Jozini Local Municipality
(Registration number KZN272)
Annual financial statements
for the year ended 30 June 2023

General Information

Legal form of entity	Local Municipality - Municipality in terms of section 1 of the Local Government: Municipality Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act108 of 1996) KZN 272
Legislation government the municipality's operations	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Property Rates Act (act 6 of 2004) Division of Revenue Act (Act 1 of 2007) Local Government: Municipal Systems Act (Act 32 of 2000)
Nature of business and principal activities	Service Delivery - Municipality
Mayor	Cllr. M Mathe
Deputy Mayor	Cllr. NR Zulu
Speaker	Cllr. DP Mabika
Executive Committee Members	Cllr. BQ Gumede Cllr. ME Ndlela Cllr. NS Myeni Cllr. SK Mncwango Cllr. SN Gumede Cllr. SW Nkonyane Cllr. TE Ntimbane
Councillors	Cllr. CM Vilane Cllr. DG Gumede Cllr. DG Khumalo Cllr. DP Jobe Cllr. MB Vilane Cllr. MBC Gumede Cllr. MN Mathe Cllr. MR Mathenjwa Cllr. MS Nkosi Cllr. MS Thabethe Cllr. NF Mthethwa Cllr. NL Gumbi Cllr. NN Ndlazi Cllr. NS Mthethwa Cllr. PJ Mathe Cllr. PN Ngobe Cllr. PS Khumalo Cllr. QZ Buthelezi Cllr. S Dlamini Cllr. SB Sibiya Cllr. SC Nkosi Cllr. SP Myeni Cllr. SS Macwele Cllr. SV Mathenjwa Cllr. TB Mlambo Cllr. TC Mabanga

General Information

	Cllr. TF Tembe Cllr. TN Ndlazi Cllr. TTA Gumbi Cllr. TZ Nyawo Cllr. WI Msweli Cllr. Z Ndlovu Cllr. ZM Mthembu Cllr. ZW Vilane
Grading of local authority	Grade 3
Accounting Officer	Mr JA Mngomezulu
Chief Finance Officer (CFO)	Mr VI Gumede
Registered office	Bottom Town Circle Street Jozini 3969
Business address	Bottom Town Circle Street Jozini 3969
Postal address	Private Bag X028 Jozini 3969
Bankers	ABSA BANK Absa Bank FNB Bank Standard Bank Nedbank Grindrod Bank Investec
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Mhlanga Inc. Ndwandwe Attorneys Mc Ntshalintshali Attorneys Maseko Mbatha Inc. Garlicke & Bousfield Inc. Dludlu Attorneys Mandla Ntuli Attorneys M.B Myeni Attorneys Nompumelelo Hadebe Inc. Nxumalo And Partners Attorneys
Municipal Contact Details	(035) 572 1292

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

AARTO	Administrative Adjudication of Road Traffic Offences
DORA	Division of Revenue Act
GRAP	Generally Recognized Accounting Practice
IDP	Integrated Development Planning
INEP	Integrated National Electrification Programme
LGSETA	Local Government Sector Education and Training Authority
MFMA	Municipal Finance Management Act
PFMA	Public Finance Management Act
SALGA	South African Local Government Association
SARS	South African Revenue Service
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value-Added Tax

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

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

The annual financial statements 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 materiality the scale of the municipality

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 5 , which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Accounting Officer
Mr JA Mngomezulu

