Umhlabuyalingana Local Municipality
(Registration number KZN 271)

Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) 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	
Mayor	Cllr. TS Khumalo
Deputy Mayor	Cllr. EZ Mtshali
Speaker	Cllr. MD Mathenjwa
MPAC Chairperson	Cllr. TS Myeni
Ordinary Executive Members	Cllr. ZM Mhlongo Cllr. KC Mthembu Cllr. HK Gumede Cllr. LD Tembe Cllr. PT Vumase
Grading of local authority	Medium capacity municipality
Registered office	Municipal Building Kwangwanase 3973
Business address	Main Street Manguzi
Postal address	Private Bag X 901 Kwangwanase 3973
Chief Finance Officer (CFO)	Mrs. NP Mkhabela
Accounting Officer	Mr. NPE Myeni
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	AP Shangase Associates Millicent Hlengwa Attorneys

General Information

List of councillors 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 Khathwane
	Cllr. NC Mdletshe
	Cllr. NJ Khumalo
	Cllr. KA Buthelezi
	Cllr. BE Biyela
	Cllr. PS Mabika
	Cllr. SS Mkhumbuzi
	Cllr. KA Kunene
	Cllr. NP Khumalo
	Cllr. PS Mabika
	Cllr. TS Myeni
	Cllr. TN Magagula
	Cllr. WNO Nxumalo
	Cllr. SM Gumede
	Cllr. MZ Mhlongo
	Cllr. TS Khumalo
	Cllr. HN Ntshangase
Bankers	Nedbank, FNB and Standard Bank

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

Abbreviations used:

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

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

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

I 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 27 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 independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page, which have been prepared on the going concern basis, were approved by the council on 31 August 2023 and were signed on its behalf by:

Accounting Officer
Mr. NPE Myeni

Statement of Financial Position as at 30 June 2023

Figures in Rand	Notes	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	66 111	164 563
Receivables from exchange transactions	4	605 304	726 977
Receivables from non-exchange transactions	5	6 623 556	9 026 007
VAT receivable	6	1 174 215	-
Cash and cash equivalents	7	108 382 648	102 442 026
		116 851 834	**112 359 573**
Non-Current Assets			
Property, plant and equipment	8	370 439 781	342 220 326
Intangible assets	9	370 025	275 201
		370 809 806	**342 495 527**
Total Assets		**487 661 640**	**454 855 100**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	22 840 888	17 753 721
VAT payable	11	-	2 823 659
Employee benefit obligation	12	464 527	179 446
Unspent conditional grants and receipts	13	8 899 067	6 410 225
Provisions	14	548 813	2 099 379
INEP liability	15	424	297 799
		32 753 719	**29 564 229**
Non-Current Liabilities			
Employee benefit obligation	12	3 935 503	3 640 812
Provisions	14	25 613 680	22 725 706
		29 549 183	**26 366 518**
Total Liabilities		**62 302 902**	**55 930 747**
Net Assets		**425 358 738**	**398 924 353**
Accumulated surplus		425 358 738	398 924 353
Total Net Assets		**425 358 738**	**398 924 353**

* See Note 50

Statement of Financial Performance

Figures in Rand	Notes	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	469 953	624 360
Donations received	17	70 988	1 351 262
Licences and permits	18	2 540 480	2 895 660
Commissions received	19	173 509	170 302
Rental of facilities and equipment	20	433 638	412 357
Other income	21	749 493	2 036 380
Interest received - investment	22	7 590 538	2 680 564
Total revenue from exchange transactions		**12 028 599**	**10 170 885**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	23 377 413	23 053 030
Transfer revenue			
Government grants & subsidies	24	263 624 158	233 437 617
INEP contract revenue	25	5 475 978	8 958 436
Fines, Penalties and Forfeits	26	1 014 550	1 534 400
Total revenue from non-exchange transactions		**293 492 099**	**266 983 483**
Total revenue		**305 520 698**	**277 154 368**
Expenditure			
Employee related costs	27	(76 510 795)	(73 906 542)
Remuneration of councillors	28	(14 592 308)	(13 814 546)
Depreciation and amortisation	29	(24 947 386)	(27 900 412)
Finance costs	30	(2 574 445)	(2 541 464)
Lease rentals on operating lease	31	(2 375 774)	(2 133 571)
Debt Impairment	32	(10 174 291)	(8 682 557)
Inventory consumed	3	(3 570 252)	(1 080 525)
Transfers and subsidies	33	(18 099 158)	(16 311 515)
Contracted services	34	(70 464 537)	(56 575 432)
Operational costs	35	(53 041 154)	(48 190 423)
Total expenditure		**(276 350 100)**	**(251 136 987)**
Operating surplus		**29 170 598**	**26 017 381**
Fixed assets written off	8	(884 189)	(97 650)
Actuarial gains /(losses)	12	78 644	(43 248)
Impairment loss	36	(1 932 273)	(2 353 122)
		(2 737 818)	**(2 494 020)**
Surplus for the year		**26 432 780**	**23 523 361**

* See Note 50

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	**379 552 998**	**379 552 998**
Changes in net assets		
Surplus for the year	23 523 361	23 523 361
Total changes	23 523 361	23 523 361
Opening balance as previously reported	402 909 257	402 909 257
Adjustments		
Correction of errors	(3 983 299)	(3 983 299)
Restated* Balance at 01 July 2022 as restated*	**398 925 958**	**398 925 958**
Changes in net assets		
Surplus for the year	26 432 780	26 432 780
Total changes	26 432 780	26 432 780
Balance at 30 June 2023	**425 358 738**	**425 358 738**

* See Note 50

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		31 992 774	28 848 223
Grants		267 807 448	233 437 617
Interest income		7 590 538	2 680 564
Receipts on INEP projects		5 475 978	8 958 436
		312 866 738	273 924 840
Payments			
Employee and Council remuneration		(91 834 469)	(87 735 055)
Suppliers		(154 190 245)	(117 460 428)
Finance costs		(21 962)	(235 766)
INEP expenditure		(5 475 978)	(8 958 436)
		(251 522 654)	(214 389 685)
Net cash flows from operating activities	38	**61 344 084**	**59 535 155**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(55 230 460)	(41 250 824)
Purchase of other intangible assets	9	(173 000)	-
Net cash flows from investing activities		**(55 403 460)**	**(41 250 824)**
Net increase/(decrease) in cash and cash equivalents		**5 940 624**	**18 284 331**
Cash and cash equivalents at the beginning of the year		102 442 026	84 157 695
Cash and cash equivalents at the end of the year	7	**108 382 648**	**102 442 026**

