# uMhlabuyalingana Local Municipality
(Registration number KZN 271)
Annual Financial Statements
for the year ended 30 June 2024

# General Information

| | |
|---|---|
| **Legal form of entity** | Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) |
| **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. |
| **Executive 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<br>Cllr. KC Mthembu<br>Cllr. HK Gumede<br>Cllr. LD Tembe<br>Cllr. PT Vumase<br>. |
| **Councillors** | Cllr. TP Manzini<br>Cllr. JP Zikhali<br>Cllr. T Mngomezulu<br>Cllr. FG Mlambo<br>Cllr. SS Manukuza<br>Cllr. FS Mpanza<br>Cllr. BK Mbuyazi<br>Cllr. SM Tembe<br>Cllr. MV Mahamba<br>Cllr. SJ Mabika<br>Cllr. SL Ntuli<br>Cllr. BD Mtshali<br>Cllr. IT Gwala<br>Cllr. PV Khathwane<br>Cllr. NC Mdletshe<br>Cllr. NJ Khumalo<br>Cllr. KA Buthelezi<br>Cllr. BE Biyela<br>Cllr. PS Mabika<br>Cllr. SS Mkhumbuzi<br>Cllr. KA Kunene<br>Cllr. NP Khumalo<br>Cllr. TS Myeni<br>Cllr. TN Magagula<br>Cllr. WNO Nxumalo<br>Cllr. SM Gumede<br>Cllr. MZ Mhlongo<br>Cllr. TS Khumalo<br>Cllr. HN Ntshangase<br>Cllr. ZV Mthembu - recalled from the local council on 14 June 2024 |
| **Grading of local authority** | Medium capacity municipality |
| **Chief Finance Officer (CFO)** | Mrs. NP Mkhabela |
| **Accounting Officer** | Mr. NPE Myeni |
| **Registered office** | Municipal Building |

## General Information

| | |
|---|---|
| | Kwangwanase<br>3973 |
| **Business address** | Main Street<br>Manguzi<br>3973 |
| **Postal address** | Private Bag X 901<br>Kwangwanase<br>3973 |
| **Bankers** | Nedbank Limited<br>First National Bank<br>Standard Bank of SA Limited |
| **Auditors** | Auditor General of South Africa<br>Registered Auditors |
| **Attorneys** | AP Shangase Associates<br>Millicent Hlengwa Attorneys |

# Index



**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 period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, 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 government grants. 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.

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

The annual financial statements set out on pages 5 to 73, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and are hereby signed by him.

**Accounting Officer**
**Mr. NPE Myeni**

# Statement of Financial Position as at 30 June 2024

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 3 | 162,134 | 66,111 |
| Receivables from non-exchange transactions | 4 | 2,038,456 | 3,693,464 |
| VAT receivable | 10 | - | 1,187,659 |
| Receivables from exchange transactions | 5 | 423,363 | 732,641 |
| Cash and cash equivalents | 6 | 98,943,798 | 108,252,886 |
| | | **101,567,751** | **113,932,761** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 7 | 428,171,238 | 377,334,177 |
| Intangible assets | 8 | - | 370,025 |
| | | **428,171,238** | **377,704,202** |
| **Total Assets** | | **529,738,989** | **491,636,963** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Payables from exchange transactions | 9 | 20,068,937 | 22,854,333 |
| VAT payable | 10 | 788,209 | - |
| Employee benefit obligation | 11 | 526,337 | 464,527 |
| Unspent conditional grants | 12 | 7,155,291 | 6,399,067 |
| Provisions | 13 | 543,325 | 548,813 |
| Beach development grant | 14 | 267 | 2,500,000 |
| INEP liability | 15 | 1,722,892 | 424 |
| | | **30,805,258** | **32,767,164** |
| **Non-Current Liabilities** | | | |
| Employee benefit obligation | 11 | 3,913,532 | 3,935,503 |
| Provisions | 13 | 26,204,535 | 25,613,680 |
| | | **30,118,067** | **29,549,183** |
| **Total Liabilities** | | **60,923,325** | **62,316,347** |
| **Net Assets** | | **468,815,664** | **429,320,616** |
| Accumulated surplus | | 468,815,664 | 429,320,616 |
| **Total Net Assets** | | **468,815,664** | **429,320,616** |

* See Note 56 & 57

# Statement of Financial Performance

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 16 | 543,709 | 469,953 |
| Rental of facilities and equipment | 17 | 495,921 | 433,638 |
| Agency services | 18 | 266,035 | 163,930 |
| Licences and permits | 19 | 2,620,860 | 2,540,480 |
| Commissions received | 20 | 10,590 | 9,579 |
| Other income | 21 | 1,849,218 | 749,493 |
| Interest received - investment | 22 | 9,880,939 | 7,590,538 |
| **Total revenue from exchange transactions** | | **15,667,272** | **11,957,611** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 23 | 23,907,804 | 23,377,413 |
| Interest on debtors | 24 | 2,157,088 | 2,421,394 |
| **Transfer revenue** | | | |
| Government grants & subsidies | 25 | 286,497,776 | 263,624,158 |
| Public contributions and donations | 26 | 38,075,896 | 70,988 |
| Fines, Penalties and Forfeits | 27 | 1,335,550 | 1,014,550 |
| INEP contract revenue | 28 | 20,032,636 | 5,475,978 |
| Beach development | 29 | 2,173,681 | - |
| **Total revenue from non-exchange transactions** | | **374,180,431** | **295,984,481** |
| **Total revenue** | | **389,847,703** | **307,942,092** |
| **Expenditure** | | | |
| Employee related costs | 30 | (88,217,837) | (76,510,795) |
| Remuneration of councillors | 31 | (15,724,110) | (14,592,308) |
| Depreciation and amortisation | 32 | (25,490,686) | (24,863,654) |
| Finance costs | 33 | (1,546,717) | (2,574,445) |
| Lease rentals on operating lease | 34 | (1,381,429) | (2,375,774) |
| Debt Impairment and bad debts written off | 35 | (11,196,297) | (15,528,205) |
| Inventory consumed | 3 | (4,441,012) | (3,570,252) |
| Contracted services | 36 | (105,034,591) | (70,464,537) |
| Transfers and Subsidies | 37 | (21,184,799) | (18,099,158) |
| Operational costs | 38 | (61,847,498) | (53,041,154) |
| **Total expenditure** | | **(336,064,976)** | **(281,620,282)** |
| **Operating surplus** | | **53,782,727** | **26,321,810** |
| Assets written off | 7&8 | (1,547,463) | (884,189) |
| Actuarial gains/losses | 11 | 467,995 | 78,644 |
| Impairment loss | 39 | (13,208,210) | 4,588,883 |
| | | **(14,287,678)** | **3,783,338** |
| **Surplus for the year** | | **39,495,049** | **30,105,148** |

* See Note 56 & 57

# Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / deficit | Total net assets |
|---|---|---|
| Opening balance as previously reported | 398,925,960 | 398,925,960 |
| Adjustments | | |
| Correction of errors - note 57 | 289,508 | 289,508 |
| **Balance at 1 July 2022 as restated*** | **399,215,468** | **399,215,468** |
| Changes in net assets | | |
| Surplus for the year | 30,105,148 | 30,105,148 |
| Total changes | 30,105,148 | 30,105,148 |
| Opening balance as previously reported | 431,590,386 | 431,590,386 |
| Adjustments | | |
| Correction of errors 57 | (2,269,771) | (2,269,771) |
| **Restated* Balance at 1 July 2023 as restated*** | **429,320,615** | **429,320,615** |
| Changes in net assets | | |
| Surplus for the year | 39,495,049 | 39,495,049 |
| Total changes | 39,495,049 | 39,495,049 |
| **Balance at 30 June 2024** | **468,815,664** | **468,815,664** |

* See Note  56 & 57

# Cash Flow Statement

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Sale of goods and services | | 29,692,744 | 31,992,774 |
| Grants | | 287,254,000 | 267,807,448 |
| Interest income | | 9,880,939 | 7,590,538 |
| Receipts on INEP projects | | 24,760,000 | 5,475,978 |
| | | 351,587,683 | 312,866,738 |
| **Payments** | | | |
| Employee costs | | (103,817,255) | (91,834,469) |
| Suppliers | | (180,570,627) | (154,320,009) |
| Finance costs | | (4,523) | (21,962) |
| INEP expenditure | | (23,037,532) | (5,475,978) |
| | | (307,429,937) | (251,652,418) |
| **Net cash flows from operating activities** | 42 | **44,157,746** | **61,214,320** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 7 | (53,466,834) | (55,230,460) |
| Purchase of other intangible assets | 8 | - | (173,000) |
| **Net cash flows from investing activities** | | **(53,466,834)** | **(55,403,460)** |
| **Cash flows from financing activities** | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **(9,309,088)** | **5,810,860** |
| Cash and cash equivalents at the beginning of the year | | 108,252,886 | 102,442,026 |
| **Cash and cash equivalents at the end of the year** | 6 | **98,943,798** | **108,252,886** |