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	-	2 527 838
Receivables from exchange transactions	4	3 169 295	7 281 268
Receivables from non-exchange transactions	5	13 561 958	32 234 913
VAT receivable	6	1 601 286	1 042 621
Prepayments	7	205 338	2 551 906
Cash and cash equivalents	8	5 511 721	42 577 347
		24 049 598	**88 215 893**
Non-Current Assets			
Investment property	9	75 032 436	77 578 820
Property, plant and equipment	10	484 840 456	450 362 792
Intangible assets	11	2 054 324	2 585 775
Heritage assets	12	89 600	89 600
		562 016 816	**530 616 987**
Total Assets		**586 066 414**	**618 832 880**
Liabilities			
Current Liabilities			
Operating lease liability	13	133 228	244 820
Payables from exchange transactions	15	48 248 409	33 455 334
Consumer deposits	16	1 000 909	997 427
Advances - Agency/Principal transactions	17	81 554	166 073
Unspent conditional grants and receipts	18	814 507	201 850
Provisions	19	444 444	339 278
		50 723 051	**35 404 782**
Non-Current Liabilities			
Provisions	19	12 881 172	11 885 210
Total Liabilities		**63 604 223**	**47 289 992**
Net Assets		**522 462 191**	**571 542 888**
Accumulated surplus		522 462 191	571 542 888
Total Net Assets		**522 462 191**	**571 542 888**

* See Note 59 & 58

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	3 842 184	3 556 459
Construction contracts	14	6 600 000	10 561 940
Rental of facilities and equipment	21	3 275 630	3 117 684
Interest income on refuse and rental properties	22	1 532 103	1 296 028
Licences and permits	23	1 196 604	1 243 125
Other income	24	2 524 292	1 685 885
Investment revenue	25	4 500 385	2 684 460
Total revenue from exchange transactions		**23 471 198**	**24 145 581**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	31 724 757	29 490 908
Interest on property rates	28	2 866 242	5 117 718
Transfer revenue			
Government grants & subsidies	29	308 661 343	272 022 556
Public contributions and donations	30	10 000	11 357 173
Fines, Penalties and Forfeits	31	995 126	569 206
Total revenue from non-exchange transactions		**344 257 468**	**318 557 561**
Total revenue		**367 728 666**	**342 703 142**
Expenditure			
Employee related costs	32	(131 944 243)	(122 518 905)
Remuneration of councillors	33	(17 415 623)	(15 657 268)
Depreciation and amortisation	34	(32 571 265)	(30 762 282)
Finance costs	36	(1 581 409)	(720 666)
Lease rentals on operating lease	26	(4 701 766)	(3 776 148)
Debt Impairment	37	(35 811 655)	(19 079 497)
Inventory Consumed	38	(225 865)	(337 810)
Contracted services	39	(45 384 265)	(29 548 806)
Transfers and Subsidies	40	(51 773 504)	(20 862 190)
General Expenses	41	(94 160 178)	(73 558 500)
Total expenditure		**(415 569 773)**	**(316 822 072)**
Operating (deficit) surplus		**(47 841 107)**	**25 881 070**
Gain on disposal of assets and liabilities		186 981	121 977
Actuarial gains/losses		683 678	114 305
Impairment loss	35	(2 110 248)	(4 902 350)
Inventories losses/write-downs		-	(4 533 849)
		(1 239 589)	**(9 199 917)**
(Deficit) surplus for the year		**(49 080 696)**	**16 681 153**

* See Note 59 & 58

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	514 342 248	514 342 248
Adjustments		
Correction of errors 58	40 519 487	40 519 487
Balance at 01 July 2021 as restated*	**554 861 735**	**554 861 735**
Changes in net assets		
Surplus for the year	16 681 153	16 681 153
Total changes	16 681 153	16 681 153
Restated* Balance at 01 July 2022	**571 542 887**	**571 542 887**
Changes in net assets		
Surplus for the year	(49 080 696)	(49 080 696)
Total changes	(49 080 696)	(49 080 696)
Balance at 30 June 2023	**522 462 191**	**522 462 191**

Note(s)

* See Note 59 & 58

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Grants		318 593 820	285 747 715
Interest income		4 500 385	2 682 390
VAT received		14 525 120	18 329 579
Cash Received from customers		35 189 993	31 527 130
		372 809 318	338 286 814
Payments			
Employee costs		(152 648 612)	(141 693 848)
Suppliers		(192 351 494)	(141 790 533)
		(345 000 106)	(283 484 381)
Net cash flows from operating activities	43	**27 809 212**	**54 802 433**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(64 698 318)	(79 310 204)
Proceeds from sale of property, plant and equipment	10	253 460	947 482
Purchase of investment property	9	(173 254)	(404 686)
Purchase of other intangible assets	11	(256 726)	(95 600)
Purchase of heritage assets	12	-	(89 600)
Net cash flows from investing activities		**(64 874 838)**	**(78 952 608)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**(37 065 626)**	**(24 150 175)**
Cash and cash equivalents at the beginning of the year		42 577 347	66 727 522
Cash and cash equivalents at the end of the year	8	**5 511 721**	**42 577 347**