* See Note 50

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	437 052	-	**437 052**	469 953	**32 901**	53.1
Rental of facilities and equipment	407 183	8 244	**415 427**	433 638	**18 211**	53.2
Licences and permits	2 867 042	(109 711)	**2 757 331**	2 540 480	**(216 851)**	53.3
Commissions received	-	173 509	**173 509**	173 509	**-**	
Donations	-	-	**-**	70 988	**70 988**	53.4
Other income - (rollup)	373 074	341 193	**714 267**	749 493	**35 226**	53.5
Interest received - investment	2 145 919	5 183 813	**7 329 732**	7 590 538	**260 806**	53.6
Total revenue from exchange transactions	**6 230 270**	**5 597 048**	**11 827 318**	**12 028 599**	**201 281**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	20 985 640	2 561 151	**23 546 791**	23 377 413	**(169 378)**	53.7
Transfer revenue						
Government grants & subsidies	221 518 828	55 017 555	**276 536 383**	263 624 158	**(12 912 225)**	53.8
Fines, Penalties and Forfeits	1 304 533	(304 480)	**1 000 053**	1 014 550	**14 497**	53.9
INEP receipts	-	6 000 000	**6 000 000**	5 475 978	**(524 022)**	53.10
Contributions from reserves	-	22 798 306	**22 798 306**	-	**(22 798 306)**	
Total revenue from non-exchange transactions	**243 809 001**	**86 072 532**	**329 881 533**	**293 492 099**	**(36 389 434)**	
Total revenue	**250 039 271**	**91 669 580**	**341 708 851**	**305 520 698**	**(36 188 153)**	
Expenditure						
Personnel	(84 701 357)	8 188 264	**(76 513 093)**	(76 510 795)	**2 298**	
Remuneration of councillors	(16 162 277)	1 569 420	**(14 592 857)**	(14 592 308)	**549**	
Depreciation and amortisation	(22 521 075)	(2 458 656)	**(24 979 731)**	(24 974 386)	**5 345**	
Impairment loss/ Reversal of impairments	-	(2 062 952)	**(2 062 952)**	(1 932 273)	**130 679**	
Finance costs	(995 472)	(1 553 068)	**(2 548 540)**	(2 547 622)	**918**	
Lease rentals on operating lease	(2 318 714)	(57 100)	**(2 375 814)**	(2 375 774)	**40**	
Debt Impairment	(7 252 968)	(2 488 483)	**(9 741 451)**	(10 174 291)	**(432 840)**	
Inventory consumed	(2 321 850)	(1 250 000)	**(3 571 850)**	(3 570 252)	**1 598**	
Contracted Services	(42 424 020)	(28 043 225)	**(70 467 245)**	(70 464 537)	**2 708**	
Transfers and Subsidies	(11 000 000)	(7 104 900)	**(18 104 900)**	(18 099 158)	**5 742**	
General Expenses	(44 514 730)	(8 534 706)	**(53 049 436)**	(53 041 154)	**8 282**	
Total expenditure	**(234 212 463)**	**(43 795 406)**	**(278 007 869)**	**(278 282 550)**	**(274 681)**	
Operating surplus	**15 826 808**	**47 874 174**	**63 700 982**	**27 238 148**	**(36 462 834)**	
Loss on disposal of assets and liabilities	-	(884 189)	**(884 189)**	(884 189)	**-**	
Actuarial gains/losses	-	78 644	**78 644**	78 644	**-**	
	-	**(805 545)**	**(805 545)**	**(805 545)**	**-**	
Surplus before taxation	**15 826 808**	**47 068 629**	**62 895 437**	**26 432 603**	**(36 462 834)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit for the year from continuing operations	**15 826 808**	**47 068 629**	**62 895 437**	**26 432 603**	**(36 462 834)**	
Capital Expenditure	(51 533 366)	(2 965 856)	**(54 499 222)**	(54 499 222)	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(35 706 558)**	**44 102 773**	**8 396 215**	**(28 066 619)**	**(36 462 834)**	

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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.

1.2 Presentation currency

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

1.3 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.

1.4 Significant judgements and sources of estimation uncertainty

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

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.

Accounting Policies

1.4 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 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.

Provisions

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 14 - 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 municipality 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.

Accounting Policies

1.4 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.

Other

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.

1.5 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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	20 years
Boreholes	Straight-line	30 years
Mobile clinics	Straight-line	7 - 10 years
Furniture and fixtures	Straight-line	5 - 7 years
Motor vehicles	Straight-line	3 - 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	3 - 20 years
Gravel roads	Straight-line	10 years
Community Halls	Straight-line	30 years
Bins and containers	Straight-line	15 yeaes
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	5 - 30 years
Specialised vehicles	Straight-line	10 years
Special Plant and Equipmen	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.

Accounting Policies

1.5 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 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

The municipality shall assess at each reporting date whether there is any indication that the municipality’s 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 shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3).

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

- The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- The use of the asset has changed, because of the following:
- The Municipality has changed the manner in which the asset is used
- The Municipality has changed the utilisation rate of the asset.
- The Municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
- Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
- Legal or similar limits placed on the use of the asset have changed.
- The asset was idle or retired from use during the reporting period.
- The asset is approaching the end of its previously expected useful life.
- Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- The asset is assessed as being impaired in accordance with GRAP 21 and GRAP 26.

In assessing whether there is any indication that the expected residual value of an asset has changed, the municipality shall consider whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators included in paragraph .57 of GRAP 17.

Accounting Policies

1.6 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	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

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

1.7 Financial instruments

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

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

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.

Accounting Policies

1.7 Financial instruments (continued)

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 municipality's statement of financial position.

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
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

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

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 financialasset 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

Accounting Policies

1.8 Statutory receivables

Identification

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

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

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

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

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.

1.8 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the 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 is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

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

Derecognition

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

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

1.9 Leases

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

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

1.9 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 interest rate implicit in the lease.

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 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.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.11 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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.

Accounting Policies

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Designation

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 commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

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

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

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

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

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

1.13 Use of 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.

Accounting Policies

1.14 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.

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.

1.15 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.

1.15 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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

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

Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

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

1.16 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.

Accounting Policies

1.17 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.

Interest, royalties and dividends

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

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

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.18 Revenue from non-exchange transactions (continued)

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

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.

1.19 Investment income

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

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 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.

Accounting Policies

1.21 Accounting by principals and agents (continued)

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.

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.

1.22 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.

1.23 Comparative figures

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

1.24 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).

1.25 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).

Accounting Policies

1.26 Irregular expenditure

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

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

1.27 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.

1.28 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 and presented by functional classification linked to performance outcome objectives.

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.

1.29 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.

Accounting Policies

1.29 Related parties (continued)

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.

1.30 Events after reporting date

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

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

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

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

1.31 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.

1.32 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.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2025	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2025	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2025	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material 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 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2025	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2025	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Inventories

Opening	164 563	282 312
Inventory purchased	3 471 800	962 776
Inventory consumed	(3 570 252)	(1 080 525)
	66 111	**164 563**

Inventory consist of stationery, cleaning materials and consumable materials. Stock take was conducted at 30 June 2023 to determine the quantity and value of inventory at hand.

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

4. Receivables from exchange transactions

Gross balances		
Employee Debtors	17 749	29 288
Refuse	387 083	643 820
Rental	690 471	840 712
Prepayments	-	731 344
# Other debtors	3 507	191 024
Creditors in debit	430 725	203 763
	1 529 535	**2 639 951**

Less: Allowance for impairment		
Employee Debtors	(15 322)	(15 322)
Refuse	(342 140)	(496 136)
Rental	(566 769)	(670 172)
Prepayments	-	(731 344)
	(924 231)	**(1 912 974)**

Net balance		
Employee Debtors	2 427	13 966
Refuse	44 943	147 684
Rental	123 702	170 540
# Other Debtors	3 507	191 024
Creditors in debit	430 725	203 763
	605 304	**726 977**

Prepayments were the debtors as a results of additional expenditure incurred to pay contractors that did not complete work properly. As per required specification work had to be redone and amount paid to the supplier was raised as a debtor. The contractor subsequently completed the work in the current financial year therefore amount recognised as receivable as been reversed together with the provision previously raised.

The recoverability of staff debtors is almost impossible and those unrecoverable the council has resolved to write them off. For the balances outstanding, the said employees have entered into payment plans with the municipality.

Other debtors is comprised of agent fees outstanding on motor vehicle licencing. No provision is deemed neccessary as this amount is recoverable and is subsequently settled in the following month.

Employee Debtors		
Current (0 -30 days)	17 749	29 288

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	56 606	88 546
31 - 60 days	5 832	21 753
61 - 90 days	5 832	21 753
91 - 120 days	5 832	16 016
121 - 365 days	312 981	495 752
	387 083	**643 820**
Rental		
Current (0 -30 days)	73 055	68 079
31 - 60 days	33 860	29 974
61 - 90 days	25 964	31 964
91 - 120 days	25 021	31 592
121 - 365 days	532 571	679 103
	690 471	**840 712**
Other		
Current (0 -30 days)	3 507	191 024

Reconciliation of allowance for impairment

Balance at beginning of the year	(1 912 974)	(1 542 019)
Contributions to allowance	(195 998)	(912 491)
Unused amounts reversed	909 834	541 537
Rental debtors written off	274 907	-
	(924 231)	**(1 912 973)**

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 119 384 (2022: R 207 491) were past due but not impaired.

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

1 month past due	48 268	82 146
2 months past due	36 691	73 618
3 months past due	31 425	51 727

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions

Gross balances		
*Consumer debtors - Rates	64 400 222	57 276 519
Fines	10 116 491	9 265 191
	74 516 713	**66 541 710**
Less: Allowance for impairment		
Consumer debtors - Rates	(61 431 667)	(49 742 674)
Fines	(6 474 554)	(7 782 848)
	(67 906 221)	**(57 525 522)**
Net balance		
Consumer debtors - Rates	2 968 555	7 533 845
Fines	3 641 937	1 482 343
Debtors in credit	13 064	9 819
	6 623 556	**9 026 007**

*Total consumer debtors excludes debtors in credit as at 30 June 2023 of R 13 064 (2022: R 9 819)

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

Rates Debtors		
Opening balance	(49 742 672)	(45 091 756)
Allowance for impairment - Rate debtors	(11 988 961)	(5 793 690)
Amounts written off as uncollectible	299 966	1 142 774
	(61 431 667)	**(49 742 672)**
Traffic fines		
Opening balance	(7 782 848)	(6 532 727)
Allowance for impairment	-	(1 250 121)
Impairment reversal	1 303 622	-
	(6 479 226)	**(7 782 848)**
Net balance	**(67 910 893)**	**(57 525 520)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

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 National Road Traffic Regulation of 2000 and the National Road Traffic Act 93 of 1996 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.