* See Note  56 & 57

# 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 | 469,953 | 73,756 | **543,709** | 543,709 | **-** | 1 |
| Rental of facilities and equipment | 432,976 | 63,642 | **496,618** | 495,921 | **(697)** | |
| Agency services | - | 266,354 | **266,354** | 266,035 | **(319)** | 1 |
| Licences and permits | 2,701,536 | (36,480) | **2,665,056** | 2,620,860 | **(44,196)** | 1 |
| Commissions received | - | 10,595 | **10,595** | 10,590 | **(5)** | 1 |
| Other income - (rollup) | 1,029,890 | 835,476 | **1,865,366** | 1,849,218 | **(16,148)** | 1 |
| Interest received - investment | 7,783,687 | 2,105,140 | **9,888,827** | 9,880,939 | **(7,888)** | 1 |
| **Total revenue from exchange transactions** | **12,418,042** | **3,318,483** | **15,736,525** | **15,667,272** | **(69,253)** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Property rates | 25,101,808 | (1,194,004) | **23,907,804** | 23,907,804 | **-** | 1 |
| Interest on consuumer debtors | - | 2,157,088 | **2,157,088** | 2,157,088 | **-** | 1 |
| **Transfer revenue** | | | | | | |
| Government grants & subsidies | 287,254,000 | 4,412,673 | **291,666,673** | 286,497,776 | **(5,168,897)** | 1 |
| Public contributions and donations | - | 38,075,896 | **38,075,896** | 38,075,896 | **-** | 1 |
| Fines, Penalties and Forfeits | 807,708 | 536,898 | **1,344,606** | 1,335,550 | **(9,056)** | 1 |
| INEP contract revenue | 18,000,000 | 6,760,000 | **24,760,000** | 20,032,636 | **(4,727,364)** | 2 |
| Beach development | - | 2,500,000 | **2,500,000** | 2,173,681 | **(326,319)** | 2 |
| **Total revenue from non-exchange transactions** | **331,163,516** | **53,248,551** | **384,412,067** | **374,180,431** | **(10,231,636)** | |
| **Total revenue** | **343,581,558** | **56,567,034** | **400,148,592** | **389,847,703** | **(10,300,889)** | |
| **Expenditure** | | | | | | |
| Personnel | (95,593,797) | 4,690,779 | **(90,903,018)** | (88,217,837) | **2,685,181** | 1 |
| Remuneration of councillors | (15,449,044) | (393,022) | **(15,842,066)** | (15,724,110) | **117,956** | 1 |
| Depreciation and amortisation | (21,531,873) | (5,833,700) | **(27,365,573)** | (25,490,686) | **1,874,887** | 1 |
| Impairment loss/ Reversal of impairments | (4,839,235) | (8,344,081) | **(13,183,316)** | (13,208,210) | **(24,894)** | 1 |
| Finance costs | (995,202) | (575,962) | **(1,571,164)** | (1,546,717) | **24,447** | 1 |
| Lease rentals on operating lease | - | (1,381,788) | **(1,381,788)** | (1,381,429) | **359** | 1 |
| Debt Impairment | (4,339,235) | (10,152,771) | **(14,492,006)** | (11,196,297) | **3,295,709** | 3 |
| Inventory consumed | (2,461,450) | (2,160,000) | **(4,621,450)** | (4,441,012) | **180,438** | 1 |
| Contracted Services | (48,265,679) | (57,774,551) | **(106,040,230)** | (105,034,591) | **1,005,639** | 1 |
| Transfers and Subsidies | (17,739,130) | (4,864,727) | **(22,603,857)** | (21,184,799) | **1,419,058** | 1 |
| Operational costs | (42,627,638) | (20,812,801) | **(63,440,439)** | (61,847,498) | **1,592,941** | 1 |
| **Total expenditure** | **(253,842,283)** | **(107,602,624)** | **(361,444,907)** | **(349,273,186)** | **12,171,721** | |
| **Operating surplus** | **89,739,275** | **(51,035,590)** | **38,703,685** | **40,574,517** | **1,870,832** | |
| Asset write-offs | - | (1,846,500) | **(1,846,500)** | (1,547,463) | **299,037** | 4 |
| Actuarial gains/losses | - | 467,995 | **467,995** | 467,995 | **-** | 1 |

## 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 |
|---|---|---|---|---|---|---|
| | **-** | **(1,378,505)** | **(1,378,505)** | **(1,079,468)** | **299,037** | |
| **Surplus before taxation** | **89,739,275** | **(52,414,095)** | **37,325,180** | **39,495,049** | **2,169,869** | |
| **Surplus/(deficit) for the year from continuing operations** | **89,739,275** | **(52,414,095)** | **37,325,180** | **39,495,049** | **2,169,869** | |
| Transfers and subsidies - Capital allocation | (58,828,795) | 696,816 | **(58,131,979)** | (53,466,854) | **4,665,125** | 1 |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **30,910,480** | **(51,717,279)** | **(20,806,799)** | **(13,971,805)** | **6,834,994** | |

**1.** Variances between budget and actual amounts have been noted. Management considers the variance to be within an acceptable norm of 10% and do not require an explanation.

**2**. Variance on INEP grant and Beach Development grant are a result of a VAT net effect. Additionally, the INEP grant was not fully utilised.

**3**. Debt impairment variance is because of the decrease in traffic fines provision due to that traffic fines had to be written off after they have expired after 2 years of them being issued.

**4**. Asset write off variance is because of conditional assessment results.

# Significant Accounting Policies



### 1. Significant accounting policies

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

### 1.1 Basis of preparation

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.

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 judgements 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.

**Impairment testing**

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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.

# Significant Accounting Policies

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

**Provisions**

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

**Effective interest rate**

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

**Allowance for doubtful debts**

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 .

**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.

## Significant Accounting Policies

**1.5 Property, plant and equipment (continued)**

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

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

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

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

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

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

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

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

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

Property, plant and equipment 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 | 30 years |
| Boreholes | Straight-line | 30 years |
| Furniture and fixtures | Straight-line | 5 - 10 years |
| Motor vehicles | Straight-line | 3 - 7 years |
| Office equipment | Straight-line | 3 - 7 years |
| Computer equipment | Straight-line | 3 - 7 years |
| Infrastructure | Straight-line | 10 - 20 years |
| Road and paving | Straight-line | 10 - 20 years |
| Gravel roads | Straight-line | 10 - 20 years |
| Community hall | Straight-line | 30 years |
| Bins and containers | Straight-line | 15 years |
| Libraries | Straight-line | 30 years |
| Fence | Straight-line | 5 - 10 years |
| Gates | Straight-line | 5 - 10 years |
| Jojo tanks | Straight-line | 30 years |
| Park facilities | Straight-line | 10 years |
| Landfill sites | Straight-line | 5 - 30 years |
| Specialised vehicles | Straight-line | 10 years |
| Special plant and equipment | Straight-line | 10 - 15 years |
| Street lights | Straight-line | 10 - 20 years |

# Significant Accounting Policies

**1.5 Property, plant and equipment (continued)**

| | | |
|---|---|---|
| Machinery | Straight-line | 2 - 15 years |
| Halls building | Straight-line | 20 - 30 years |

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

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

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

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

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

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

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

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

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

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

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.

## Significant Accounting Policies

**1.5 Property, plant and equipment (continued)**

- 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.

**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, other | 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 ).

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 entity and a financial liability or a residual interest of another entity.

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

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

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

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

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

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

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

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

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

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

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

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

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.

# Significant Accounting Policies

### 1.7 Financial instruments (continued)

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

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

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

**Classification**

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

| Class | Category |
|---|---|
| Cash and cash equivalents | Financial asset measured at amortised cost |
| Consumer debtors | Financial asset measured at amortised cost |
| Receivables and exchange transactions | Financial asset measured at amortised cost |
| Receivables from 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 entity 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 financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in surplus or loss.

### 1.8 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.

# Significant Accounting Policies

### 1.8 Statutory receivables (continued)

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

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

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

**Recognition**

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

**Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

**Subsequent measurement**

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

**Accrued interest**

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

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

**Other charges**

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

**Impairment losses**

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality assesses in accordance with its Credit Control Policy.

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.

# Significant Accounting Policies

### 1.8 Statutory receivables (continued)

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

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

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

**Derecognition**

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

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

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

### 1.9 Leases

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

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

**Finance leases - lessee**

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

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

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

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

# Significant Accounting Policies

### 1.9 Leases (continued)

**Operating leases - lessor**

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

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

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

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

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

**Operating leases - lessee**

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

### 1.10 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.

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;

# Significant Accounting Policies

### 1.10 Inventories (continued)

- 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.

### 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.

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.

## Significant Accounting Policies

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

**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.

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued 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 cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, 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.

# Significant Accounting Policies

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

**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 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.

## Significant Accounting Policies

### 1.13 Employee benefits (continued)

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.

### 1.14 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

## Significant Accounting Policies

### 1.14 Provisions and contingencies (continued)

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 53.

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

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

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

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

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

### 1.15 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.

# Significant Accounting Policies

### 1.15 Commitments (continued)

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

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

### 1.16 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.

# Significant Accounting Policies

### 1.17 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.

# Significant Accounting Policies

### 1.17 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.

### 1.18 Investment income

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

### 1.19 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.

### 1.20 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.

# Significant Accounting Policies

### 1.20 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.

### 1.21 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.

### 1.22 Comparative figures

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

### 1.23 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).

### 1.24 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).

# Significant Accounting Policies

### 1.25 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).

### 1.26 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.

### 1.27 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 01-Jul-23 to 30-Jun-25.

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.

### 1.28 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.

# Significant Accounting Policies

### 1.28 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.

### 1.29 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.

# Significant Accounting Policies

### 1.30 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.

The retention that has been held by the municipality for more than three years has been written off against recoveries.

### 1.31 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.

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 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 1 July 2024 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • GRAP 107 Mergers | 01 April 2025 | Unlikely there will be a material impact |
| • GRAP 106 Transfer of Functions Between Entities Not Under Common Control | 01 April 2025 | Unlikely there will be a material impact |
| • GRAP 105 Transfer of Functions Between Entities Under Common Control | 01 April 2025 | Unlikely there will be a material impact |
| • GRAP 2023 Improvements to the Standards of GRAP 2023 | 1 April 2099 | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements (Going Concern) | 1 April 2099 | Unlikely there will be a material impact |
| • GRAP 103 (as revised): Heritage Assets | 1 April 2099 | Unlikely there will be a material impact |
| • iGRAP 22 Foreign Currency Transactions and Advance Consideration | 1 April 2025 | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 1 April 2025 | Unlikely there will be a material impact |
| • GRAP 21: Impairment of Non-Cash Generating Assets | 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 |
| • GRAP 2020: Improvements to the Standards of GRAP 2020 | 01 April 2025 | Unlikely there will be a material impact |
| • Guideline: Guideline on Accounting for Landfill Sites | 01 April 2025 | Unlikely there will be a material impact |

### 3. Inventories

| | | |
|---|---|---|
| Opening balance | 66,111 | 164,563 |
| Inventory purchased | 4,537,035 | 3,471,800 |
| Inventory consumed | (4,441,012) | (3,570,252) |
| | **162,134** | **66,111** |

Inventory consist of stationery, cleaning materials and consumable materials. Stock take was conducted at 30 June 2024 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 non-exchange transactions

| | | |
|---|---|---|
| **Gross balances** | | |
| *Debtors - Property rates | 69,664,393 | 64,400,222 |
| Employee debtors | 51,848 | 17,749 |
| Traffic fines | 1,919,595 | 2,149,750 |
| | **71,635,836** | **66,567,721** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |
| **Less: Allowance for impairment/write off** | | |
| Debtors - Property rates | (68,042,946) | (61,418,603) |
| Employee debt written off | - | (15,322) |
| Traffic fines | (1,554,434) | (1,440,332) |
| | **(69,597,380)** | **(62,874,257)** |
| **Net balance** | | |
| Debtors - Property rates | 1,621,447 | 2,981,619 |
| Employee debtors | 51,848 | 2,427 |
| Traffic fines | 365,161 | 709,418 |
| | **2,038,456** | **3,693,464** |

*Total consumer debtors excludes debtors with credit balance as at 30 June 2024 of R 20 754 (2023: R 13 064).