* See Note 59 & 58

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	3 520 000	1 040 000	**4 560 000**	3 842 184	**(717 816)**	
Construction contracts	-	-	**-**	6 600 000	**6 600 000**	
Rental of facilities and equipment	3 500 000	700 000	**4 200 000**	3 275 630	**(924 370)**	
Interest Income Trading	6 900 000	-	**6 900 000**	1 532 103	**(5 367 897)**	54
Licences and permits	1 421 114	1 264 885	**2 685 999**	1 196 604	**(1 489 395)**	54
Other income	1 370 877	(654 877)	**716 000**	2 524 292	**1 808 292**	54
Interest received - investment	3 550 685	4 315	**3 555 000**	4 500 385	**945 385**	54
Total revenue from exchange transactions	**20 262 676**	**2 354 323**	**22 616 999**	**23 471 198**	**854 199**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	33 289 130	(3 930 971)	**29 358 159**	31 724 757	**2 366 598**	54
Interest on property rates	-	-	**-**	2 866 242	**2 866 242**	54
Transfer revenue						
Government grants & subsidies	286 979 300	21 794 700	**308 774 000**	308 661 343	**(112 657)**	
Public contributions and donations	-	-	**-**	10 000	**10 000**	54
Fines, Penalties and Forfeits	200 000	-	**200 000**	995 126	**795 126**	54
Total revenue from non-exchange transactions	**320 468 430**	**17 863 729**	**338 332 159**	**344 257 468**	**5 925 309**	
Total revenue	**340 731 106**	**20 218 052**	**360 949 158**	**367 728 666**	**6 779 508**	
Expenditure						
Employee related costs	(126 600 000)	-	**(126 600 000)**	(131 944 243)	**(5 344 243)**	
Remuneration of councillors	(17 140 200)	150 891	**(16 989 309)**	(17 415 623)	**(426 314)**	
Depreciation and amortisation	(21 000 000)	-	**(21 000 000)**	(32 571 265)	**(11 571 265)**	54
Impairment loss/ Reversal of impairments	-	-	**-**	(2 110 248)	**(2 110 248)**	54
Finance costs	-	-	**-**	(1 581 409)	**(1 581 409)**	54
Lease rentals on operating lease	-	-	**-**	(4 701 766)	**(4 701 766)**	54
Debt Impairment	(21 617 274)	578 731	**(21 038 543)**	(35 811 655)	**(14 773 112)**	54
Inventory Consumed	(160 000)	160 000	**-**	(225 865)	**(225 865)**	54
Contracted Services	(28 566 712)	(5 257 193)	**(33 823 905)**	(45 384 265)	**(11 560 360)**	54
Transfers and Subsidies	(24 300 000)	(1 274 195)	**(25 574 195)**	(51 773 504)	**(26 199 309)**	54
General Expenses	(47 243 839)	(31 337 582)	**(78 581 421)**	(94 160 178)	**(15 578 757)**	54
Total expenditure	**(286 628 025)**	**(36 979 348)**	**(323 607 373)**	**(417 680 021)**	**(94 072 648)**	
Operating deficit	**54 103 081**	**(16 761 296)**	**37 341 785**	**(49 951 355)**	**(87 293 140)**	
Gain on disposal of assets and liabilities	-	-	**-**	186 981	**186 981**	
Actuarial gains/losses	-	-	**-**	683 678	**683 678**	
	-	**-**	**-**	**870 659**	**870 659**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit before taxation	**54 103 081**	**(16 761 296)**	**37 341 785**	**(49 080 696)**	**(86 422 481)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**54 103 081**	**(16 761 296)**	**37 341 785**	**(49 080 696)**	**(86 422 481)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	7 061 686	(4 533 848)	**2 527 838**	-	**(2 527 838)**	
Receivables from exchange transactions	43 400 841	(13 633 535)	**29 767 306**	3 169 295	**(26 598 011)**	
Receivables from non-exchange transactions	13 149 150	18 961 946	**32 111 096**	13 561 958	**(18 549 138)**	
VAT receivable	-	-	**-**	1 601 286	**1 601 286**	
Prepayments	-	-	**-**	205 338	**205 338**	
Cash and cash equivalents	79 253 398	(56 412 770)	**22 840 628**	5 511 721	**(17 328 907)**	
	142 865 075	**(55 618 207)**	**87 246 868**	**24 049 598**	**(63 197 270)**	
Non-Current Assets						
Investment property	79 891 232	(1 332 098)	**78 559 134**	75 032 436	**(3 526 698)**	
Property, plant and equipment	369 990 603	77 294 973	**447 285 576**	484 840 456	**37 554 880**	
Intangible assets	3 310 383	(810 405)	**2 499 978**	2 054 324	**(445 654)**	
Heritage assets	-	-	**-**	89 600	**89 600**	
Other asset 1	-	1 089 600	**1 089 600**	-	**(1 089 600)**	
	453 192 218	**76 242 070**	**529 434 288**	**562 016 816**	**32 582 528**	
Total Assets	**596 057 293**	**20 623 863**	**616 681 156**	**586 066 414**	**(30 614 742)**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	3 510 833	**3 510 833**	-	**(3 510 833)**	
Operating lease liability	-	-	**-**	133 228	**133 228**	
Payables from exchange transactions	44 052 066	(31 483 554)	**12 568 512**	48 248 409	**35 679 897**	
Consumer Deposit	970 361	(227 663)	**742 698**	1 000 909	**258 211**	
Employee benefit obligation	-	-	**-**	81 554	**81 554**	
Unspent conditional grants and receipts	-	-	**-**	814 507	**814 507**	
Provisions	467 029	(127 751)	**339 278**	444 444	**105 166**	
	45 489 456	**(28 328 135)**	**17 161 321**	**50 723 051**	**33 561 730**	
Non-Current Liabilities						
Provisions	11 782 618	1 079 353	**12 861 971**	12 881 172	**19 201**	
Total Liabilities	**57 272 074**	**(27 248 782)**	**30 023 292**	**63 604 223**	**33 580 931**	
Net Assets	**538 785 219**	**47 872 645**	**586 657 864**	**522 462 191**	**(64 195 673)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	538 785 219	47 872 645	**586 657 864**	522 462 191	**(64 195 673)**	