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R3 086 559 (2022: R1 451 379) were past due but not impaired.

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

1 month past due	1 086 572	728 663
2 months past due	1 003 067	722 716
3 months past due	996 920	-

Factors the municipality considered in assessing statutory receivables past due but not impaired

Consideration was given to past trends in terms of how the municipality has faired in terms of its revenue collections and its ability to institute legal processes that assist with the collections process. Of the total outstanding balance majority lies in debt in excess of 1 year past due date.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions pledged as security

There were no receivables from non-exchange transactions that were pledged as security.

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

Opening balance	(57 525 520)	(51 624 483)
Provision for impairment	(12 002 611)	(7 043 811)
Amounts written off as uncollectible	313 616	1 142 774
Impairment reversal	1 308 294	-
	(67 906 221)	**(57 525 520)**

Fines		
Current (0 -30 days)	354 700	493 995
31 - 60 days	32 800	366 058
61 - 90 days	43 950	605 252
91 - 120 days	418 350	573 066
121 - 365 days	9 266 691	7 226 820
	10 116 491	9 265 191
Less: Allowance for impairment	(6 474 554)	(7 782 848)
	3 641 937	**1 482 343**

Business		
Current (0 -30 days)	1 281 166	967 509
31 - 60 days	511 110	344 924
61 - 90 days	505 349	341 751
91 - 120 days	490 480	340 304
120 - 365 days	26 093 562	23 839 019
	28 881 667	25 833 507
Less: Allowance for impairment	(28 376 929)	(24 094 062)
	504 738	**1 739 445**

Government and ITB		
Current (0 -30 days)	691 395	419 488
31 - 60 days	345 034	208 587
61 - 90 days	344 142	208 587
91 - 120 days	273 568	208 587
120 - 365 days	29 130 635	27 537 240
Subtotal	30 784 774	27 745 827
Less: Allowance for impairment	(29 673 232)	(22 953 780)
	1 111 542	**5 628 709**

Household and Agriculture		
Current (0 -30 days)	86 083	109 282
31 - 60 days	86 112	40 350
61 - 90 days	86 112	32 192
91 - 120 days	86 112	32 192
120 - 365 days	4 389 421	2 646 543
Subtotal	4 733 840	2 860 559
Less: Allowance for impairment	(3 381 507)	(2 694 831)
	1 352 333	**165 728**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions (continued)

Total		
Current (0 -30 days)	2 195 304	1 496 279
31 - 60 days	966 669	593 861
61 - 90 days	960 369	582 530
91 - 120 days	872 270	581 083
121 - 365 days	59 405 669	54 022 802
Subtotal	64 400 281	57 276 555
Less: Allowance for impairment	(61 431 667)	(49 742 673)
	2 968 614	**7 533 882**

6. VAT receivable

VAT	1 174 215	-

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	118	5
Bank balances	82 657 039	83 174 003
Short-term deposits	25 591 507	19 160 687
Cash in transit	133 984	107 331
	108 382 648	**102 442 026**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2023	**30 June 2022**	**30 June 2021**	**30 June 2023**	**30 June 2022**	**30 June 2021**
First National Bank - Current Account Hluhluwe - 62025236408	82 657 039	83 174 003	65 842 001	82 657 039	83 174 003	65 601 086
First National Bank - Call Account Hluhluwe - 62055161146	2 156 556	2 048 847	2 003 958	2 156 556	2 048 847	2 003 958
First National Bank - Call Account Hluhluwe - 62266899825	1 477 392	1 405 883	1 375 114	1 477 392	1 405 883	1 375 114
First National Bank - Call Account Hluhluwe - 74275256516	5 840 590	5 510 368	5 276 843	5 840 590	5 510 368	5 276 843
Standard Bank - Call Account Empangeni - 06882449	23 000	21 771	21 161	23 000	21 771	21 161
Nedbank - Call Account Richardsbay - 28702097	-	38 861	37 775	-	38 861	37 775
First National Bank - Call Account Hluhluwe - 62424086785	2 210 263	2 076 412	2 007 427	2 210 263	2 076 412	2 007 427
First National Bank - Fixed Deposit Account - 74622621601	8 619 584	8 058 545	7 725 673	8 619 584	8 058 545	7 725 673
Nedbank - Notice Deposit - 03/7881177756	5 264 122	-	-	5 264 122	-	-
Total	**108 248 546**	**102 334 690**	**84 289 952**	**108 248 546**	**102 334 690**	**84 049 037**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2023			2022		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	43 292 163	(19 516 609)	23 775 554	43 292 163	(17 929 941)	25 362 222
Plant and machinery	18 495 415	(4 889 934)	13 605 481	16 649 590	(4 174 328)	12 475 262
Furniture and fixtures	5 361 016	(2 169 730)	3 191 286	3 017 120	(2 041 878)	975 242
Motor vehicles	9 630 703	(5 826 749)	3 803 954	8 377 768	(5 281 884)	3 095 884
Computer equipment	3 271 691	(1 311 026)	1 960 665	2 349 461	(1 091 908)	1 257 553
Solid waste	916 689	(453 513)	463 176	931 558	(401 832)	529 726
Infrastructure assets	318 483 984	(137 695 066)	180 788 918	286 027 355	(120 950 252)	165 077 103
Community assets	199 493 198	(56 642 451)	142 850 747	185 860 547	(52 413 214)	133 447 333
Total	**598 944 859**	**(228 505 078)**	**370 439 781**	**546 505 562**	**(204 285 237)**	**342 220 326**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Additions through WIP	Asset written off	Donated assets	WIP transfers received	WIP transfers	Change in landfill estimate	Depreciation	Impairment loss	Total
Buildings	25 362 229	-	-	-	-	-	-	-	(1 486 460)	(100 215)	23 775 554
Plant and machinery	12 475 262	2 375 111	-	(50 584)	-	-	-	-	(1 194 309)	-	13 605 481
Furniture and fixtures	975 242	2 406 863	-	(26 042)	-	-	-	-	(164 777)	-	3 191 286
Motor vehicles	3 095 884	1 910 327	-	(619 834)	-	-	-	-	(582 423)	-	3 803 954
Computer equipment	1 257 553	1 141 494	-	(9 773)	70 988	-	-	-	(499 597)	-	1 960 665
Solid waste	529 726	-	-	(3 969)	-	-	-	-	(62 581)	-	463 176
Infrastructure assets	165 077 102	731 243	31 725 386	-	-	30 388 795	(30 388 795)	-	(16 107 051)	(637 920)	180 788 918
Community assets	133 447 333	-	14 940 041	(173 991)	-	55 418 473	(55 418 473)	603 908	(4 772 014)	(1 194 530)	142 850 747
	342 220 331	**8 565 038**	**46 665 427**	**(884 193)**	**70 988**	**85 807 268**	**(85 807 268)**	**603 908**	**(24 869 212)**	**(1 932 665)**	**370 439 781**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Additions through transfer WIP	Donated assets	WIP transfers received	WIP Transfers	Write off	Depreciation	Impairment loss	Prior period corrections	Total
Buildings	25 114 519	118 000	-	-	-	-	(3 661)	(1 297 234)	-	1 430 605	25 362 229
Plant and machinery	10 298 288	3 658 222	-	1 096 867	-	-	(4 934)	(1 236 784)	-	(1 336 399)	12 475 262
Furniture and fixtures	1 057 778	-	-	47 548	-	-	(24 243)	(126 445)	-	20 605	975 242
Motor vehicles	3 060 921	-	-	784 076	-	-	(47 173)	(907 164)	-	205 223	3 095 884
Computer equipment	1 152 947	203 798	-	254 394	-	-	(17 640)	(383 210)	-	47 275	1 257 553
Solid waste	588 834	-	-	-	-	-	-	(59 108)	-	-	529 726
Infrastructure assets	160 527 293	-	28 307 234	-	38 587 433	(38 587 433)	-	(18 591 819)	(553 856)	(4 611 750)	165 077 102
Community assets	130 827 092	-	8 963 580	-	342 867	-	-	(4 981 324)	(1 799 321)	94 439	133 447 333
	332 627 672	**3 980 010**	**37 270 814**	**2 182 885**	**38 930 300**	**(38 587 433)**	**(97 651)**	**(27 583 088)**	**(2 353 177)**	**(4 150 002)**	**342 220 327**

