of the business where there are partners	Relationship to person in service of municipality		Position	Expenditure (Payments) - current year
	1					
Ezonsundu Trading	P Tembe		Business partner	Busi Tembe	Speaker	2 962 880
Kosi Bay Hippo Lodge and Resort	P Tembe		Business partner	Busi Tembe	Speaker	134 000
Kwangwanase Taxi Association Primary Cooperative Limited	J Manzini	Ethembeni Jabulani	Business partner	Themba Crosalence Ngwezi	TLB Driver	211 500
Shenge Group Holdings	P Mpontshane	Sikwenza Kwenzeke Primary Co-Operative	Business partner	Themba Douglas Mlambo	Special Programmes Manager	11 000
Asimzame construction and projects	M Tembe	Ubambiswano Management Services	Business partner	Busi Tembe	Speaker	200 000

39. Change in estimate

Property, plant and equipment

The useful life of certain plant was estimated in 2021 to be 18 years. In the current period management have revised their estimate to 8 years. The effect of this revision has increased the depreciation charges for the current periods by R 499 851

The effect of estimate for the future amount is impracticable as assets are not revalued. Its impossible to determine the change in estimate effect.

The estimated cost of Mbazwana and Thandizwe Landfill Sites was revised in the financial year under review. The effect of this revision has resulted in an increase in the underlying assets with the corresponding increase in Landfill Site Provision. Increased the depreciation charges for the current period was R42 858 and the asset increased by R342 868

40. Prior period error Property, plant and equipment

A completed assets was transfered out of work in progress, but not included as complete asset on the fixed assets register. There was an inaccurate and incomplete disclosure.

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

Reconciliation of property, plant and equipment	Previously reported	Correction of error	Restated
Buildings	24 752 060	362 459	25 114 519
Infrastructure assets	291 718 849	(362 459)	291 356 390
	316 470 909	**-**	**316 470 909**

Figures in Rand	2022	2021

41. 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.

The table below analyses the municipality’s financial liabilities balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

	2022	2021
Current liabilities		
Trade and other payables from exchange transactions	17 753 713	17 045 455
Unspent conditional grants	6 410 225	3 680 842
	24 163 938	**20 726 297**

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	30 June 2022	30 June 2021
Receivables from exchange transactions	726 978	1 313 596
Cash and cash equivalents	102 442 026	84 157 693

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate risk

42. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of 402 907 656 and that the municipality's total assets exceed its liabilities by 402 907 656.

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.

Figures in Rand	2022	2021

43. Events after the reporting date

Non-adjusting events after the reporting date

Nature of the event:

The contract of the accounting officer came to an end at at 30 June 2022. The new acting accounting officer was appointed from 1 August 2022.

Estimation of its financial effect or a statement that such an estimation cannot be made:

There is no financial implication to this post balance sheet event.

44. Fruitless and wasteful expenditure

	2022	2021
Opening balance as previously reported	979 402	338 170
Add: Fruitless and wasteful expenditure identified - current	12 695 785	963 105
Add: Fruitless and wasteful expenditure identified - prior period	-	16 297
Less: Amount written off - current	(979 402)	(338 170)
Closing balance	**12 695 785**	**979 402**

Fruitless and wasteful expenditure is presented inclusive of VAT

Council approved fruitless and wasteful expenditure of R979 402 to be written off. This was as a results of late payment of an account and interest was charged, and SARS wherein the municipality was charged interest on instances where account was not paid in time.

Fruitless and wasteful expenditure current year was as a result of:

- Late payment of accounts and interest was charged (Eskom and Telkom)
- SARS PAYE interest overdue account
- Transfers and subsidies, amount paid for Social Relief and Burial Support
- Free Basic Elecreicity

Figures in Rand	2022	2021

45. Irregular expenditure

Opening balance as previously reported	3 544 806	30 423 059
Add: Irregular expenditure - current	16 681 020	3 544 806
Add: Irregular expenditure - prior period	-	21 557 058
Less: Amount written off - current	(17 682 141)	(51 980 117)
Closing balance	**2 543 685**	**3 544 806**