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	293 579 300	21 794 700	**315 374 000**	318 593 820	**3 219 820**	
Interest income	7 101 370	(1 370)	**7 100 000**	4 500 385	**(2 599 615)**	54
VAT received	5 635 904	1 357 046	**6 992 950**	14 525 120	**7 532 170**	54
Cash Received from customers	22 790 000	3 710 000	**26 500 000**	35 189 993	**8 689 993**	54
	329 106 574	**26 860 376**	**355 966 950**	**372 809 318**	**16 842 368**	
Payments						
Employee costs	(143 740 200)	150 888	**(143 589 312)**	(152 648 612)	**(9 059 300)**	
Suppliers	(115 252 654)	731 767	**(114 520 887)**	(192 351 494)	**(77 830 607)**	54
	(258 992 854)	**882 655**	**(258 110 199)**	**(345 000 106)**	**(86 889 907)**	
Net cash flows from operating activities	**70 113 720**	**27 743 031**	**97 856 751**	**27 809 212**	**(70 047 539)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(38 564 783)	(27 440 860)	**(66 005 643)**	(64 698 318)	**1 307 325**	54
Proceeds from sale of property, plant and equipment	-	-	**-**	253 460	**253 460**	
Purchase of investment property	-	-	**-**	(173 254)	**(173 254)**	54
Purchase of other intangible assets	(130 000)	-	**(130 000)**	(256 726)	**(126 726)**	54
Net cash flows from investing activities	**(38 694 783)**	**(27 440 860)**	**(66 135 643)**	**(64 874 838)**	**1 260 805**	
Net increase/(decrease) in cash and cash equivalents	31 418 937	302 171	**31 721 108**	(37 065 626)	**(68 786 734)**	
Cash and cash equivalents at the beginning of the year	66 769 222	(24 191 875)	**42 577 347**	42 577 347	**-**	
Cash and cash equivalents at the end of the year	**98 188 159**	**(23 889 704)**	**74 298 455**	**5 511 721**	**(68 786 734)**	
Reconciliation						