Pledged as security

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. 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		
Manguzi Multipurpose Centre	-	37 328 162
Manguzi Market stalls	3 069 700	246 474
Ntshongwe Community Hall	-	3 434 374
Kosi Bay Boarder Fish Market	-	2 539 127
Manguzi Internal Road	8 539 403	2 043 874
Mbazwana Internal Road	-	5 158 936
	11 609 103	**50 750 947**

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
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. The project has been completed and transferred to infranstructure assets during the 2022/23 financial year.		
	-	**37 328 162**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	**Included within Community**	**Total**
Opening balance	24 950 939	25 800 008	50 750 947
Additions/capital expenditure	27 301 764	19 363 663	46 665 427
Transferred to completed items	(30 565 526)	(55 241 742)	(85 807 268)
	21 687 177	**(10 078 071)**	**11 609 106**

Reconciliation of Work-in-Progress 2022

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

Figures in Rand	2023	2022

8. 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	401 262	237 670
Contracted services - G5 Material	909 090	538 460
Contracted services - G7 Material	1 345 120	1 246 270
Contracted - Hiring Excavator	1 599 847	947 600
TLB hire	1 576 500	1 292 204
Tipper truck	2 017 688	1 195 090
Small machine maintenance	345 986	204 930
Concrete slab repair	161 205	95 483
Honey sucking	788 808	497 216
Aircon Regas	65 471	38 779
Electrical	633 837	375 426
Contracted Service - Motor Vehicle	12 390 945	7 339 239
Water tanker	304 234	180 200
Road markings	334 842	198 329
Security gate and fence repair	157 172	93 094
Main building renovations	1 380 731	817 816
Septic tank repair	114 269	67 682
Server Room repair	51 983	30 790
Carpert cleaning	8 854	5 244
	24 587 844	**15 401 522**

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

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2023			2022		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	789 515	(419 490)	370 025	1 648 074	(1 372 873)	275 201

Reconciliation of intangible assets - There was a reclassification between the movables and immovables assets. The impact of it was as follows

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	275 201	173 000	(78 176)	370 025

Reconciliation of intangible assets - 2022

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

Pledged as security

There were no intangible assets pledged as security.

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Payables from exchange transactions

Trade payables	5 771 281	2 843 464
Accrued leave pay	5 253 006	6 590 946
Accrued bonus	1 722 303	1 631 067
Hall hire deposits received	3 400	2 500
Retention Creditors	9 709 759	6 537 319
Unallocated deposits	122 334	89 352
Employee accruals	242 191	45 704
Debtors with credit balance	13 064	9 819
*Refunds due	3 550	3 550
	22 840 888	**17 753 721**

*These are funds due to the magistrate on traffic fines overpaid.

Ageing trade and other payable		
Current (0 -30 days)	5 589 729	2 682 179
31 - 60 days	129 418	159 462
61 - 90 days	8 250	24 816
91 - 120 days	5 824	-
120 - 150 days	5 002	-
> 180 days	33 060	(23 000)
	5 771 283	**2 843 457**

11. VAT payable

VAT payable	-	2 823 659

The municipality is registered on payments basis for VAT purposes.

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

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

12. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3 820 258)	(3 368 416)
Service cost	(431 595)	(417 321)
Interest cost	(437 592)	(316 843)
Expected benefit payment	210 771	325 570
Actuarial (gain)/loss	78 644	(43 248)
	(4 400 030)	**(3 820 258)**

Non-current liabilities	(3 935 503)	(3 640 812)
Current liabilities	(464 527)	(179 446)
	(4 400 030)	**(3 820 258)**

Net expense recognised in the statement of financial performance

Current service cost	431 595	417 321
Interest cost	437 592	316 843
Actuarial (gains) losses	(78 644)	43 248
	790 543	**777 412**

Assumptions used at the reporting date:

Discount rates used:

General Inflation Rate	11,57 %	11,73 %
Consumer Price Index (CPI)	5,92 %	6,96 %
Real Rate	6,92 %	7,96 %
Net Discount Rate	4,35 %	3,49 %

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 %
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

12. Employee benefit obligations (continued)

Demographic and Decrement Assumption

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 %

GRAP 25 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 2022 the duration of liabilities was 7.21 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 29 June 2023 is 11.57% per annum, and the yield on inflation linked bonds of a similar term was about 4.86% per annum. This implies an underlying expectation of inflation of 5.92% per annum ([1 + 11.57% - 0.5%] / (1 + 4.86%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.0% per annum, i.e. 6.92% 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 3.94% per annum ([1 + 11.57%] / [1 + 6.92%] - 1).

Valuation assumptions

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

	30 June 2023	30 June 2022
Discount rate	11,57 %	11,73 %
CPI	5,92 %	6,96 %
Salary increase rate	6,92 %	7,96 %
Net discount rate	4,35 %	3,94 %

Defined contribution plan

In accordance with the requirements of GRAP 25, 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 GRAP 25.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Tourism grant	430 000	-
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
Municipal Infranstructure Grant	-	1 694 448
Town planning	110 653	110 653
Beach development grant	2 500 000	-
Manguzi Market grant	3 982 673	2 729 383
	8 899 067	**6 410 225**

Movement during the year

Balance at the beginning of the year	6 410 225	3 680 842
Additions during the year	58 586 155	47 878 000
Income recognition during the year	(56 097 313)	(45 148 617)
	8 899 067	**6 410 225**

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

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

See note 24 for reconciliation of grants from National/Provincial Government.

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

Figures in Rand	2023	2022

14. Provisions

Reconciliation of provisions - There was a reclassification between the movables and immovables assets. The impact of it was

	Opening Balance	Interest cost	Change in estimate	Addition	Total
Skhemelele landfill site	8 272 113	607 916	(1 517 481)	-	7 362 548
Mbazwana landfill site	7 192 336	666 623	-	214 586	8 073 545
Thandizwe landfill site	8 947 913	840 351	-	389 323	10 177 587
Performance bonus	412 723	-	-	136 090	548 813
	24 825 085	**2 114 890**	**(1 517 481)**	**739 999**	**26 162 493**

Reconciliation of provisions - 2022

	Opening Balance	Interest cost	Change in estimate	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**

	2023	2022
Non-current liabilities	25 613 680	22 725 706
Current liabilities	548 813	2 099 379
	26 162 493	**24 825 085**

The current portion is made up of the provision for performannce bonuses of senior management 2023: (R 548 813).

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

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 R 25 613 680 (2022: R 24 412 361) to restore the landfill site at the end of its useful life, estimated to be 7 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 was 9.00% (2022: 10.45%).

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 2023. 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 R 8 073 545 and R 10 177 587 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:

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Provisions (continued)

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.

15. INEP liability

Intergrated National Electrification Program	424	297 799

See note 52 for reconciliation, unfulfilled conditions and other contingencies attaching to grant.

16. Service charges

Refuse removal	469 953	624 360

17. Public contributions and donations

Public contributions and donations	70 988	1 351 262

18. Licences and permits

License income	2 540 480	2 895 660

19. Commission received

Motor licensing	163 930	161 261
Commision received	9 579	9 041
	173 509	**170 302**

20. Rental of facilities and equipment

Premises		
Rental income	421 029	408 444
Facilities and equipment		
Hall hire	12 609	3 913
	433 638	**412 357**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

21. Other income

LG SETA income	156 926	144 584
Library Income	40 685	47 332
Tender Documents	3 913	169 131
Property clearance revenue	-	2 739
Building plans revenue	27 391	14 609
Insurance refund	283 386	55 444
Business licencing	57 002	1 800
Staff recoveries	-	128 186
Bad debts recovered	178 490	1 440
Retention recoveries	-	1 470 865
Law enforcement fines	1 700	250
	749 493	**2 036 380**

22. Investment revenue

Interest revenue		
Bank	6 159 676	1 967 829
Investments	1 430 862	712 735
	7 590 538	**2 680 564**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

23. Property rates

Rates received

Residential	656 040	656 040
Commercial	6 772 080	6 542 444
State	14 551 973	14 269 640
Municipal	1 397 667	1 585 253
Less: Income forgone	(347)	(347)
	23 377 413	**23 053 030**

Valuations

Residential / Hospitality	131 200 000	131 200 000
Business and Commercial	785 950 000	754 030 000
Public service purposes	1 006 400 000	1 010 500 000
State trust Land	660 200 000	572 400 000
Vacant land	60 361 000	49 361 000
Protected Area	164 500 000	164 500 000
Place of Worship	6 300 000	6 300 000
Public service infrastructure	8 770 000	1 570 000
	2 823 681 000	**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 (2022: 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 (2022: R0,0087) per Rand for a period. Hospitality will be included in this category

Residential Properties are billed at R0,0077 (2022: R0,0077) per Rand for a period.