| | | |
| --- | --- | --- |
| **Reconciliation of provision for impairment of receivables from non-exchange transactions:** | | |
| **Property Rates Debtors** | | |
| Opening balance | (61,418,603) | (49,742,672) |
| Allowance for impairment - property rates debtors | (6,624,343) | (11,975,897) |
| Amounts written off as uncollectible | 470,633 | 299,966 |
| | **(67,572,313)** | **(61,418,603)** |
| **Traffic fines** | | |
| Opening balance | (1,440,333) | (7,782,848) |
| Impairment reversal | - | 6,474,554 |
| Allowance for impairment | (114,102) | (132,039) |
| | **(1,554,435)** | **(1,440,333)** |
| **Net balance** | **(69,126,748)** | **(62,858,936)** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**Summary of debtors by customer classification**

| | | |
|---|---|---|
| **Fines** | | |
| Current (0 -30 days) | 29,950 | 354,700 |
| 31 - 60 days | 45,550 | 32,800 |
| 61 - 90 days | 83,650 | 43,950 |
| 91 - 120 days | 68,500 | 418,350 |
| 121 - 365 days | 1,692,046 | 1,299,950 |
| | 1,919,696 | 2,149,750 |
| Less: Allowance for impairment | (1,554,434) | (1,440,332) |
| | **365,262** | **709,418** |

| | | |
|---|---|---|
| **Business** | | |
| Current (0 - 30 days) | 758,968 | 1,281,166 |
| 31 - 60 days | 642,681 | 511,110 |
| 61 - 90 days | 547,485 | 505,349 |
| 91 - 120 days | 550,117 | 490,480 |
| 121 - 365 days | 29,779,478 | 26,093,562 |
| Less: Allowance for impairment | 32,278,729 | 28,881,667 |
| | (31,537,243) | (28,376,929) |
| | **741,486** | **504,738** |

| | | |
|---|---|---|
| **Government and ITB** | | |
| Current (0 -30 days) | 462,693 | 691,395 |
| 31 - 60 days | 231,346 | 345,034 |
| 61 - 90 days | 231,347 | 344,142 |
| 91 - 120 days | 231,347 | 273,568 |
| 121 - 365 days | 31,912,893 | 29,130,635 |
| | 33,069,626 | 30,784,774 |
| Less: Allowance for impairment | (33,069,626) | (29,673,232) |
| | **-** | **1,111,542** |

| | | |
|---|---|---|
| **Residential** | | |
| Current (0 -30 days) | 102,568 | 86,083 |
| 31 - 60 days | 102,104 | 86,112 |
| 61 - 90 days | 101,641 | 86,112 |
| 91 - 120 days | 101,084 | 86,112 |
| 121 - 365 days | 4,444,506 | 4,389,421 |
| | 4,851,903 | 4,733,840 |
| Less: Allowance for impairment | (3,436,075) | (3,381,507) |
| | **1,415,828** | **1,352,333** |

| | | |
|---|---|---|
| **Total** | | |
| Current (0 -30 days) | 1,348,749 | 2,195,304 |
| 31 - 60 days | 1,229,131 | 966,669 |
| 61 - 90 days | 1,132,121 | 960,369 |
| 91 - 120 days | 1,132,816 | 872,270 |
| 121 - 365 days | 64,821,576 | 59,405,669 |
| | 69,664,393 | 64,400,281 |
| Less: Allowance for impairment | (68,042,946) | (61,431,667) |
| | **1,621,447** | **2,968,614** |

**Employee Debtors**

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|
| Current (0 -30 days) | 51,848 | 17,749 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**Statutory receivables general information**

**Transaction(s) arising from statute**

Property Rates - Municipal Property Rate Act (MPR Act) section states that local municipality may levy a rate on properties in its area.

Traffic Fines - Traffic fines are issued in terms of National Road Traffic Regulation of 2000 and the National Road Traffic Act 93 of 1996.

VAT Receivable - VAT Receivable refers to amounts owing to the municipality by the South African Revenue Services in terms of the Value Added Tax Act 89 of 1991.

**Determination of transaction amount**

Property Rates - Property Rates amount are determined in terms of Section 11 of MPR Act and the approved rates policy of municipality.

Traffic Fines - All Traffic 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.

VAT Receivable - VAT Receivable from the South African Revenue Services is calculated as the net amount of Output VAT collected and Input VAT paid in terms of the Value Added Tax Act 89 of 1991.

**Interest or other charges levied/charged**

Property Rates - Interest is charged on outstanding rates and then written off as per Council Resolution.

Traffic Fines - No interest is charged on outstanding fines.

VAT Receivable - None.

**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.

VAT Receivable is assessed in terms of GRAP 108.

**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 2024, 3,710,001 (2023: 3,086,559) were past due but not impaired.

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

| | | |
|---|---|---|
| 1 month past due | 1,348,749 | 1,086,572 |
| 2 months past due | 1,229,131 | 1,003,067 |
| 3 months past due | 1,132,121 | 996,920 |

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

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

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.

**Receivables from non-exchange transactions pledged as security**

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

### 5. Receivables from exchange transactions

| | 2024 | 2023 |
|---|---|---|
| **Gross balances** | | |
| Refuse | 526,389 | 387,083 |
| *Rental | 758,849 | 690,471 |
| Prepayments | - | 3,507 |
| Creditors with debit balance | 128,079 | 430,725 |
| Cashier shortage | 142,572 | 129,762 |
| | **1,555,889** | **1,641,548** |

*Rental excludes debtors with credit balance of R8 238.

| | 2024 | 2023 |
|---|---|---|
| **Less: Allowance for impairment** | | |
| Refuse | (412,117) | (342,138) |
| Rental | (720,409) | (566,769) |
| | **(1,132,526)** | **(908,907)** |

| | 2024 | 2023 |
|---|---|---|
| **Net balance** | | |
| Refuse | 114,272 | 44,945 |
| Rental | 38,440 | 123,702 |
| Prepayments | - | 3,507 |
| Creditors with debit balance | 128,079 | 430,725 |
| Cashier shortage | 142,572 | 129,762 |
| | **423,363** | **732,641** |

| | 2024 | 2023 |
|---|---|---|
| **Refuse** | | |
| Current (0 -30 days) | 48,903 | 56,606 |
| 31 - 60 days | 41,985 | 5,832 |
| 61 - 90 days | 36,155 | 5,832 |
| 91 - 120 days | 23,795 | 5,832 |
| 121 - 365 days | 375,551 | 312,981 |
| | **526,389** | **387,083** |

| | 2024 | 2023 |
|---|---|---|
| **Rental** | | |
| Current (0 -30 days) | 37,828 | 73,055 |
| 31 - 60 days | 36,412 | 33,860 |
| 61 - 90 days | 31,103 | 25,964 |
| 91 - 120 days | 24,800 | 25,021 |
| 121 - 365 days | 628,706 | 532,571 |
| | **758,849** | **690,471** |

| | 2024 | 2023 |
|---|---|---|
| **Cashier shortage** | | |
| 121 - 365 days | 142,572 | 129,762 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|
| **Other** | | |
| Current (0 -30 days) | - | 3,507 |

| | | |
|---|---|---|
| **Reconciliation of allowance for impairment** | | |
| Balance at beginning of the year | (908,909) | (1,912,974) |
| Contributions to allowance | (228,573) | (195,998) |
| Unused amounts reversed | - | 925,156 |
| Rental debtors written off | 4,956 | 274,907 |
| | **(1,132,526)** | **(908,909)** |

**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 2024, 232,385 (2023: 119,384) were past due but not impaired.

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

| | | |
|---|---|---|
| 1 month past due | 86,730 | 48,268 |
| 2 months past due | 78,397 | 36,691 |
| 3 months past due | 67,258 | 31,425 |

## 6. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Petty cash | 1 | 118 |
| Bank balances | 49,761,790 | 82,657,039 |
| Short-term deposits | 49,181,926 | 25,591,507 |
| Cash in transit | 81 | 4,222 |
| | **98,943,798** | **108,252,886** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**The municipality had the following bank accounts**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2024 | 30 June 2023 | 30 June 2022 | 30 June 2024 | 30 June 2023 | 30 June 2022 |
| First National Bank - Current Account Hluhluwe - 62025236408 | 49,761,790 | 82,657,039 | 83,174,003 | 49,761,790 | 82,657,039 | 83,174,003 |
| First National Bank - Call Account Hluhluwe - 62055161146 | 2,304,837 | 2,156,556 | 2,048,847 | 2,304,837 | 2,156,556 | 2,048,847 |
| First National Bank - Call Account Hluhluwe - 62266899825 | 1,578,974 | 1,477,392 | 1,405,883 | 1,578,974 | 1,477,392 | 1,405,883 |
| First National Bank - Call Account Hluhluwe - 74275256516 | 6,383,932 | 5,840,590 | 5,510,368 | 6,383,932 | 5,840,590 | 5,510,368 |
| Standard Bank - Call Account Empangeni - 06882449 | 24,526 | 23,000 | 21,771 | 24,526 | 23,000 | 21,771 |
| Nedbank - Call Account Richards Bay - 28702097 | - | - | 38,861 | - | - | 38,861 |
| First National Bank - Call Account Hluhluwe - 62424086785 | 2,387,775 | 2,210,263 | 2,076,412 | 2,387,775 | 2,210,263 | 2,076,412 |
| First National Bank - Fixed Deposit Account - 74622621601 | 9,404,544 | 8,619,584 | 8,058,545 | 9,404,544 | 8,619,584 | 8,058,545 |
| Nedbank - Notice Deposit - 03/7881177756 | 27,097,337 | 5,264,122 | - | 27,097,337 | 5,264,122 | - |
| **Total** | **98,943,715** | **108,248,546** | **102,334,690** | **98,943,715** | **108,248,546** | **102,334,690** |

Bank balances and cash book balances exclude petty cash and cash in transit balances.