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

	Disciplinary steps taken/criminal proceedings		
BAC not properly constituted	SCM policies to be reviewed to be in line with SCM regulations and be consistent	-	30 423 059
BAC not properly constituted	SCM policies to be reviewed to be in line with SCM regulations and be consistent	13 398 496	21 557 058
MBD4 form not signed	Investigation to be conducted, and will be reported to the council.	115 426	396 740
Competitive bidding not followed	Investigation to be conducted, and will be reported to the council.	738 839	3 148 065
Overtime	Overtime paid exceeding threshold	954 173	-
Award made to people in Service of the State	Investigation to be conducted, and will be reported to the council.	472 553	-
Awards made to people who have siblings within municipality	Investigation to be conducted, and will be reported to the council.	901 534	-
MBD4 form not signed (from previous financial period)	Amount written off	396 740	-
Competitive bidding not followed (from previous period)	Amount written off	3 148 065	-
Supplier tax status no-compliant		100 000	-
		20 225 826	**55 524 922**

Figures in Rand	2022	2021

45. Irregular expenditure (continued)

Amounts written-off

Irregular Expenditure written off 2022

The amount of irregular expenditure written off in the current year of R13 398 496 eminate from contract of previous year where BAC was not properly constituted.
The amount of irregular expenditure written off in the current year of R3 886 904 was as a results of competitive bidding not followed, and R396 740 for payments made where MBD4 form were not submitted.

Irregular Expenditure written off 2021

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R30 423 059 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Contracts that were awarded during last financial period where BAC was not properly consituted overlapped to the current financial period. The expenditure incurred was investigated and the council adopted the commitee recommendation to write off
the amount of R 21 557 058.

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2022	2021
Current year subscription / fee	969 429	1 088 169
Amount paid - current year	(969 429)	(1 088 169)
	-	-

Audit fees

	2022	2021
Current year subscription / fee	1 459 994	1 782 998
Amount paid - current year	(1 459 994)	(1 782 998)
	-	-

PAYE and UIF

	2022	2021
Current year subscription / fee	13 728 599	14 386 312
Amount paid - current year	(13 728 599)	(14 386 312)
	-	-

Pension and Medical Aid Deductions

	2022	2021
Current year subscription / fee	8 101 862	8 002 586
Amount paid - current year	(8 101 862)	(8 002 586)
	-	-

VAT

	2022	2021
VAT payable	2 823 659	1 153 737

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

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

Figures in Rand	2022	2021

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

Councillors' arrear consumer accounts

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

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Busisiwe Tembe	12 497	12 398	24 895

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Busisiwe Tembe	12 497	12 398	24 895
Simon Nxumalo	7 490	2 610	10 100
	19 987	**15 008**	**34 995**

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

47. Actual operating expenditure versus budgeted operating expenditure

47.1 Service charges

Service charges increased in the adjustment budget because it was understated in the original budget

47.2 Licenses and permits

Licences and permits decreased in adjustment budget because in the original budget was overstated because of high estimates of people who will renew their licences and require new licenses for learners and drivers licences

47.3 Rental income

Rental income increased in the adjustment budget because it was understated in the original budget because othe market stalls were not being rented out in the prior year as they nedded to be renovated.

47.4 Commissions received

Commission received increased in the adjustment budget because there was an increase in the commission derived from insurance companies for administration of deductions for policies from employees

47.5 Interest on investments

Interest on investment increased in the adjustment budeget because it was understated in the original budget

47.6 Interest on outstanding debtors

Interest on outstanding debtors was reduced in the adjustment budget because there is a council resolution not to charge interest on property rates as form of rebate during COVID 19 pandemic period

45.7 Other revenue

Other revenue was increased in the adjustment budget after there was an increase on LGSETA refunds

47.8 Property rates

Property rates was increased in the adjustment budget because it was understated in the original budget

47.9 Government grants

Government grants increased in the adjustment budget because we received capital grants from the department of Economic Development and Tourism Affairs during mid year

47.10 Traffic fines

Traffic fines revenue increased because, work force was increased coupled with donated cameras that assist in law enforcement.