Public Service Properties are billed at R0,0154 (2022: R0,0154) per Rand for a period.

Agricultural Properties are billed at R0,001925 (2022: R0,001925) per Rand for a period.

Vacant land is billed at R0,001925 (2022: R0,001925) per Rand for a period.

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Government grants & subsidies

Operating grants		
Equitable share	213 526 448	188 289 000
Financial Management Grant	1 850 000	1 850 000
Extended Public Works Programme Grant	1 975 000	1 759 000
Library Grant	2 933 000	2 795 000
Tourism grant	570 000	1 720 000
Manguzi Informal Market Grant	3 246 710	270 617
	224 101 158	**196 683 617**
Capital grants		
Municipal Infrastructure Grant	39 523 000	36 754 000
	263 624 158	**233 437 617**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	58 586 155	45 148 617
Unconditional grants received	211 037 606	188 289 000
	269 623 761	**233 437 617**

Equitable Share

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

Tourism grant

Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(570 000)	-
	430 000	**-**

Conditions still to be met - remain liabilities (see note 13).

COGTA -Small Town Rehabilitation

Balance unspent at beginning of year	162 260	162 260

Conditions still to be met - remain liabilities (see note 13).

Spatial Development

Balance unspent at beginning of year	100 000	100 000

Conditions still to be met - remain liabilities (see note 13).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Government grants & subsidies (continued)

Project Consolidate Manguz

Balance unspent at beginning of year	17 307	17 307

Conditions still to be met - remain liabilities (see note 13).

Financial Management Grant

Current-year receipts	1 850 000	1 850 000
Conditions met - transferred to revenue	(1 850 000)	(1 850 000)
	-	-

Urban Development Grant

Balance unspent at beginning of year	907 195	907 195

Conditions still to be met - remain liabilities (see note 13).

Library Grant

Current-year receipts	2 933 000	2 795 000
Conditions met - transferred to revenue	(2 933 000)	(2 795 000)
	-	-

Manzengwenya Project

Balance unspent at beginning of year	7 500	7 500

Conditions still to be met - remain liabilities (see note 13).

Municipal Assistance Program

Balance unspent at beginning of year	251 168	251 168

Conditions still to be met - remain liabilities (see note 13).

Phelandaba Development Grant

Balance unspent at beginning of year	178 600	178 600

Conditions still to be met - remain liabilities (see note 13).

Nhlange Lake Restaurant

Balance unspent at beginning of year	5 600	5 600

Conditions still to be met - remain liabilities (see note 13).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Government grants & subsidies (continued)

Kwa Tembe Concrete Project

Balance unspent at beginning of year	86 111	86 111

Conditions still to be met - remain liabilities (see note 13).

Mbazwana and Manguzi Hubs

Balance unspent at beginning of year	160 000	160 000

Conditions still to be met - remain liabilities (see note 13).

MIG

Balance unspent at beginning of year	1 694 448	1 694 448
Current-year receipts	39 523 000	36 754 000
Conditions met - transferred to revenue	(39 523 000)	(36 754 000)
Unspent grant receded	(1 694 448)	-
	-	**1 694 448**

Extended Public Works Programme

Current-year receipts	1 975 000	1 759 000
Conditions met - transferred to revenue	(1 975 000)	(1 759 000)
	-	-

Town planning grant

Balance unspent at beginning of year	110 653	110 653

Conditions still to be met - remain liabilities (see note 13).

Beach development grant

Current-year receipts	2 500 000	-

Conditions still to be met - remain liabilities (see note 13).

Manguzi Informal Market Grant

Balance unspent at beginning of year	2 729 383	-
Current-year receipts	4 500 000	3 000 000
Conditions met - transferred to revenue	(3 246 710)	(270 617)
	3 982 673	**2 729 383**

Conditions still to be met - remain liabilities (see note 13).

25. INEP contract revenue

Grant income received for INEP projects	5 475 978	8 958 436

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

26. Fines, Penalties and Forfeits

Municipal Traffic Fines	1 014 550	1 534 400

27. Employee related costs

Basic	53 608 660	50 544 582
Cellphone allowance	1 170 379	1 071 160
Bonus	136 090	412 723
Medical aid - company contributions	2 826 480	2 567 924
UIF	385 984	384 208
Leave pay provision charge/(reversal)	(478 537)	666 542
Overtime payments	1 736 079	1 967 715
Long-service awards	431 595	734 164
13th Cheques	3 396 279	2 851 330
Acting allowances	183 392	684 245
Car allowance	4 494 789	4 315 428
Standby Allowance	1 226 546	1 120 243
GroupLife Insurance	518 030	493 930
SALGABC - Levies	20 488	19 529
Rural Allowance	610 871	552 848
Pension	6 243 670	5 519 971
	76 510 795	**73 906 542**

Remuneration of Municipal Manager (N.P.E. Myeni) - Appointed 01 September 2022

Annual Remuneration	1 124 044	-
Car Allowance	150 000	-
Leave encashment	112 148	-
Contributions to UIF, Medical and Pension Funds	13 812	-
Cellphone allowance	27 000	-
Rural allowance	110 710	-
Acting allowance	13 114	-
	1 550 828	**-**

Remuneration of Municipal Manager (NP Gamede) - Contract ended 30 August 2022

Annual Remuneration	194 901	1 169 406
Car Allowance	30 000	180 000
Contributions to UIF, Medical and Pension Funds	2 644	30 624
Cellphone allowance	5 400	32 400
Rural Allowance	19 490	116 941
Lumpsum directive	225 427	-
	477 862	**1 529 371**

Remuneration of Chief Finance Officer (NP Mkhabela) - Appointed 01 February 2023

Annual Remuneration	432 040	-
Car Allowance	60 500	-
Contributions to UIF, Medical and Pension Funds	54 869	-
Cellphone allowance	9 300	-
Rural allowance	45 581	-
Acting allowance	68 025	-
	670 315	**-**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Employee related costs (continued)

Remuneration of Chief Finance Officer (N.P.E Myeni) - Contract ended 30 August 2022

Annual Remuneration	166 219	997 316
Car Allowance	27 000	162 000
Contributions to UIF, Medical and Pension Funds	2 311	26 607
Cellphone allowance	4 600	27 600
Rural Allowance	18 133	108 798
	218 263	**1 322 321**

Remuneration of Corporate and Human Resources (CR Khumalo) - Appointed 1 October 2022

Annual Remuneration	763 262	-
Car Allowance	121 500	-
Contributions to UIF, Medical and Pension Funds	9 824	-
Cellphone allowance	18 900	-
Rural allowance	74 801	-
	988 287	**-**

Remuneration of Corporate and Human Resources (N.V.F Msane) - Contract ended 30 Sept 2022

Annual Remuneration	188 248	966 275
Car Allowance	-	156 958
Contributions to UIF, Medical and Pension Funds	-	25 261
Other	-	5 680
Cellphone allowance	-	27 305
Rural Allowance	-	99 732
	188 248	**1 281 211**

Remuneration of Community Director (WS Nhlenyama) - Appointed 12 September 2022

Annual Remuneration	825 750	-
Car Allowance	131 259	-
Contributions to UIF, Medical and Pension Funds	3 804	-
Cellphone allowance	20 418	-
Rural allowance	80 927	-
	1 062 158	**-**

Remuneration of Community Director (S.Shange) - Contract ended 30 August 2022

Annual Remuneration	-	835 477
Car Allowance	-	162 000
Contributions to UIF, Medical and Pension Funds	-	21 130
Rural Allowance	-	83 546
Cellphone allowance	-	27 600
Lumpsum directive	161 056	-
	161 056	**1 129 753**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Employee related costs (continued)

Remuneration of Director Technical Services (DI Tembe) - Appointed 1 November 2022

Annual Remuneration	741 272	-
Car Allowance	108 000	-
Contributions to UIF, Medical and Pension Funds	9 466	-
Cellphone allowance	16 800	-
Rural allowance	72 771	-
	948 309	**-**