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Presentation of Annual Financial Statements

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

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

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

GRAP 1 on Presentation of Financial Statements, excluding discontinued operations and minority interests; transfer of functions and mergers;
GRAP 3 Accounting Policies, Changes in Accounting estimates;
GRAP 9 Revenue from Exchange Transactions;
GRAP 11 Construction contracts;
GRAP 12 Inventories;
GRAP 13 Leases;
GRAP 14 Events after the Reporting Date;
GRAP 16 Investment property;
GRAP 17 Property, Plant and Equipment;
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets;
GRAP 20 Related party Disclosure;
GRAP 21 Impairment of Non-cash-generating Assets;
GRAP 23 Non-Exchange Revenue;
GRAP 24 Presentation of Budget Information in Financial Statements;
GRAP 25 Employee Benefits;
GRAP 26 Impairment of Cash-generating Assets;
GRAP 31 Intangible Assets;
GRAP 34 Separate Financial Statements;
GRAP 103 Heritage Assets;
GRAP 104 Financial Instruments;
GRAP 108 Statutory Receivables;
GRAP 109 Accounting by Principals and Agents

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. Municipality and all values are rounded of to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Offsetting

Asset and liabilities, revenue and expenses , shall not be offset unless required or permitted by a Standard of GRAP.

1.4 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes a judgment as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Impairment is first provided for individually significant receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment Other significant judgments, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Cash and cash equivalents

Cash includes cash on hand (cashiers collection) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The municipality categorises cash and cash equivalents as financial assets.

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.

Provisions

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 to be required to settle the present obligation at the reporting date.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions

Post-retirement benefits

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

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

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. Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables

Provision for doubtful debts is calculated by categorising the outstanding into six categories:

Category A are government properties, No provision is made for them.
Category B are those irregular payers, and the debt is between 31 and 60 days.The provision is made at 20% excluding business category.
Category C are those irregular payers, and the debt is between 61 and 90 days. The provision is made at 50% excluding business category.
Category D are those irregular payers, and the debt is between 91 and 120 days. The provision is made at 70% excluding business category.
Category E are those irregular payers, and the debt is between 121 and 150 days. The provision is made at 70% excluding business category.
Category F are those irregular payers, and the debt is more than 151 days. The provision is made at 100% excluding business category.

Business category is calculated by categorising the outstanding into:
Category A are those irregular payers and and the debt is between 31 and 60 days. The provision is made at 0% .
Category B are those irregular payers, and the debt is between 61 and 90 days. The provision is made at 50%.
Category C are those irregular payers, and the debt is between 91 and 120 days. The provision is made at 50%.
Category D are those irregular payers, and the debt is between 121 and 150 days. The provision is made at 70%.
Category E are those irregular payers, and the debt is more than 151 days. The provision is made at 80%

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Additional information is disclosed in Note 17.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality provides for 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.

Accounting Policies

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - Buildings	10 - 40 years

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

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9)

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

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value. 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.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	10-50 years
Plant and machinery	Straight-line	4-15 years
Furniture and fixtures	Straight-line	5-15 years
Motor vehicles	Straight-line	7-10 years
IT equipment	Straight-line	5 years
Infrastructure Assets	Straight-line	10-80 years
Community Assets	Straight-line	7-60 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.

Accounting Policies

1.6 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations 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 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.7 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.