47.11 Employee related costs

Employee related costs decreased in the adjustment budget because it was overstated as it includes a provision for salary adjustments as a result of job evaluation

47.12 Councillors remuneration

Employee related costs decreased in the adjustment budget because it was overstated as it includes a provision for salary adjustments as a result of job evaluation

47.13 Debt impairment

Debt impairment increased in the adjustment budget because there was an increase in the impairment of property rates and traffic fines due to low collection

Figures in Rand	2022	2021

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

47.14 Depreciation

Depreciation increased in the adjustment budget because there was an increase on assets to be capitalised as those assets were completed in the current year coming

47.15 Finance charges

Finance charges increased because of increase in interest for land fill sites

47.16 Contracted services

Contracted services increased in the adjustment budgtet because of the increase in repairs and maintenance expenses and other expenses

47.17 Transfers and subsidies

Transfers and subsidies increase because there was an increase on social relief expenses and increase of wards from 18 to 20 wards

47.18 Operational costs

Operational costs increased in the adjustment budget because it was understated in the original budget

48. Actual capital expenditure versus budgeted capital expenditure

48.1 Capital expenditure

Capital expenditure decreased as some of the projects were no longer going to be implemented or procured

49. 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 accounting officer and includes a note to the annual financial statements.

The deviations for the current year, with the prior years' deviation shown for comparison, are summarised below:

Recommended suppliers	421 367	220 473

50. Segment information

General information

Figures in Rand	2022	2021

50. Segment information (continued)

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 and environmental services
- Trading services

The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes..

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

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Governance and administration	Community and public safety	Economic and environmental services	Trading services	Total
Revenue					
Service Charges	-	-	-	624 360	624 360
Licences and permits	1 800	-	2 895 660	-	2 897 460
Rental income	412 357	-	-	-	412 357
Interest on Investments	2 680 564	-	-	-	2 680 564
Other Own Revenue	469 565	47 332	175 870	40 999	733 766
Property Rates	22 397 337	-	655 693	-	23 053 030
Government Grants	190 139 000	6 863 607	37 786 271	-	234 788 878
Fines and penalties	-	3 004 541	974	-	3 005 515
Total segment revenue	**216 100 623**	**9 915 480**	**41 514 468**	**665 359**	**268 195 930**
Entity's revenue					**268 195 930**
Expenditure					
Employee Costs	27 562 135	21 329 141	25 015 265	-	73 906 541
Remuneration Of Councillors	13 814 546	-	-	-	13 814 546
Debt Impairment	8 682 557	-	-	-	8 682 557
Depreciation & Asset Impairment	28 632 880	-	-	-	28 632 880
Impairement loss	-	-	2 353 122	-	2 353 122
Finance Charges	2 541 464	-	-	-	2 541 464
Contracted Services	32 574 142	4 857 329	8 748 730	1 436 795	47 616 996
Operating lease expense	1 952 872	180 762	-	-	2 133 634
Transfers and Subsidies	5 295 102	7 860 613	3 155 800	-	16 311 515
Inventory Consumed	710 225	370 300	-	-	1 080 525
Operational Costs	27 968 567	5 853 499	4 422 680	9 945 677	48 190 423
Assets written off	97 650	-	-	-	97 650
Actuarial gain/(loss)	43 248	-	-	-	43 248
Total segment expenditure	**149 875 388**	**40 451 644**	**43 695 597**	**11 382 472**	**245 405 101**

Figures in Rand

	Governance and administration	Community and public safety	Economic and environmental services	Trading services	Total
50. Segment information (continued)					
Total segmental surplus/(deficit)					**22 790 829**
Assets					
Inventories	164 563	-	-	-	164 563
Receivable form non-exchange transactions	9 026 007	-	-	-	9 026 007
Receivable form exchange transactions	726 978	-	-	-	726 978
Cash and cash equivalents	102 442 026	-	-	-	102 442 026
Property pland and equiptmnet	19 477 513	-	326 162 342	-	345 639 855
Intangable assets	275 201	-	-	-	275 201
Total segment assets	**132 112 288**	**-**	**326 162 342**	**-**	**458 274 630**
Total assets as per Statement of financial Position					**458 274 630**
Liabilities					
Payables	17 753 713	-	-	-	17 753 713
Vat payable	2 823 659	-	-	-	2 823 659
Employee benefit	1 146 077	955 065	1 719 116	-	3 820 258
Unspent conditional grants	-	-	6 410 225	-	6 410 225
Provisions	-	-	24 825 085	-	24 825 085
INEP liability	-	-	-	297 799	297 799
Total segment liabilities	**21 723 449**	**955 065**	**32 954 426**	**297 799**	**55 930 739**
Total liabilities as per Statement of financial Position					**55 930 739**

Municipality has decided to adopt Segment Reporting for the first time. We doing reporting prospectively.