Remuneration of Director Technical Services (FS Msabala) - Acting

Annual Remuneration	-	34 390

Remuneration of Director Corporate and Human Resources (TS Mkhabela) - Acting

Acting allowance	45 350	-

Remuneration of Community Director (NF Mngomezulu) - Acting

Acting allowance	28 597	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Remuneration of councillors

Mayor	948 627	870 988
Deputy Mayor	451 223	669 598
Mayoral Committee Members	2 110 065	1 814 912
Speaker	768 725	705 558
Councillors	6 838 682	6 369 051
Travel Allowance	2 183 650	2 066 639
Cellphone and data allowance	1 291 336	1 317 800
	14 592 308	**13 814 546**

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

Annual Remuneration	658 557	398 925
Car Allowance	219 519	132 872
Cellphone Allowance	40 800	26 422
Data Allowance	1 200	2 331
UIF	-	308
Backpay	28 550	-
	948 626	**560 858**

Mayor Cllr N.S Mthethwa (Contract ended 22 November 2021)

Annual Remuneration	-	230 772
Car Allowance	-	76 924
Cellphone Allowance	-	14 583
Data Allowance	-	1 287
SDL	-	3 082
	-	**326 648**

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

Annual Remuneration	293 911	17 026
Car Allowance	99 913	5 676
Backpay	40 800	3 400
Cellphone Allowance	1 200	300
Data Allowance	15 398	-
	451 222	**26 402**

Deputy Mayor Cllr M.Z Mhlongo (Contract ended 30 May 2022)

Annual Remuneration	-	271 772
Car Allowance	-	92 552
Cellphone Allowance	-	23 022
Data Allowance	-	2 031
Backpay	-	6 577
	-	**395 954**

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

Annual Remuneration	-	184 618
Car Allowance	-	61 539
Cellphone Allowance	-	14 583
Data Allowance	-	1 287
SDL	-	2 303
	-	**264 330**

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

Annual Remuneration	526 846	314 430

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Remuneration of councillors (continued)

Car Allowance	175 615	106 889
Cellphone Allowance	40 800	26 422
Data Allowance	1 200	2 331
SDL	-	4 560
	-	308
Backpay	24 263	6 577
	768 724	**461 517**

Speaker Cllr B.T Tembe (Contract ended 22 November 2021)

Annual Remuneration	-	184 618
Car Allowance	-	61 539
Cellphone Allowance	-	14 583
Data Allowance	-	1 287
SDL	-	2 371
	-	**264 398**

Exco Members Cllr L.D. Tembe (Appointed 22 November 2021)

Annual Remuneration	275 548	170 714
Car Allowance	91 849	57 345
Cellphone Allowance	40 800	20 598
Data Allowance	1 200	2 331
Backpay	13 530	1 630
	422 927	**252 618**

Exco Member Cllr H.K Gumede (Appointed 22 November 2021)

Annual Remuneration	275 548	170 714
Car Allowance	91 849	57 345
Cellphone Allowance	40 800	26 422
Data Allowance	1 200	2 331
SDL	-	2 406
UIF	-	308
Backpay	13 530	1 630
	422 927	**261 156**

Exco Member Cllr K.C. Mthembu (Appointed 22 November 2021)

Annual Remuneration	275 548	-
Car Allowance	91 849	-
Cellphone Allowance	40 800	-
Data Allowance	1 200	-
Backpay	10 806	-
	420 203	**-**

Exco Members Cllr Z.M Mhlongo (Appointed 22 November 2021)

Annual Remuneration	275 548	287 593
Car Allowance	91 849	97 954
Cellphone Allowance	40 800	26 258
Data Allowance	1 200	2 317
SDL	-	4 064
UIF	-	308
Backpay	14 408	6 577
	420 203	**425 071**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Remuneration of councillors (continued)

Exco Members Cllr P.T Vumase (Appointed 22 November 2021)		
Annual Remuneration	275 548	81 237
Car Allowance	91 849	27 079
Cellphone Allowance	40 800	16 222
Data Allowance	1 200	1 431
SDL	-	1 209
UIF	-	308
Backpay	10 806	308
	420 203	**127 794**

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

Exco Member Cllr S.N Tembe (Contract ended 22 November 2021)		
Annual Remuneration	-	96 558
Car Allowance	-	32 186
Cellphone Allowance	-	1 287
Data Allowance	-	14 583
SDL	-	1 387
	-	**146 001**

Exco Member Cllr M.D Mathenjwa (Contract ended 22 November 2021)		
Annual Remuneration	-	96 558
Car Allowance	-	32 186
Cellphone Allowance	-	14 583
Data Allowance	-	1 287
SDL	-	1 421
	-	**146 035**

Exco Member Cllr Z.M Mhlongo (Contract ended 22 November 2021)		
Annual Remuneration	-	96 558
Car Allowance	-	32 186
Cellphone Allowance	-	14 053
Data Allowance	-	1 287
SDL	-	1 412
	-	**145 496**

Exco Member Cllr M.Z Mhlongo (Contract ended 22 November 2021)		
Annual Remuneration	-	96 558
Car Allowance	-	32 186
Cellphone Allowance	-	14 583
Data Allowance	-	1 287
SDL	-	1 490
	-	**146 104**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Remuneration of councillors (continued)

In-kind benefits

The 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 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 following individuals each have two full-time bodyguards:

- Mayor
- Deputy Mayor
- Speaker
- Chief FInancial Officer

29. Depreciation and amortisation

Property, plant and equipment	24 869 211	27 583 087
Intangible assets	78 175	317 325
	24 947 386	**27 900 412**

30. Finance costs

Interest cost on long service provision	437 592	316 843
Interest overdue accounts	21 962	235 766
Interest on unwinding of landfill provisions	2 114 891	1 988 855
	2 574 445	**2 541 464**

31. Lease rentals on operating lease

Photocopy machines and phones		
Rental amount	2 375 774	2 133 571

32. Debt impairment

Contributions to debt impairment provision	9 599 418	8 505 292
Bad debts written off	574 873	177 265
	10 174 291	**8 682 557**

33. Transfer and subsidies

Other subsidies		
Social assistance	14 841 370	3 674 692
Bursaries	2 047 690	1 105 035
Burial services	467 098	5 284 868
Disaster supplies	743 000	6 246 920
	18 099 158	**16 311 515**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
34. Contracted services		
Outsourced Services		
Administrative and Support Staff	525 951	264 620
Burial Services	122 600	115 570
Catering Services	8 456 684	6 011 636
Clearing and Grass Cutting Services	482 375	477 400
Internal Auditors	3 110 700	2 382 868
Medical Services	365 361	-
Professional Staff	564 714	178 751
Researcher	1 959 435	893 779
Security Services	13 969 897	11 433 322
Drivers Licence Cards	338 755	465 867
Consultants and Professional Services		
Business and Advisory	5 776 390	4 147 589
Infrastructure and Planning	1 206 741	135 328
Legal Cost	916 479	447 370
Contractors		
Aerial Surveillance	-	384 200
Artists and Performers	457 500	20 000
Catering Services	77 540	107 680
Construction contract - INEP	5 475 978	8 958 436
Graphic Designers	95 000	355 110
Maintenance of Buildings and Facilities	3 356 512	2 442 076
Maintenance of Equipment	11 040 103	7 739 822
Maintenance of Unspecified Assets	8 395 190	5 219 624
Medical Services	87 372	16 000
Pest Control and Fumigation	1 326 200	1 351 795
Photographer	22 000	40 600
Transportation	1 055 746	154 180
Sports and Recreation	726 359	2 418 859
Stage and Sound Crew	552 955	412 950
	70 464 537	**56 575 432**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

35. Operational cost

Advertising	563 485	577 548
Auditors remuneration	2 664 125	1 459 994
Bank charges	135 701	155 766
Gifts and promotions	6 443 129	3 555 174
Hire charges	14 593 997	18 887 294
Insurance	1 684 303	1 166 323
Capacity building and training	1 547 664	2 791 651
IT expenses	604 375	429 655
Fleet expense	123 905	106 048
Marketing	218 597	177 837
Motor vehicle expenses	3 580 421	720 064
Fuel and oil	1 179 663	3 023 844
Postage and courier	-	39
Printing and stationery	198 000	870 960
Software expenses	1 603 443	2 183 448
Telephone and fax	1 366 369	1 059 307
Training	1 677 028	634 941
Travelling and accommodation	3 996 260	3 239 025
Water and electricity	1 384 849	1 194 405
Uniforms	585 870	923 009
Tourism development	113 280	129 380
Skills development levy	800 937	770 041
Travel allowance	4 562 534	2 577 068
Ward committees	3 111 591	1 255 200
Burial support	301 628	302 402
	53 041 154	**48 190 423**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

36. Impairment loss

Impairments		
Property, plant and equipment	1 932 273	2 353 122

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.