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Buildings | 41,602,448 | (19,944,028) | 21,658,420 | 43,292,163 | (19,516,842) | 23,775,321 |
| Community assets | 211,056,426 | (50,571,843) | 160,484,583 | 199,493,269 | (50,002,257) | 149,491,012 |
| Computer equipment | 3,655,293 | (1,675,331) | 1,979,962 | 2,758,659 | (1,227,317) | 1,531,342 |
| Furniture and fixtures | 3,093,180 | (1,865,622) | 1,227,558 | 4,608,283 | (2,798,789) | 1,809,494 |
| Infrastructure | 388,531,839 | (167,722,394) | 220,809,445 | 318,483,980 | (137,440,471) | 181,043,509 |
| Motor vehicles | 9,784,941 | (3,663,229) | 6,121,712 | 6,159,865 | (2,772,859) | 3,387,006 |
| Plant and machinery | 24,238,855 | (8,750,717) | 15,488,138 | 23,232,023 | (7,398,706) | 15,833,317 |
| Solid waste | 916,689 | (515,269) | 401,420 | 916,689 | (453,513) | 463,176 |
| **Total** | **682,879,671** | **(254,708,433)** | **428,171,238** | **598,944,931** | **(221,610,754)** | **377,334,177** |

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

| | Opening balance | Additions | Additions through WIP | Write-offs | Donations received | Donations made | WIP Transfers in | WIP Transfers out | Landfill site additions | Depreciation | Impairment loss | Transferred to minor assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Buildings | 23,775,321 | 226,130 | - | (434,738) | - | (357,009) | - | - | - | (1,539,312) | (11,972) | - | 21,658,420 |
| Community assets | 149,491,012 | 133,182 | 9,862,139 | (118,991) | 3,655,907 | - | - | - | 420,845 | (6,694,179) | 3,734,668 | - | 160,484,583 |
| Computer equipment | 1,531,342 | 1,159,197 | - | (56,350) | - | - | - | - | - | (634,177) | - | (20,050) | 1,979,962 |
| Furniture and fixtures | 1,809,494 | 641,069 | - | (21,119) | 18,400 | - | - | - | - | (370,280) | - | (850,006) | 1,227,558 |
| Infrastructure asset | 181,043,509 | - | 35,788,906 | (42,710) | 34,401,589 | - | 36,184,014 | (36,184,014) | - | (13,450,942) | (16,930,907) | - | 220,809,445 |
| Motor vehicles | 3,387,006 | 4,259,359 | - | (563,536) | - | - | - | - | - | (961,117) | - | - | 6,121,712 |
| Plant and machinery | 15,833,317 | 1,396,852 | - | (48,356) | - | - | - | - | - | (1,670,558) | - | (23,117) | 15,488,138 |
| Solid waste | 463,176 | - | - | - | - | - | - | - | - | (61,756) | - | - | 401,420 |
| | **377,334,177** | **7,815,789** | **45,651,045** | **(1,285,800)** | **38,075,896** | **(357,009)** | **36,184,014** | **(36,184,014)** | **420,845** | **(25,382,321)** | **(13,208,211)** | **(893,173)** | **428,171,238** |

Transfer of minor assets refers to additions of assets that are below the value of R5 000.00, in terms of the Asset Management Policy, and have been expensed.

# Notes to the Annual Financial Statements

Figures in Rand

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

| | Opening balance | Additions | Additions through WIP | Assets written off | Donated assets | WIP Transfers in | WIP Transfers out | Landfill site additions | Depreciation | Impairment loss | Reclassification | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Buildings | 25,362,222 | - | - | - | - | - | - | - | (1,486,460) | (100,441) | - | 23,775,321 |
| Community assets | 133,736,841 | - | 14,940,042 | (173,991) | - | 55,418,473 | (55,418,473) | 603,908 | (4,688,281) | 5,072,493 | - | 149,491,012 |
| Computer equipment | 1,257,553 | 1,141,494 | - | (9,814) | 70,988 | - | - | - | (499,597) | - | (429,282) | 1,531,342 |
| Furniture and fixtures | 975,243 | 552,815 | - | (26,042) | - | - | - | - | (164,777) | - | 472,255 | 1,809,494 |
| Infrastructure assets | 165,077,103 | 731,243 | 31,725,386 | - | - | 30,388,795 | (30,388,795) | - | (16,107,051) | (383,172) | - | 181,043,509 |
| Motor vehicles | 3,095,884 | 1,910,327 | - | (619,834) | - | - | - | - | (582,423) | - | (416,948) | 3,387,006 |
| Plant and machinery | 12,475,262 | 4,229,161 | - | (50,772) | - | - | - | - | (1,194,309) | - | 373,975 | 15,833,317 |
| Solid waste | 529,726 | - | - | (3,969) | - | - | - | - | (62,581) | - | - | 463,176 |
| | **342,509,834** | **8,565,040** | **46,665,428** | **(884,422)** | **70,988** | **85,807,268** | **(85,807,268)** | **603,908** | **(24,785,479)** | **4,588,880** | **-** | **377,334,177** |

### Pledged as security

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**Reconciliation of Work-in-Progress 2024**

| | Included within Infrastructure | Included within Community | Total |
|---|---|---|---|
| Opening balance | 8,539,405 | 3,069,700 | 11,609,105 |
| Additions/capital expenditure | 35,789,118 | 9,862,139 | 45,651,257 |
| Transferred to completed items | (36,184,014) | - | (36,184,014) |
| | **8,144,509** | **12,931,839** | **21,076,348** |

Included in property, plant and equipment are projects that have been identified as taking significantly longer period of time to complete that expected, due to the following.

Refurbishment of Manguzi Market Stalls
- The cumulative expenditure has amounted to R5 957 127.36

Post the approval and receiving of partial funding for the project from KZN EDTEA, there was a subsequent funding approval from the Department of Small Business Development (DSBD) (direct to private sector) on the same project, due to the dual blended funding models, there were delays in reaching a consensus between all the involved role players insofar as to which exact works would be financed by which funding in order to meet the accounting requisites.

The management embarked on a process to both cautiously and legislatively manage, reconcile and align the scope of work to each funding in order to comply with the legislative conditions so that both fundings can be properly utilised and be accounted for on the same project to achieve the ultimate objective. This process is much longer to acquire the necessary approvals/consents from both funders.

**Reconciliation of Work-in-Progress 2023**

| | Included within Infrastructure | Included within Community | Total |
|---|---|---|---|
| Opening balance | 7,202,812 | 43,548,133 | 50,750,945 |
| Additions/capital expenditure | 31,725,386 | 14,940,042 | 46,665,428 |
| Transferred to completed items | (30,388,794) | (55,418,474) | (85,807,268) |
| | **8,539,404** | **3,069,701** | **11,609,105** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**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**

| | | |
|---|---|---|
| Air-conditioner Regas | - | 65,471 |
| Carpert cleaning | - | 8,854 |
| Carport shelter and mounting enclosure | 227,717 | - |
| Community hall repairs | 417,600 | - |
| Concrete slab repair | - | 161,205 |
| Contracted - Hiring Excavator | 952,800 | 1,499,847 |
| Contracted Service - Motor Vehicle | 12,467,658 | 12,390,945 |
| Contracted Services - Plumbing | 443,554 | 401,262 |
| Contracted services - G5 Material | 195,900 | 909,090 |
| Contracted services - G7 Material | 5,059,265 | 1,345,120 |
| Electrical | 740,052 | 633,837 |
| Employee cost | 1,957,100 | - |
| Honey sucking | 956,721 | 788,808 |
| Landfill site | 9,667,634 | 7,661,597 |
| Main building renovations | 3,142,050 | 1,380,731 |
| Road marking and maintenance | 3,097,380 | 334,842 |
| Security gate and fence repair | 190,861 | 157,172 |
| Septic tank repair | - | 114,269 |
| Server Room repair | - | 51,983 |
| Small machine maintenance | 206,005 | 345,986 |
| Sportfield | 855,977 | - |
| TLB hire | 2,175,810 | 1,576,500 |
| Tipper truck & Grader | 4,123,056 | 2,017,688 |
| Water tanker | 49,997 | 304,234 |
| | **46,927,137** | **32,149,441** |

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

### 8. Intangible assets

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | 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 |

**Reconciliation of intangible assets - 2024**

| | Opening balance | Disposals | Amortisation | Total |
|---|---|---|---|---|
| Computer software, other | 370,025 | (261,661) | (108,364) | - |

**Reconciliation of intangible assets - 2023**

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

**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 | 2024 | 2023 |
|---|---|---|

## 9. Payables from exchange transactions

| | | |
|---|---|---|
| Accrued bonus | 1,855,687 | 1,722,303 |
| Accrued leave pay | 5,801,131 | 5,253,006 |
| Debtors with credit balance | 28,993 | 13,064 |
| Employee accruals | 3,628 | 242,191 |
| Hall hire deposits received | 14,100 | 3,400 |
| Performance bonus accrual | 231,858 | - |
| Refunds due | 5,567 | 3,550 |
| Retention creditors | 5,291,570 | 9,709,759 |
| Trade payables | 6,709,047 | 5,784,726 |
| Unallocated deposits | 127,356 | 122,334 |
| | **20,068,937** | **22,854,333** |

**Ageing of trade and other payables**

| | | |
|---|---|---|
| Current (0 - 30 days) | 6,532,054 | 5,603,170 |
| 31 - 60 days | 127,766 | 129,418 |
| 61 - 90 days | 9,227 | 8,250 |
| 91 - 120 days | - | 5,824 |
| 120 - 150 days | - | 5,002 |
| > 180 days | 40,000 | 33,060 |
| | **6,709,047** | **5,784,724** |

## 10. VAT (payable)/receivable

| | | |
|---|---|---|
| Net VAT | (788,209) | 1,187,659 |

| | | |
|---|---|---|
| **Reconciliation of VAT** | | |
| Opening balance | 1,187,659 | (2,823,659) |
| Input VAT Accrual | 17,943,557 | 24,634,399 |
| Output VAT Accrual | (3,587,971) | (1,458,330) |
| Net VAT Claimed during the year | (18,804,963) | (22,987,254) |
| | **(3,261,718)** | **(2,634,844)** |

| | | |
|---|---|---|
| VAT Control (Cash basis) | 2,473,509 | 3,822,503 |

The municipality is registered on a payment basis for VAT purposes.

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 11. 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 | (4,400,030) | (3,820,258) |
| Service cost | (478,750) | (431,595) |
| Interest cost | (482,354) | (437,592) |
| Expected benefit payment | 453,269 | 210,771 |
| Actuarial (gain)/loss | 467,996 | 78,644 |
| | **(4,439,869)** | **(4,400,030)** |
| Non-current liabilities | (3,913,532) | (3,935,503) |
| Current liabilities | (526,337) | (464,527) |
| | **(4,439,869)** | **(4,400,030)** |

**Net expense recognised in the statement of financial performance are as follows:**

| | | |
|---|---|---|
| Current service cost | 478,750 | 431,595 |
| Interest cost | 482,354 | 437,592 |
| Actuarial (gains)/losses | (467,995) | (78,644) |
| | **493,109** | **790,543** |

**Assumptions used at the reporting date**

Discount rates used:

| | | |
|---|---|---|
| General Inflation Rate | 11.10 % | 11.57 % |
| Consumer Price Index (CPI) | 5.92 % | 5.92 % |
| Real Rate | 6.29 % | 6.92 % |
| Net Discount Rate | 4.53 % | 4.35 % |

| | | |
|---|---|---|
| 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 % |

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.