51. Budget differences

Material differences between budget and actual amounts

Figures in Rand	2022	2021

51. Budget differences (continued)

51.1 Donations received

Donations received increased in the current year by 91% when compared to the prior year because of the donated assets received from Isimangaliso Wetlands Park, and Department of Forestry and Fisheries

51.2 Licenses and permits

Licences and permits decreased in the current year by 10.5% when compared to the prior year because of some disruptions in the operation of the municipality as a result of disruptions in network coverage due to ESKOM electricity loadshedding.

51.3 Commission received

Commission received increased in the current year by 4.67% when compared to the prior year because of the commission received from insurance companies for administration of third party deductions of policies from employees

51.4 Rental income

Rental income increased in the current year by 4.14% when compared to the prior year because we have collected long outstanding debts from debtors who are owing the municipality

51.5 Traffic fines

Traffic fines increased in the currnt year by 31.75% when compared to the prior year because there was an improvement in the collection of traffic fines debts

51.6 Property rates

Property rates increased in the current year by 6% when compared to the prior year because there was an improvement in the collection of property rates debts as we collected long outstanding debts.

51.7 Employee related costs

Employee related costs increased by 3% in the current year when compared to the prior year because of salary increase of 4.5%

51.8 Depreciation and impairment

Depreciationa and asset impairment increased in the current year by 14.04% when compared to the prior year because of new assets completed and capitalised in the current year

51.9 Finance costs

Finance costs increased in the current year by 23.15% when compared to prior year because of the increase in interest costs for the rehabilitation of landfill sites

51.10 Lease rentals

Lease rentals increased in the current year by 7% when compared to prior year because of additional machines rented out for other offices and libraries.

51.11 Transfers and subsidies

Transfers and subsidies increased in the current year by 14.79% when compared to the prior year because there has been an increase in unemployment as a result of COVID 19 pandemic which affected the economy negetively

51.12 Operational costs

Operational costs increased by 8% in the current year when compared to the prior year

Figures in Rand	2022	2021

51. Budget differences (continued)
51.13 Inventory consumed

Inventory consumed decreased in the current year by 18.9% when compared to the prior year

52. Accounting by principals and agents

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

Details of the arrangment(s) are as follows:

Municipality has entered into agreement to facilitate the expansion and rehabilitation of the electricity grid, the objective of this agreement is to enhance the Electrification Programme on long term national energy requirements that shall be met through clearly established national electrification principles, to ensure that resource allocation contributes to sustainable development and enhance empowerment to communities and to provide electricity to unelectrified household.

Obligations of the municipality

The municipality shall:

- ensure compliance with all statutory requirements stipulated in the DoRA
- the municipality shall not spend any allocated funds in arrears where they are not licensed to distribute electricity
- manage the programme as well as design and implementation of those projects that form the objective of this agreement
- take all reasonable steps necessary to ensure the programme is implemented effectively and efficiently

Entity as agent

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity are listed below.

Corresponding rights of reimbursement that have been recognised as assets are listed below.

	2022	2021
COGTA Electrification		
Balance unspent at beginning of year	-	3 589 546
Liability recognised	-	(3 589 546)
	-	**-**
INEP Electrification		
Balance unspent at beginning of year	-	465 149
Current-year receipts	10 600 000	10 500 000
Liability recognised	(10 302 201)	(10 965 149)
	297 799	**-**
Projects undertaken by municipality		
Mahlungulu Phase 2 Electrification	2 087 857	10 965 149
Siholwa Electrification	3 937 143	-
Mlamula Jikijela Electrification	4 575 000	-
	10 600 000	**10 965 149**