Sports fields, Clinics and 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;

37. Auditors' remuneration

Fees	2 664 125	1 459 994

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

38. Cash generated from operations

Surplus	26 432 780	23 523 361
Adjustments for:		
Depreciation and amortisation	24 947 386	27 900 412
Assets written off	884 189	97 650
Actuarial gain/(loss)	(78 644)	43 248
Impairment deficit	1 932 273	2 353 122
Debt impairment	10 174 291	8 682 557
Employee benefit provision	579 772	451 842
Movements in provisions	1 337 408	1 370 349
Other Movements	-	(122 505)
Non-cash donations	(70 988)	(1 351 262)
Prior period adjustment to VAT	-	1 343 765
Movement in landfill provisions	(1 517 481)	-
Changes in working capital:		
Inventories	98 452	117 749
Receivables from exchange transactions	-	215 662
Consumer debtors	(10 052 619)	(7 857 989)
Other receivables from non-exchange transactions	3 396 488	(1 841 389)
Payables from exchange transactions	5 087 174	1 255 264
VAT	(3 997 874)	326 157
Unspent conditional grants and receipts	2 488 842	2 729 383
INEP Liability	(297 365)	297 779
	61 344 084	**59 535 155**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Manguzi Multipurpose	-	3 885 964
• Manguzi Informal Markets	69 814	2 729 383
• Mbazwana Internal Road	-	29 348 623
• Manguzi Internal Road	27 219 966	21 662 949
• Ntshongwe Community Hall	-	2 108 284
• Siholwa Electrification	-	863 720
	27 289 780	**60 598 923**

Total capital commitments		
Already contracted for but not provided for	27 289 780	60 598 923

Authorised operational expenditure

Already contracted for but not provided for		
• Official Orders	1 009 446	2 525 707

Total operational commitments		
Already contracted for but not provided for	1 009 446	2 525 707

This committed expenditure relates to infrastructure, community and electrification projects and will be financed by government grants and municipality's own revenue.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

40. Contingencies

SIBUSISO T SHANGE

The employee in this matter started bringing an urgent application in the Labour Court which was dismissed. He then referred an unfair dismissal dispute to the Bargaing Council. The matter has been concluded but the Arbitration Award has not yet been issued. The prospects of success on the part on the part of the Municipality are quite good and it is envisaged that the Arbitration Award will be in favour of the Municipality. Therefore, the Municipality has elected not to raise a provision in respect of this matter. Legal fees for both Labour Court and Arbitration Proceedings amounted to R418 999.

41. Related parties

Relationships	
Management remuneration	Refer to accounting officers' report note 27
Council remuneration	Refer to note 28

42. 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

43. 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

Current liabilities		
Payables from exchange transactions	22 840 888	17 753 721
Unspent conditional grants	8 899 067	6 410 225
	31 739 955	**24 163 946**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Risk management (continued)

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	2023	2022
Receivables from exchange transactions	605 304	726 977
Receivables from non-exchange transactions	6 623 556	9 026 007
Cash and cash equivalents	108 382 648	102 442 026

Market risk

Interest rate risk

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

44. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 425 358 738 and that the municipality's total assets exceed its liabilities by R 425 358 738.

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.

45. Events after the reporting date

There are no material and adjusting events after the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Fruitless and wasteful expenditure

Opening balance as previously reported	12 695 785	979 402
Add: Fruitless and wasteful expenditure identified - current	344 481	12 695 785
Less: Amount written off - current	(12 695 785)	(979 402)
Closing balance	**344 481**	**12 695 785**

Fruitless and wasteful expenditure is presented inclusive of VAT

Council approved a write off of R12 695 785 of fruitless and wasteful expenditure. 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 Electricity

47. Irregular expenditure

Opening balance as previously reported	2 543 685	3 544 806
Opening balance	**2 543 685**	**3 544 806**
Add: Irregular Expenditure - current	23 559 510	16 681 020
Less: Amount written off - current	(13 773 312)	(17 682 141)
Closing balance	**12 329 883**	**2 543 685**

Irregular expenditure is presented inclusive of VAT

Notes to the Annual Financial Statements

Figures in Rand		2023	2022

47. Unauthorised, Irregular and Fruitless and Wasteful Expenditure (continued)

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.	11 229 627	13 398 496
MBD4 form not signed	Investigation to be conducted, and will be reported to the council.	949 406	115 426
Competitive bidding not followed	Investigation to be conducted, and will be reported to the council.	8 821 211	738 839
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.	422 970	472 553
Awards made to people who have relations with municipal employees	Investigation to be conducted, and will be reported to the council.	651 488	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	1 484 807	3 148 065
Supplier tax status no-compliant		-	100 000
		23 559 509	**20 225 826**

Amount written-off

Irregular Expenditure written off 2023

The amount of irregular expenditure written off in the current year of R2 543 685 eminate from contract of previous year where BAC was not properly constituted.

The amount of irregular expenditure written off in the current year of R 12 823 906 was as a results of competitive bidding not followed, and R949 406 for payments made where MBD4 form were not submitted.

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.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2023	2022
Current year subscription / fee	937 597	969 429
Amount paid - current year	(937 597)	(969 429)
	-	-

Audit fees

	2023	2022
Current year subscription / fee	2 664 125	1 459 994
Amount paid - current year	(2 664 125)	(1 459 994)
	-	-

PAYE and UIF

	2023	2022
Current year subscription / fee	13 456 037	13 728 599
Amount paid - current year	(13 456 037)	(13 728 599)
	-	-

Pension and Medical Aid Deductions

	2023	2022
Current year subscription / fee	14 364 455	8 101 862
Amount paid - current year	(14 364 455)	(8 101 862)
	-	-

Councillors' and Employees arrear consumer accounts

The following Councillors and Employees had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mr NPE Myeni	2 923	2 732	5 655

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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 council and includes a note to the annual financial statements.

Deviations are due to use of recommended/sole suppliers.

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

Arena Holdings (Advertising)	43 392	21 502
Government Printing works (Advertising)	24 211	11 997
Ilanga Newspaper (Advertising)	229 583	327 563
Maputaland Community radio (Advertising)	32 181	6 016
Twin Place Trading and Projects (Roofing)	431 440	-
Zululand Observer (Advertising)	109 554	54 288
	870 361	**421 366**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

50. Prior-year adjustments

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

2022

		Accumulated depreciation	Depreciation adjustment	Per prior year	Correction	Restated
Property, plant and equipment	8	346 203 620	(3 983 299)	-	-	342 220 321
INEP contract revenue	25	-	-	-	(8 958 436)	(8 958 436)
Contracted services	34	-	-	47 616 996	8 958 436	56 575 432
		346 203 620	**(3 983 299)**	**47 616 996**	**-**	**389 837 317**

Prior period infrastructure assets

During the 2021/22 financial year there were assets in the immovables section that had to be corrected as a result of errors in depreciation calculations. Further investigation of Moses Zikhali and the library guard House resulted in a decision to write of these assets in the prior year as they are no longer avaliable.

*There are movables in the 2021/22 financial year that had a carrying ammount of zero. Based on the verified conditions of these assets at the end of the 2022/23 financial period these were re -assessed and restated

	Accumulated depreciation	Depreciation adjustment	Restated
Moses Zikhali Road Write off	4 963 497	-	4 963 497
Manguzi Library Write off	43 200	-	43 200
Moses Zikhali Road Write off	(247 495)	-	(247 495)
Manguzi Library Write off	(1 436)	-	(1 436)
Moses Zikhali Road Write off	(351 747)	-	(351 747)
Manguzi Library Write off	(28 512)	-	(28 512)
Negative carrying amount on asset	(92 839)	-	(92 839)
Other assets - machinery	(108 895)	22 946	(85 949)
Other assets - Furniture	(20 605)	4 368	(16 237)
Other assets - Computer	(47 275)	5 880	(41 395)
Other assets - motor vehicle	(205 223)	47 432	(157 791)
Total movement on accumulated surplus 2021/22	**3 902 670**	**80 626**	**3 983 296**

There was a reclassification between the movables and immovables assets. The impact of it was as follows

	Reclassification	Restated
Other PPE (Reduction in cost)	(3 914 588)	(3 914 588)
Buildings (Increase in cost)	3 914 588	3 914 588
Other PPE (Reduction in depreciation)	(2 469 295)	(2 469 295)
Buildings (Increase in depreciation)	2 469 295	2 469 295
Surplus for the year	**-**	**-**

There are movables in the 2021/22 financial year that had a carrying ammount of zero. Based on the verified conditions of these assets at the end of the 2022/23 financial period these were re -assessed and restated

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50. Prior-year adjustments (continued)

	Accumulated depreciation	Depreciation adjustment	Restated
The impact is as follows			
Other Assets-Machinery	108 895	(22 946)	85 949
Other Assets-Furniture	20 605	(4 368)	16 237
Other Assets-Computer	47 275	(5 880)	41 395
Other-Assets Motor Vehicle	205 223	(47 432)	157 791
	381 998	**(80 626)**	**301 372**

51. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas:
- Governance and administration
- Community and public safety
- Economic 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.