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 12. Unspent conditional grants

**Unspent conditional grants and receipts comprises of:**

| | | |
|---|---|---|
| Arts and Culture | 100,000 | 100,000 |
| COGTA - Small Town Rehabilitation | 162,260 | 162,260 |
| Manguzi Market grant | 5,168,897 | 3,982,673 |
| Other grants | 706,286 | 706,286 |
| Tourism grant | - | 430,000 |
| Town planning | 110,653 | 110,653 |
| Urban Development | 907,195 | 907,195 |
| | **7,155,291** | **6,399,067** |

**Movement during the year**

| | | |
|---|---|---|
| Balance at the beginning of the year | 6,399,067 | 6,410,225 |
| Additions during the year | 57,203,000 | 56,086,155 |
| Income recognition during the year | (56,446,776) | (56,097,313) |
| | **7,155,291** | **6,399,067** |

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 25 for reconciliation of grants from National/Provincial Government.

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

# Notes to the Annual Financial Statements



## 13. Provisions

### Reconciliation of provisions - 2024

| | Opening Balance | Interest cost | Additions | Utilised during the year | Total |
|---|---|---|---|---|---|
| Mbazwana landfill site | 8,073,545 | - | - | - | 8,073,545 |
| Performance bonus | 548,813 | - | 226,370 | (231,858) | 543,325 |
| Skhemelele landfill site | 7,362,548 | - | - | (889,800) | 6,472,748 |
| Thandizwe landfill site | 10,177,587 | 1,059,840 | 420,815 | - | 11,658,242 |
| | **26,162,493** | **1,059,840** | **647,185** | **(1,121,658)** | **26,747,860** |

### Reconciliation of provisions - 2023

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

| | 2024 | 2023 |
|---|---|---|
| Non-current liabilities | 26,204,535 | 25,613,680 |
| Current liabilities | 543,325 | 548,813 |
| | **26,747,860** | **26,162,493** |

**Performance bonuses**

A section 56/57 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 2024: R26 204 535 (2023: R 25 613 680) 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 2024: 10.00% (2023: 9.00%).

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 2024. The landfill sites are revalued every four years.

During the financial period there was no change in rehabilitation cost for Mbazwana Landfill Site as a result of non-functioning for at least two years. However, Thandizwe Landfill Site had resulted in an increase in the underlying assets and provision to R 11 658 242.

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

**Closure**

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

Depending on the volume of waste on site, the waste must be consolidated and taken to a licensed landfill facility or the waste must be consolidated and capped on site;

- Reshaping and recontouring of borrow pits so that they are no longer a safety hazard must take place;
- Placement of a “no dumping” notice at the site; and,
- Closing and locking the gate to the site so that no illegal dumping can take place.

## 14. Beach development grant

| | | |
|---|---|---|
| Unspent grant | 267 | 2,500,000 |

## 15. INEP liability

| | | |
|---|---|---|
| Integrated National Electrification Program | 1,722,892 | 424 |

See note 54 for reconciliation, unfulfilled conditions and other contingencies attaching to grant.

## 16. Service charges

| | | |
|---|---|---|
| Refuse removal | 543,709 | 469,953 |

## 17. Rental of facilities and equipment

| | | |
|---|---|---|
| **Premises** | | |
| Rental income | 466,791 | 421,029 |
| **Facilities and equipment** | | |
| Hall hire | 29,130 | 12,609 |
| | **495,921** | **433,638** |

## 18. Agency services

| | | |
|---|---|---|
| Motor licensing | 266,035 | 163,930 |

## 19. Licences and permits

| | | |
|---|---|---|
| License income | 2,620,860 | 2,540,480 |

## 20. Commission received

| | | |
|---|---|---|
| Commission received | 10,590 | 9,579 |

## 21. Other income

| | | |
|---|---|---|
| Bad debts recovered | - | 178,490 |
| Building plans revenue | 23,739 | 27,391 |
| Business licencing | 44,636 | 57,002 |
| Insurance refund | 978,445 | 283,386 |
| LG SETA income | 174,260 | 156,926 |
| Law enforcement fines | 7,600 | 1,700 |
| Library Income | 34,267 | 40,685 |
| Retention recovered | 586,271 | - |
| Tender Documents | - | 3,913 |
| | **1,849,218** | **749,493** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 22. Investment revenue

**Interest revenue**

| | | |
|---|---|---|
| Bank | 6,290,520 | 6,159,676 |
| Investments | 3,590,419 | 1,430,862 |
| | **9,880,939** | **7,590,538** |

## 23. Property rates

**Rates received**

| | | |
|---|---|---|
| Commercial | 6,775,995 | 6,772,080 |
| Municipal | 1,399,400 | 1,397,667 |
| Residential | 616,000 | 656,040 |
| State properties | 15,116,640 | 14,551,973 |
| Less: Income forgone | (231) | (347) |
| | **23,907,804** | **23,377,413** |

**Valuations**

| | | |
|---|---|---|
| Business and commercial | 785,950,000 | 785,950,000 |
| Place of worship | 6,300,000 | 6,300,000 |
| Protected area | 164,500,000 | 164,500,000 |
| Public service infrastructure | 8,770,000 | 8,770,000 |
| Public service purposes | 1,006,400,000 | 1,006,400,000 |
| Residential / hospitality | 131,200,000 | 131,200,000 |
| State trust land | 97,000,000 | 660,200,000 |
| Vacant land | 623,561,000 | 60,361,000 |
| | **2,823,681,000** | **2,823,681,000** |

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 (2024: 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 (2024: R0,0087) per Rand for a period. Hospitality will be included in this category.

Residential Properties are billed at R0,0077 (2024: R0,0077) per Rand for a period.

Public Service Properties are billed at R0,0154 (2024: R0,0154) per Rand for a period.

Agricultural Properties are billed at R0,001925 (2024: R0,001925) per Rand for a period.

Vacant land is billed at R0,001925 (2024: R0,001925) per Rand for a period.

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

## 24. Interest on debtors

| | | |
|---|---|---|
| Property rates | 2,157,088 | 2,421,394 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 25. Government grants & subsidies

| | | |
|---|---|---|
| **Operating grants** | | |
| Equitable share | 230,051,000 | 213,526,448 |
| Extended Public Works Programme Grant | 2,037,000 | 1,975,000 |
| Financial Management Grant | 1,850,000 | 1,850,000 |
| Library Grant | 2,933,000 | 2,933,000 |
| Tourism Grant | 430,000 | 570,000 |
| | **237,301,000** | **220,854,448** |
| **Capital grants** | | |
| Manguzi Informal Market Grant | 3,313,776 | 3,246,710 |
| Municipal Infrastructure Grant | 45,883,000 | 39,523,000 |
| | **49,196,776** | **42,769,710** |
| | **286,497,776** | **263,624,158** |

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

| | | |
|---|---|---|
| Conditional grants received | 56,446,776 | 50,097,710 |
| Unconditional grants received | 230,051,000 | 213,526,448 |
| | **286,497,776** | **263,624,158** |

**Equitable Share**

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

**Tourism Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 430,000 | - |
| Current-year receipts | - | 1,000,000 |
| Conditions met - transferred to revenue | (430,000) | (570,000) |
| | **-** | **430,000** |

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

**COGTA - Small Town Rehabilitation**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 162,260 | 162,260 |

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

**Spatial Development**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 100,000 | 100,000 |

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

**Urban Development Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 907,195 | 907,195 |

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**Other grants**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 706,286 | 706,286 |

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

**Financial Management Grant**

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

Conditions met.

**Municipal Infrastructure Grant**

| | | |
|---|---|---|
| Current-year receipts | 45,883,000 | - |
| Conditions met - transferred to revenue | (45,883,000) | - |
| | - | - |

Conditions met.

**Extended Public Works Programme Grant**

| | | |
|---|---|---|
| Current-year receipts | 2,037,000 | - |
| Conditions met - transferred to revenue | (2,037,000) | - |
| | - | - |

Conditions met.

**Library Grant**

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

Conditions met.

**Town Planning Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 110,653 | 110,653 |

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

**Manguzi Informal Market Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 3,982,673 | 2,729,383 |
| Current-year receipts | 4,500,000 | 4,500,000 |
| Conditions met - transferred to revenue | (3,313,776) | (3,246,710) |
| | **5,168,897** | **3,982,673** |

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

## 26. Public contributions and donations

| | | |
| --- | --- | --- |
| Library Services | 18,400 | 70,988 |
| SANRAL | 38,057,496 | - |
| | **38,075,896** | **70,988** |

## 27. Fines, Penalties and Forfeits

| | | |
| --- | --- | --- |
| Municipal Traffic Fines | 1,335,550 | 1,014,550 |

## 28. INEP Contract revenue

| | | |
| --- | --- | --- |
| Grant income received for INEP projects | 20,032,636 | 5,475,978 |

## 29. Beach development

| | | |
| --- | --- | --- |
| Grant income received for Beach Development | 2,173,681 | - |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 30. Employee related costs

| | | |
|---|---|---|
| Basic | 61,103,474 | 53,608,660 |
| Acting allowances | 59,379 | 183,392 |
| Bonus | 226,370 | 136,090 |
| Car allowance | 4,995,000 | 4,494,789 |
| Cellphone allowance | 1,413,959 | 1,170,379 |
| Group Life insurance | 617,842 | 518,030 |
| Leave pay provision charge/(reversal) | 684,807 | (478,537) |
| Long-service awards | 478,750 | 431,595 |
| Medical aid - company contributions | 3,118,662 | 2,826,480 |
| Overtime payments | 1,503,859 | 1,736,079 |
| Pension | 7,662,962 | 6,243,670 |
| Rural allowance | 750,360 | 610,871 |
| SALGABC - Levies | 22,919 | 20,488 |
| Standby allowance | 1,401,665 | 1,226,546 |
| UIF | 434,220 | 385,984 |
| 13th Cheques | 3,743,609 | 3,396,279 |
| | **88,217,837** | **76,510,795** |

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

| | | |
|---|---|---|
| Annual Remuneration | 1,373,756 | 1,124,044 |
| Performance bonus | 113,624 | - |
| Car Allowance | 180,000 | 150,000 |
| Leave encashment | - | 112,148 |
| Contributions to UIF, Medical, Pension Funds and other benefits | 18,450 | 13,812 |
| Cellphone allowance | 32,400 | 27,000 |
| Rural allowance | 135,681 | 110,710 |
| Acting allowance | - | 13,114 |
| | **1,853,911** | **1,550,828** |

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

| | | |
|---|---|---|
| Annual remuneration | - | 194,901 |
| Car allowance | - | 30,000 |
| Contributions to UIF, medical and pension funds | - | 2,644 |
| Cellphone allowance | - | 5,400 |
| Rural allowance | - | 19,490 |
| Lumpsum directive | - | 225,427 |
| | **-** | **477,862** |