51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

	Governance and administration	Community and public safety	Economic and enviromental services	Trading services	Total
Revenue					
Service charges	-	-	-	469 953	469 953
Licences and permits	57 002	2 483 478	-	-	2 540 480
Rental income	433 638	-	-	-	433 638
Interest on investments	7 590 538	-	-	-	7 590 538
Other own revenue	603 468	146 025	-	-	749 493
Property rates	23 377 413	-	-	-	23 377 413
Government grants	215 376 448	2 933 000	45 314 710	-	263 624 158
Fines and penalties	-	1 700	1 012 850	-	1 014 550
Public contributions and donations	-	70 988	-	-	70 988
Commissions received	173 509	-	-	-	173 509
Construction contract - INEP	-	-	-	5 475 978	5 475 978
Total segment revenue	**247 612 016**	**5 635 191**	**46 327 560**	**5 945 931**	**305 520 698**
Entity's revenue					**305 520 698**

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51. Segment information (continued)

	Governance and administration	Community and public safety	Economic and enviromental services	Trading services	Total
Expenditure					
Employee Costs	29 226 802	28 449 718	18 834 275	-	76 510 795
Remuneration of Councillors	14 592 309	-	-	-	14 592 309
Debt impairment	10 174 291	-	-	-	10 174 291
Depreciation and asset impairment	24 947 386	-	-	-	24 947 386
Impairment loss	-	-	1 932 273	-	1 932 273
Finance charges	486 377	-	-	2 088 068	2 574 445
Contracted services	34 879 367	6 245 480	29 339 690	-	70 464 537
Operating lease expenses	1 871 543	504 231	-	-	2 375 774
Transfers and subsidies	3 443 367	6 245 480	8 410 311	-	18 099 158
Inventory consumed	3 236 647	170 885	-	162 720	3 570 252
Operational cost	26 760 965	15 852 463	8 696 883	1 730 843	53 041 154
Assets written off	884 189	-	-	-	884 189
Actuarial gains/losses	(78 644)	-	-	-	(78 644)
Total segment expenditure	**150 424 599**	**57 468 257**	**67 213 432**	**3 981 631**	**279 087 919**
Total segmental surplus/(deficit)	**97 187 417**	**(51 833 066)**	**(20 885 872)**	**1 964 300**	**26 432 780**
Assets					
Inventories	66 111	-	-	-	66 111
Receivables from Non-exchange Transactions	14 072 184	-	-	-	14 072 184
Receivable from exchange transactions	668 964	-	-	-	668 964
Cash and Cash Equivalents	108 380 312	-	-	-	108 380 312
Property, Plant and Equipment	370 439 781	-	-	-	370 439 781
Intangible assets	370 025	-	-	-	370 025
VAT receivable	1 174 259	-	-	-	1 174 259
Total segment assets	**495 171 636**	**-**	**-**	**-**	**495 171 636**
Total assets as per Statement of financial Position					**495 171 636**

Notes to the Annual Financial Statements

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51. Segment information (continued)

	Governance and administration	Community and public safety	Economic and enviromental services	Trading services	Total
Liabilities					
Trade and other payables	22 863 267	-	-	-	22 863 267
Unspent conditional grants	-	-	8 899 067	-	8 899 067
INEP liability	-	-	424	-	424
Employee benefit obligation	4 400 030	-	-	-	4 400 030
Provisions	-	26 162 493	-	-	26 162 493
Total segment liabilities	**27 263 297**	**26 162 493**	**8 899 491**	**-**	**62 325 281**
Total liabilities as per Statement of financial Position					**62 325 281**

2022

	Governance and administration	**Community and public safety**	**Economic and enviromental services**	**Trading services**	**Total**
Revenue					
Service charges	-	-	-	624 360	624 360
Licences and permits	1 800	-	2 895 650	-	2 897 450
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**	**41 514 458**	**665 359**	**268 195 920**
Entity's revenue					**268 195 920**

Notes to the Annual Financial Statements

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51. Segment information (continued)

Expenditure					
Salaries and wages	27 562 135	21 329 141	25 015 265	-	73 906 541
Other expenses	13 814 546	-	-	-	13 814 546
Debt impairment	8 682 557	-	-	-	8 682 557
Depreciation & asset impairment	28 632 880	-	-	-	28 632 880
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
Acturial gain/(loss)	43 248	-	-	-	43 248
Total segment expenditure	**149 875 388**	**40 451 644**	**41 342 475**	**11 382 472**	**243 051 979**
Total segmental surplus/(deficit)	**66 225 235**	**(30 536 164)**	**171 983**	**(10 717 113)**	**25 143 941**
Assets					
Inventories	164 563	-	-	-	164 563
Receivable from non-exchange transactions	9 026 007	-	-	-	9 026 007
Receivable from exchange transactions	726 978	-	-	-	726 978
Cash and cash equivalents	102 442 026	-	-	-	102 442 026
Property, plant and equipment	19 477 513	-	-	322 744 414	342 221 927
Intangible assets	275 201	-	-	-	275 201
Total segment assets	**132 112 288**	**-**	**-**	**322 744 414**	**454 856 702**
Total assets as per Statement of financial Position					**454 856 702**

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

	Governance and administration	Community and public safety	Economic and enviromental services	Trading services	Total
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**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

52. INEP contract assets and liabilities

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 licenced 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.

Revenue recognised

	2023	2022
INEP Electrification		
INEP grant revenue received	6 000 000	10 600 000
*Contract revenue recognised	(5 475 978)	(8 958 436)
VAT output recognised	(523 598)	(1 343 765)
	424	**297 799**

* See Note 50 for prior period adjustments relating to INEP.

Liabilities and corresponding rights of reimbursement recognised as assets

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

	2023	2022
INEP Electrification		
Balance unspent at beginning of year	297 799	-
Current-year receipts	6 000 000	10 600 000
Liability recognised	(6 297 375)	(10 302 201)
	424	**297 799**

	2023	2022
Expenditure on projects undertaken by municipality		
Manguzi Electrification	-	2 685 091
Siholwa Electrification Phase 1 and 2	5 475 978	2 826 084
Mlamula Jikijela Electrification	-	3 108 172
Oqondweni Electrification	-	339 089
	5 475 978	**8 958 436**

53. Actual operating expenditure versus budgeted operating expenditure

53.1 Service charges

Service charges budget is understated in the budget as it excludes vat when compared to the actual revenue raised for refuse removal

53.2 Rental Income

The rental income is less than the projected budget because there was a writes-off of historical debt of old tenants.

53.3 Licences and permits

Licence and permits revenue is less than the projected budget because it was affected by poor network coverage as a result of load shedding during the month of March and April 2023**.**

53.4 Donations

These were computers donated by the Department of Arts and Culture to Manguzi Library.

53.5 Other own revenue

The other own revenue is more than the projected budget because there was an increase on LGSETA refunds and insurance refund**s**

53.6 Interest on Investments

The interest on investment is more than the projected budget because we received more money in the main bank account due to grants received and new investment made.

53.7 Property rates

Property rates ovestated compared to what we actual received, there was 2 properties burnt down during the financial year of which means the billing was stopped to that properties.

53.8 Government grants

Variance on government grants is because we did not realise revenue on other grants because we did not fully spend other grants

53.9 Traffic fines

Variance on fines and penalties is because we adjusted the revenue projection on traffic fines because traffic department had a challenge in issuing traffic fines as from November till April because they did not have S46 notice books as the sole supplier had a challenge to deliver them on time

53.10 INEP receipts

Revenue recognised on INEP projects is exclusive of VAT which is why the grant appears to be underspent. The remaining liability is R 424.