**Remuneration of Chief Finance Officer (N.P. Mkhabela) - Appointed 01 February 2023**

| | | |
|---|---|---|
| Annual Remuneration | 979,074 | 432,040 |
| Car Allowance | 162,000 | 60,500 |
| Perfomance bonus | 2,080 | - |
| Contributions to UIF, Medical, Pension Funds and other benefits | 143,937 | 54,869 |
| Cellphone allowance | 25,400 | 9,300 |
| Rural allowance | 110,082 | 45,581 |
| Acting allowance | - | 68,025 |
| | **1,422,573** | **670,315** |

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

| | | |
|---|---|---|
| Annual remuneration | - | 166,219 |
| Car allowance | - | 27,000 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|
| Contributions to UIF, medical and pension funds | - | 2,311 |
| Cellphone allowance | - | 4,600 |
| Rural allowance | - | 18,133 |
| | **-** | **218,263** |

**Remuneration of Corporate and Human Resources (C.R. Khumalo) - Appointed 1 October 2022**

| | 2024 | 2023 |
|---|---|---|
| Annual Remuneration | 1,031,097 | 763,262 |
| Car Allowance | 162,000 | 121,500 |
| Performance Bonuses | 1,901 | - |
| Contributions to UIF, Medical, Pension Funds and other benefits | 14,411 | 9,824 |
| Cellphone allowance | 25,200 | 18,900 |
| Rural allowance | 101,584 | 74,801 |
| | **1,336,193** | **988,287** |

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

| | 2024 | 2023 |
|---|---|---|
| Annual remuneration | - | 188,248 |

**Remuneration of Community Director (W.S. Nhlenyama) - Appointed 12 September 2022**

| | 2024 | 2023 |
|---|---|---|
| Annual Remuneration | 1,034,067 | 825,750 |
| Car Allowance | 162,000 | 131,259 |
| Performance Bonuses | 1,901 | - |
| Contributions to UIF, Medical, Pension Funds and other benefits | 14,411 | 3,804 |
| Cellphone allowance | 25,200 | 20,418 |
| Rural allowance | 101,759 | 80,927 |
| | **1,339,338** | **1,062,158** |

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

| | 2024 | 2023 |
|---|---|---|
| Annual Remuneration | 1,122,289 | 741,272 |
| Car Allowance | 162,000 | 108,000 |
| Performance Bonuses | 106,863 | - |
| Contributions to UIF, Medical, Pension Funds and other benefits | 15,553 | 9,466 |
| Cellphone allowance | 25,200 | 16,800 |
| Rural allowance | 110,873 | 72,771 |
| | **1,542,778** | **948,309** |

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

| | 2024 | 2023 |
|---|---|---|
| Lumpsum directive | - | 161,056 |

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

| | 2024 | 2023 |
|---|---|---|
| Acting allowance | - | 45,350 |

**Remuneration of Community Director (N.F .Mngomezulu) - Acting**

| | 2024 | 2023 |
|---|---|---|
| Acting allowance | - | 28,597 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 31. Remuneration of councillors

| | | |
|---|---|---|
| Mayor | 1,007,281 | 948,627 |
| Deputy Mayor | 479,007 | 451,223 |
| Executive Committee Members | 2,262,014 | 2,110,065 |
| Speaker | 816,467 | 768,725 |
| Councillors | 7,137,818 | 6,838,682 |
| Travel Allowance | 2,379,274 | 2,183,650 |
| Cellphone and Data Allowance | 1,642,249 | 1,291,336 |
| | **15,724,110** | **14,592,308** |

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

| | | |
|---|---|---|
| Annual remuneration | 681,861 | 658,557 |
| Car allowance | 238,518 | 219,519 |
| Cellphone allowance | 45,600 | 40,800 |
| Data allowance | 7,608 | 1,200 |
| Backpay | 33,694 | 28,550 |
| | **1,007,281** | **948,626** |

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

| | | |
|---|---|---|
| Annual remuneration | 304,312 | 293,911 |
| Car allowance | 106,450 | 99,913 |
| Backpay | 15,038 | 40,800 |
| Cellphone allowance | 45,600 | 1,200 |
| Data allowance | 7,608 | 15,398 |
| | **479,008** | **451,222** |

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

| | | |
|---|---|---|
| Annual remuneration | 545,489 | 526,846 |
| Car allowance | 190,815 | 175,615 |
| Cellphone allowance | 45,600 | 40,800 |
| Data allowance | 7,608 | 1,200 |
| Backpay | 26,955 | 24,263 |
| | **816,467** | **768,724** |

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

| | | |
|---|---|---|
| Annual remuneration | 285,298 | 275,548 |
| Car allowance | 116,660 | 91,849 |
| Cellphone allowance | 45,600 | 40,800 |
| Data allowance | 7,608 | 1,200 |
| Backpay | 14,098 | 13,530 |
| | **469,264** | **422,927** |

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

| | | |
|---|---|---|
| Annual remuneration | 285,298 | 275,548 |
| Car allowance | 182,435 | 91,849 |
| Cellphone allowance | 45,600 | 40,800 |
| Data allowance | 7,608 | 1,200 |
| Backpay | 14,098 | 13,530 |
| | **535,039** | **422,927** |

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

| | | |
|---|---|---|
| Annual remuneration | 285,298 | 275,548 |
| Car allowance | 121,934 | 91,849 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|
| Cellphone allowance | 45,600 | 40,800 |
| Data allowance | 7,608 | 1,200 |
| Backpay | 14,098 | 10,806 |
| | **474,538** | **420,203** |

| | | |
|---|---|---|
| **Exco Members Cllr Z.M Mhlongo (Appointed 22 November 2021)** | | |
| Annual remuneration | 285,298 | 275,548 |
| Car allowance | 133,450 | 91,849 |
| Cellphone allowance | 45,600 | 40,800 |
| Data allowance | 7,608 | 1,200 |
| Backpay | 14,098 | 14,408 |
| | **486,054** | **423,805** |

| | | |
|---|---|---|
| **Exco Members Cllr P.T Vumase (Appointed 22 November 2021)** | | |
| Annual remuneration | 285,298 | 275,548 |
| Car allowance | 184,158 | 91,849 |
| Cellphone allowance | 45,600 | 40,800 |
| Data allowance | 7,608 | 1,200 |
| Backpay | 14,098 | 10,806 |
| | **536,762** | **420,203** |

**In-kind benefits**

The Mayor, Speaker and Executive Committee Members are full-time. Whereas the Deputy Mayor is part-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 Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor and the Deputy Mayor have two full-time bodyguards each, the speaker has three full-time bodyguards and the Municipal Manager and the Chief Financial Officer each have three full-time bodyguards.

### 32. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 25,382,321 | 24,785,479 |
| Intangible assets | 108,365 | 78,175 |
| | **25,490,686** | **24,863,654** |

### 33. Finance costs

| | | |
|---|---|---|
| Interest cost on long service provision | 482,354 | 437,592 |
| Interest on overdue accounts | 4,523 | 21,962 |
| Interest on unwinding of landfill provisions | 1,059,840 | 2,114,891 |
| | **1,546,717** | **2,574,445** |

### 34. Lease rentals on operating lease

| | | |
|---|---|---|
| **Equipment** | | |
| Contractual amounts | 1,381,429 | 2,375,774 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 35. Debt Impairment and bad debts written off

| | | |
|---|---|---|
| Bad debts written off | 1,322,255 | 8,541,614 |
| Debt impairment | 7,716,954 | 4,565,197 |
| Interest on debtors written off | 2,157,088 | 2,421,394 |
| | **11,196,297** | **15,528,205** |

## 36. Contracted services

| | | |
|---|---|---|
| **Outsourced Services** | | |
| Administrative and Support Staff | 446,270 | 525,951 |
| Burial Services | 74,600 | 122,600 |
| Clearing and Grass Cutting Services | 233,600 | 482,375 |
| Drivers Licence Cards | 336,142 | 338,755 |
| Internal Auditors | 5,913,593 | 3,110,700 |
| Medical Services | 220,220 | 365,361 |
| Professional Staff | 340,251 | 564,714 |
| Researcher | 977,075 | 1,959,435 |
| Security Services | 18,119,046 | 13,969,897 |
| Traffic Fines Management | 1,168,577 | - |
| **Consultants and Professional Services** | | |
| Business and Advisory | 6,112,649 | 5,776,390 |
| Infrastructure and Planning | 2,077,784 | 1,206,741 |
| Legal Cost | 1,613,526 | 916,479 |
| **Contractors** | | |
| Artists and Performers | 671,080 | 457,500 |
| Beach development | 2,338,097 | - |
| Catering Services | 4,090,720 | 8,534,224 |
| Construction Contract - INEP | 20,032,637 | 5,475,978 |
| Graphic Designers | - | 95,000 |
| Maintenance of Buildings and Facilities | 6,694,632 | 3,356,512 |
| Maintenance of Equipment | 1,444,613 | 11,040,103 |
| Maintenance of Unspecified Assets | 29,197,508 | 8,395,190 |
| Medical Services | 86,037 | 87,372 |
| Pest Control and Fumigation | 899,800 | 1,326,200 |
| Photographer | - | 22,000 |
| Sports and Recreation | 575,900 | 726,359 |
| Stage and Sound Crew | 752,160 | 552,955 |
| Transportation | 618,074 | 1,055,746 |
| | **105,034,591** | **70,464,537** |

## 37. Transfer and subsidies

| | | |
|---|---|---|
| **Other subsidies** | | |
| Burial services | 84,000 | 467,098 |
| Bursaries | 869,411 | 2,047,690 |
| Disaster supplies | 488,700 | 743,000 |
| Donations made | 356,846 | - |
| Social assistance | 19,385,842 | 14,841,370 |
| | **21,184,799** | **18,099,158** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 38. Operational cost

| | | |
|---|---|---|
| Advertising | 432,130 | 563,485 |
| Auditors remuneration | 2,849,936 | 2,753,753 |
| Bank charges | 164,748 | 135,713 |
| Burial support | 79,827 | 301,628 |
| Capacity building and training | 2,777,786 | 1,547,664 |
| Fleet | 21,395 | 123,905 |
| Fuel and oil | 3,681,856 | 1,179,663 |
| Gifts and promotions | 7,481,124 | 6,443,399 |
| Hire charges | 16,559,638 | 14,593,997 |
| IT expenses | 679,281 | 604,375 |
| Insurance | 2,364,511 | 1,684,303 |
| Marketing | 203,748 | 218,597 |
| Minor assets | 893,455 | - |
| Motor vehicle expenses | 2,691,266 | 3,580,421 |
| Printing and stationery | 952,622 | 198,000 |
| Skills development levy | 901,247 | 800,937 |
| Software expenses | 2,200,857 | 1,603,443 |
| Telephone and fax | 1,680,741 | 1,351,047 |
| Tourism development | 176,813 | 120,467 |
| Training | 1,624,257 | 1,677,028 |
| Travel allowance | 1,645,135 | 4,480,759 |
| Travel and accommodation | 6,204,615 | 3,996,260 |
| Uniforms | 1,449,828 | 585,870 |
| Ward committees | 2,820,600 | 3,111,591 |
| Water and electricity | 1,310,082 | 1,384,849 |
| | **61,847,498** | **53,041,154** |

## 39. Impairment loss

| | | |
|---|---|---|
| **Impairments** | | |
| Property, plant and equipment | (13,208,210) | 4,588,883 |
| Flood damage: 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. | | |

## 40. Auditors' remuneration

| | | |
|---|---|---|
| Fees | 2,849,936 | 2,753,753 |

## 41. Repairs and maintenance

Repairs and maintenance is made up of the following:

| | | |
|---|---|---|
| Contracted services | 37,409,051 | 22,791,805 |
| Operational costs | 9,667,634 | 7,651,597 |
| | **47,076,685** | **30,443,402** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 42. Cash generated from operations

| | 2024 | 2023 |
|---|---|---|
| Surplus | 39,495,049 | 30,105,148 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 25,490,686 | 24,863,654 |
| Assets written off | 1,547,463 | 884,189 |
| Retention recovered | (586,271) | - |
| PPE Impairment | 13,208,210 | (4,588,883) |
| Debt impairment and write-offs | 11,196,297 | 15,528,205 |
| Employee benefit provision | 522,193 | 579,772 |
| Movements in provisions | 1,645,207 | 1,337,408 |
| Actuarial gain/(loss) | (467,995) | (78,644) |
| Donations made | 357,009 | - |
| Donations received | (38,075,896) | (70,988) |
| Movement in landfill provision | - | (1,517,481) |
| **Changes in working capital:** | | |
| Inventories | (96,023) | 98,452 |
| Receivables from exchange transactions | 308,353 | - |
| Debt impairment | (11,210,976) | (14,580,268) |
| Receivables from non-exchange transactions | 1,655,008 | 5,346,509 |
| Payables from exchange transactions | (2,785,395) | 5,100,616 |
| VAT | 1,975,868 | (3,984,432) |
| Unspent conditional grants | 756,224 | (11,158) |
| Beach development grant | (2,499,733) | 2,500,000 |
| INEP liability | 1,722,468 | (297,779) |
| | **44,157,746** | **61,214,320** |

## 43. Related parties

**Relationships**

| | |
|---|---|
| Management remuneration | Refer to note 30 |
| Council remuneration | Refer to note 31 |

## 44. 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.

| | 2024 | 2023 |
|---|---|---|
| **Current liabilities** | | |
| Payables from exchange transactions | 20,068,937 | 22,854,331 |
| Unspent conditional grants | 7,155,558 | 6,399,067 |
| | **27,224,495** | **29,253,398** |

**Credit risk**

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

Trade receivables comprise a widespread customer base. Management 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 | 2024 | 2023 |
|---|---|---|
| Receivable from exchange transactions | 423,363 | 732,641 |
| Receivables from non-exchange transactions | 2,038,456 | 3,693,464 |
| Cash and cash equivalents | 98,943,798 | 108,252,886 |

**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.

### 45. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of 468,815,664 and that the municipality's total liabilities exceed its assets by 468,815,664.

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.

### 46. Events after the reporting date

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

### 47. Fruitless and wasteful expenditure

| | 2024 | 2023 |
|---|---|---|
| Opening balance as previously reported | 344,603 | 12,695,785 |
| Add: Fruitless and wasteful expenditure identified - current | 73,046 | 344,603 |
| Less: Amount written off - current | (417,649) | (12,695,785) |
| **Closing balance** | **-** | **344,603** |

Fruitless and wasteful expenditure is presented inclusive of VAT

Council approved a write off of R417 754 of fruitless and wasteful expenditure. This was as a results of late payment of accounts and interest was charged and Free Basic Electricity..

### 48. Irregular expenditure

| | 2024 | 2023 |
|---|---|---|
| Opening balance as previously reported | 12,329,883 | 2,543,685 |
| Add: Irregular expenditure - current | 47,086,012 | 23,559,510 |
| Less: Amount written off - current | (50,053,868) | (13,773,312) |
| **Closing balance** | **9,362,027** | **12,329,883** |

Irregular expenditure is presented inclusive of VAT.

## Notes to the Annual Financial Statements

| Figures in Rand | | 2024 | 2023 |
|---|---|---|---|

**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 |
| MBD4 form not signed | Investigation to be conducted, and will be reported to the council. | 3,945 | 949,406 |
| Competitive bidding not invited | Investigations conducted and will be reported to the council. | - | 8,821,211 |
| Award made to people in Service of the State | Investigations conducted and will be reported to the council. | 1,335,913 | 422,970 |
| Awards made to people who have relations with municipal employees | Investigations conducted and will be reported to the council. | 193,700 | 651,488 |
| Competitive bidding not followed (from previous period) | Amount written off | 35,893,021 | 1,484,808 |
| Advertising period was not shortened | SCM policies to be reviewed to be in line with SCM regulations and be consistent. | 1,735,003 | - |
| S & T claims | Investigations conducted and will be reported to the council. | 380,704 | - |
| Split tender | Investigations conducted and will be reported to the council. | 4,135,685 | - |
| Tax matters | Investigations conducted and will be reported to the council. | 1,881,100 | - |
| Contract extension processes not followed | Investigations conducted and will be reported to the council. | 1,526,941 | - |
| | | **47,086,012** | **23,559,510** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 49. Additional disclosure in terms of Municipal Finance Management Act

**Contributions to organised local government**

| | 2024 | 2023 |
|---|---|---|
| Current year subscription / fee | 1,074,356 | 937,597 |
| Amount paid - current year | (1,074,356) | (937,597) |
| | - | - |

**Audit fees**

| | 2024 | 2023 |
|---|---|---|
| Current year subscription / fee | 2,849,936 | 2,664,125 |
| Amount paid - current year | (2,849,936) | (2,664,125) |
| | - | - |

**PAYE and UIF**

| | 2024 | 2023 |
|---|---|---|
| Current year subscription / fee | 16,077,827 | 13,456,037 |
| Amount paid - current year | (16,077,827) | (13,456,037) |
| | - | - |

**Pension and Medical Aid Deductions**

| | 2024 | 2023 |
|---|---|---|
| Current year subscription / fee | 16,979,131 | 14,364,455 |
| Amount paid - current year | (16,979,131) | (14,364,455) |
| | - | - |

**VAT**

| | 2024 | 2023 |
|---|---|---|
| VAT payable | 788,209 | (1,187,659) |

VAT output payables and VAT input receivables are shown in note 10.

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

**Councillors' and employees arrear consumer accounts**

The following Councillors and Employees had arrear accounts outstanding for more than 90 days at 30 June 2024:

| 30 June 2024 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| Mr. N.P.E. Myeni | 1,794 | 91 | 1,885 |
| Mrs. N. Bukhosini | 82,800 | 702,842 | 785,642 |
| | **84,594** | **702,933** | **787,527** |

| 30 June 2023 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| Mr. N.P.E. Myeni | 2,923 | 2,732 | 5,655 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

## 50. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer 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 |
| Government Printing works (Advertising) | 6,053 | 24,211 |
| Ilanga Newspaper (Advertising) | 274,742 | 229,583 |
| Maputaland Community radio (Advertising) | 115,860 | 32,181 |
| Twin Place Trading and Projects (Roofing) | - | 431,440 |
| Zululand Observer (Advertising) | 130,286 | 109,554 |
| | **526,941** | **870,361** |

## 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.

# Notes to the Annual Financial Statements

Figures in Rand

**Segment surplus or deficit, assets and liabilities**

**2024**

| | Governance and administration | Community and public safety | Economic and environmental services | Trading services | Total |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Service charges | - | - | - | 543,709 | 543,709 |
| Agency services | 266,035 | - | - | - | 266,035 |
| Commissions received | 10,590 | - | - | - | 10,590 |
| Licenses and permits | 44,636 | 2,576,224 | - | - | 2,620,860 |
| Rental income | 495,921 | - | - | - | 495,921 |
| Interest on investments | 9,880,939 | - | - | - | 9,880,939 |
| Donations received | - | 38,075,896 | - | - | 38,075,896 |
| Other revenue | 1,163,843 | 244,298 | 440,988 | - | 1,849,129 |
| Property rates | 23,907,804 | - | - | - | 23,907,804 |
| Interest on consumer debtors | 2,157,088 | - | - | - | 2,157,088 |
| INEP Contract revenue | - | - | 20,032,636 | - | 20,032,636 |
| Fines and penalties | - | 1,327,863 | 7,687 | - | 1,335,550 |
| Government grants | 231,471,000 | 42,493,897 | 12,532,879 | - | 286,497,776 |
| Beach development | - | - | 2,173,681 | - | 2,173,681 |
| **Total segment revenue** | **269,397,856** | **84,718,178** | **35,187,871** | **543,709** | **389,847,614** |
| **Entity's revenue** | | | | | **389,847,614** |
| **Expenditure** | | | | | |
| Employee costs | 32,287,816 | 34,458,510 | 21,471,512 | - | 88,217,838 |
| Remuneration of Councillors | 15,724,110 | - | - | - | 15,724,110 |
| Debt impairment | 11,196,297 | - | - | - | 11,196,297 |
| Depreciation and asset impairment | 25,490,686 | - | - | - | 25,490,686 |
| Finance charges | 1,546,717 | - | - | - | 1,546,717 |
| Contracted services | 33,139,912 | 5,893,556 | 66,001,123 | - | 105,034,591 |
| Transfers and subsidies | 18,853,237 | 2,331,562 | - | - | 21,184,799 |
| Inventory consumed | 2,763,216 | 1,677,796 | - | - | 4,441,012 |
| Lease rentals on operating lease | 1,109,672 | 271,757 | - | - | 1,381,429 |
| Operational costs | 32,646,972 | 21,136,856 | 8,063,670 | - | 61,847,498 |
| Impairment loss | - | - | 13,208,210 | - | 13,208,210 |
| Loss on disposal of assets and liabilities | 1,547,463 | - | - | - | 1,547,463 |
| Actuarial losses | (467,995) | - | - | - | (467,995) |
| **Total segment expenditure** | **175,838,103** | **65,770,037** | **108,744,515** | **-** | **350,352,655** |
| **Total segmental surplus/(deficit)** | **93,559,753** | **18,948,141** | **(73,556,644)** | **543,709** | **39,494,959** |
| **Assets** | | | | | |
| Inventories | 162,134 | - | - | - | 162,134 |
| Receivable from non-exchange transactions | 2,038,456 | - | - | - | 2,038,456 |
| Receivables from exchange transactions | 423,363 | - | - | - | 423,363 |
| Cash and cash equivalents | 98,943,798 | - | - | - | 98,943,798 |
| Property, plant and equipment | 46,778,995 | 151,913,443 | 229,077,380 | 401,420 | 428,171,238 |
| **Total segment assets** | **148,346,746** | **151,913,443** | **229,077,380** | **401,420** | **529,738,989** |
| **Total assets as per Statement of financial Position** | | | | | **529,738,989** |

# Notes to the Annual Financial Statements

Figures in Rand

| | Governance and administration | Community and public safety | Economic and environmental services | Trading services | Total |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Trade and other payables | 20,068,937 | - | - | - | 20,068,937 |
| VAT payable | 788,209 | - | - | - | 788,209 |
| Employee benefits | 1,213,641 | 1,646,063 | 1,580,165 | - | 4,439,869 |
| Unspent conditional grants | - | - | 7,155,291 | - | 7,155,291 |
| Provisions | 543,325 | - | 26,204,535 | - | 26,747,860 |
| INEP Contract liability | - | - | - | 1,722,892 | 1,722,892 |
| Beach development | - | - | 267 | - | 267 |
| **Total segment liabilities** | **22,614,112** | **1,646,063** | **34,940,258** | **1,722,892** | **60,923,325** |
| **Total liabilities as per Statement of financial Position** | | | | | **60,923,325** |

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

**2023**

| | **Governance and administration** | **Community and public safety** | **Economic and environmental 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** |
| **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 | - | - | (4,588,883) | - | (4,588,883) |
| 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 costs | 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** | **60,692,276** | **3,981,631** | **272,566,763** |
| **Total segmental surplus/(deficit)** | **97,187,417** | **(51,833,066)** | **(14,364,716)** | **1,964,300** | **32,953,935** |

## Notes to the Annual Financial Statements

Figures in Rand

| | | | | | |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Inventories | 66,111 | - | - | - | 66,111 |
| Receivables from non-exchange transactions | 6,623,556 | - | - | - | 6,623,556 |
| Receivables from exchange transactions | 605,304 | - | - | - | 605,304 |
| Cash and cash equivalents | 108,382,648 | - | - | - | 108,382,648 |
| Property, plant and equipment | 376,960,937 | - | - | - | 376,960,937 |
| Intangible assets | 370,025 | - | - | - | 370,025 |
| VAT receivable | 1,174,215 | - | - | - | 1,174,215 |
| **Total segment assets** | **494,182,796** | **-** | **-** | **-** | **494,182,796** |
| **Total assets as per Statement of financial Position** | | | | | **494,182,796** |
| **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** |

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

### 52. Commitments

**Authorised capital expenditure**

| | | |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Manguzi Informal Markets | 5,295,154 | 69,814 |
| • Manguzi Internal Road - Phase 2 | 36,887,480 | - |
| • Manguzi Internal Road - Phase 1 | - | 27,219,966 |
| • Construction of Ultra Stop | 1,305,081 | - |
| • Manguzi Sportfield | 1,337,172 | - |
| | **44,824,887** | **27,289,780** |

| | | |
|---|---|---|
| **Total capital commitments** | | |
| Already contracted for but not provided for | 44,824,887 | 27,289,780 |

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 | 2024 | 2023 |
|---|---|---|

## 53. Contingencies

**Bongiwe Khumalo and 10 others**

The employees in this matter have applied for the review and setting aside of the arbitration award in the Labour Court. The matter is now pending in the Labour Court as the court papers have been served to us. The estimated legal costs to be borne by the municipality in the Review Application are in the region of R400,000.00. The municipality enjoys reasonable prospects of success in this application.

**Sibusiso T. Shange**

The employee in this matter started by bringing an Urgent Application in the Labour Court which was dismissed. He then referred an unfair dispute to the Bargaining Council. The Arbitration Award was subsequently issued in favour of the municipality.

Mr. Shange had brought an application in the Labour Court to apply for the review and setting aside of the arbitration award. His review application has no prospects as the court is highly likely to find in favour of the municipality. The estimated legal costs are in the region of R420,000.00.

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 54. INEP Contract assets and liabilities

**Details of the arrangement(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.

**Obligation of the municipality**

The municipality shall:

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

**Revenue recognised**

| | | |
|---|---|---|
| **INEP Electrification** | | |
| INEP Grant revenue received | 24,760,000 | 6,000,000 |
| Contract revenue recognised | (20,032,636) | (5,475,978) |
| VAT Output recognised | (3,004,895) | (523,598) |
| | **1,722,469** | **424** |

**Liabilities and corresponding rights of reimbursement recognised as assets**

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

| | | |
|---|---|---|
| **INEP Electrification** | | |
| Balance unspent at beginning of year | 424 | 297,799 |
| Current year receipts | 24,760,000 | 6,000,000 |
| Liability recognised | (23,037,532) | (6,297,375) |
| | **1,722,892** | **424** |

| | | |
|---|---|---|
| **Expenditure on projects undertaken by municipality** | | |
| Oqondweni Electrification Phase 2 | 11,580,282 | - |
| Siholwa Electrification Phase 1 and 2 | 11,457,250 | 5,475,978 |
| | **23,037,532** | **5,475,978** |

## 55. Change in estimate

**Property, plant and equipment**

The estimated cost of 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. Decreased the depreciation charges for the current period was R30 058 due to revised useful life of the assets and the asset increased by R420 814.00.

## 56. Reclassifications

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 reclassifications:

**Statement of financial position**

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

**2023**

| | Note | As previously reported | Re-classification | Restated |
| --- | --- | --- | --- | --- |
| Receivables from non - exchange transactions | 4 | 6,623,556 | 2,427 | 6,625,983 |
| Receivables from exchange transactions | 5 | 605,304 | 127,337 | 732,641 |
| Cash and cash equivalents | 6 | 108,382,648 | (129,762) | 108,252,886 |
| Plant and machinery | 7 | 13,605,481 | 2,227,905 | 15,833,386 |
| Furniture and fixtures | 7 | 3,191,286 | (1,381,793) | 1,809,493 |
| Computer equipment | 7 | 1,960,665 | (429,167) | 1,531,498 |
| Motor vehicle | 7 | 3,803,954 | (416,948) | 3,387,006 |
| Payables from exchange transactions | 9 | (22,840,888) | (13,443) | (22,854,331) |
| VAT Receivables | 10 | 1,174,215 | 13,444 | 1,187,659 |
| Beach development grant | 14 | - | (2,500,000) | (2,500,000) |
| Unspent conditional grant | 15 | (8,899,067) | 2,500,000 | (6,399,067) |
| | | **107,607,154** | **-** | **107,607,154** |

During the 2023/2024 financial year, it was noted that VAT receivables was understated. Input VAT on an invoice from the Auditor General had been incorrectly classified as an accrual despite the money having been claimed from SARS at year end.

It was also identified that net employee debts had incorrectly been classified as receivables from exchange transactions, resulting to an overstatement in receivables from exchange transactions and an understatement in receivables from non - exchange transactions.

Cash and cash equivalents changed due to cash shortages as a result of cancellation of bookings that are currently still under investigation.

The classification of certain individual assets has been done incorrectly previously. This effect of the reclassification was factored in the prior year. However, there is no impact in the aggregate carrying amount due to prior year reclassifications.

**Statement of financial performance**

**2023**

| | Note | As previously reported | Re-classification | Restated |
| --- | --- | --- | --- | --- |
| Agency fees | 18 | - | 163,930 | 163,930 |
| Commission received | 20 | 163,930 | (163,930) | - |
| **Surplus for the year** | | **163,930** | **-** | **163,930** |

Commission received from the Department of Transport(DoT) constitutes an Agent-Principle transaction which should be separately disclosed as such. Previously commission received from Dot has been incorrectly disclosed in the notes.

### 57. Prior period errors

**Interest on debtors**

In the previous financial period, it was identified that interest on debtors overdue accounts has not been accounted for in the financial records, which is incorrect.

The interest raised on debtors over due accounts has subsequently been written off and no entry has been raised in the financial records to account for the entry.

**Debt Impairment and bad debts written off**

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

During the audit debt impairment: debt written-off, the auditor noted that management wrote- off all the traffic fines which were more than 2 years as per the internal memorandum dated: 17 Aug 2017 from the National Prosecution Services, that all the traffic infringements exceeding two years have to be withdrawn by a magistrate in terms of the Criminal Act Procedure Act 51 of 1977. An internal memo provided by management verified that it was approved by the then Acting Deputy Director of the NPA (Adv S Mzinyathi) at 21 August 2017.

From the evidence provided by management, the auditor noted that bad debt write-off for traffic fines amounting to **R9 252 444.90** included an **opening balance of R7 966 740.60** emanating prior 2021 and 2022 financial year, which management should have written off in the current year as periods due to the approved memo submitted to management being effective as from 21 August 2017.

As a result, the impact of the internal memorandum dated: 17 Aug 2017 from the National Prosecution Services, was incorrectly treated as a current-year write-off instead of a prior period error whereby comparative figures in AFS are adjusted with the effect of the prior period error.

Consequently, provision for bad debts was adjusted and corrected.

**Property, plant and equipment**

The estimated useful life of Sbhoweni Community Hall Building was intitially estimated at 20 years in 2014. However, the Local Government Capital Assets Guidelines state that the useful life of community centres and public entertainment buildings is 25 to 30 years. The Asset Management Policy for 2023/2024 also states that the community hall buildings useful life is 30 years.

The change in estimate was not done in the prior period which results to an error. The error resulted to a decrease in the accummulated depreciation by R373 240.00 on Community Assets.

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

| | | |
|---|---|---|
| **Statement of Financial Position** | | |
| Receivables from non-exchange transactions (interest raised) | - | 2,421,394 |
| Receivables from non-exchange transactions (interest written off) | - | (2,421,394) |
| Receivables from non-exchange transactions (bad debts written-off) | - | (7,966,741) |
| Provision for debt impairment | - | 5,034,221 |
| Property, plant and equipment | - | 373,240 |
| **Statement of Financial Performance** | | |
| Interest received from receivables | - | (2,421,394) |
| Bad debts written off - Interest on overdue accounts | - | 2,421,394 |
| Debt impairment reversal | - | (5,034,221) |
| Bad debts written-off | - | 7,966,741 |
| Depreciation | - | (83,733) |
| Depreciation (2021/2022) | - | (289,507) |