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.7 Intangible assets (continued)

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

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

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

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Initial measurement

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of an item of heritage assets is recognised as an asset only if:

(a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
(b) the cost or fair value of the item can be measured reliably

Where a heritage asset is acquired through a non-exchange transaction, its deemed cost is to be measured at its fair value as at the date of acquisition. If at initial recognition, the Municipality cannot reliably measure its cost, the relevant and useful information about the heritage asset is disclosed in the notes to the Financial Statements.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Accounting Policies

1.8 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.9 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

1.9 Financial instruments (continued)

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

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

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

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

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.

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Impairment and uncollectibility of financial assets

An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply (for financial assets carried at cost) to determine the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

It may not be possible to identify a single, discrete event that caused the impairment, since it may have been the combined effect of several events that did so. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter sequestration or other financial reorganisation;

1.9 Financial instruments (continued)

- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including
  (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
  (ii)national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group).

The disappearance of an active market because an entity's financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an entity's credit rating is not, of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information

A decline in the fair value of a financial asset below its cost or amortised cost is not necessarily evidence of impairment (for example, a decline in the fair value of an investment in a debt instrument that results from an increase in the risk-free interest rate)

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances, for example, when a borrower is in financial difficulties and there is limited available historical data relating to similar borrowers. In such cases, an entity uses its experienced judgement to estimate the amount of any impairment loss. Similarly an entity uses its experienced judgement to adjust observable data for a group of financial assets to reflect current circumstance

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  -it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  -on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  -non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  -financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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 from exchange transaction	Financial asset measured at amortised cost
Receivables from non-exchange transaction	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**
Consumer deposit	Financial liability measured at amortised cost
Payables from exchange transaction	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.Entity recognizes financial asset using trade date accounting

Accounting Policies

1.9 Financial instruments (continued)

The Municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is: - combined instrument that is required to be measured at fair value; or - an investment in a residual interest that meets the requirements for reclassification. Where the Municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value. If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost. If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

Impairment and uncollectability of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Financial assets measured at amortised cost: If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit. Financial assets measured at cost: If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting. The Municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality :
- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer. The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

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

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit. If a transfer does not result in derecognition because the Municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the Municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability

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

Accounting Policies

1.9 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Municipality does not offset the transferred asset and the associated liability

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

1.10 Statutory receivables (continued)

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

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

Accounting Policies

1.11 Tax

Value added taxation

The municipality is registered with SARS for VAT on the cash basis in accordance with section 15(2)(a0 of the Value Added Tax Act, No. 81 of 1991.

1.12 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.

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.

1.13 Inventories

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

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

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

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

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

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

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

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

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by surveys of work done.

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

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

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

1.15 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 it's objective is not to use the asset to generate a commercial return but to deliver service.

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:

Depreciated replacement cost approach

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

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

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

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.

Redesignation

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

Accounting Policies

1.16 Employee benefits

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

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

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Accounting Policies

1.17 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.

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

Accounting Policies

1.17 Provisions and contingencies (continued)

Long-service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme,after 5, 10, 15, 20, 25 and 30 years of continued service.

The Municipality's liability is based on an actuarial valuation.The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and .
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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

1.18 Commitments

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

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

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

-Contracts that are entered into before the reporting date , but goods and services have yet been received are disclosed in the disclosure notes to the financial statements.

Disclosures are required in respect of unrecognised contractual commitments.

Accounting Policies

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest

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.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

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.

1.20 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.

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.

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

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

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

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.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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.

1.21 Investment income

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

1.22 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

1.22 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.23 Comparative figures

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

1.24 Unauthorised expenditure

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

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

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

Accounting Policies

1.26 Irregular expenditure

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

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

Irregular expenditure as defined in section 1 of the MFMA is irregular expenditure”, in relation to a municipality or municipal entity, means

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Segment information

A segment is an activity of an entity:

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

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

1.28 Budget information

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

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

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

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

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

1.29 Related parties

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

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

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

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

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

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

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

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

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

1.30 Events after reporting date

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

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

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

Accounting Policies

1.30 Events after reporting date (continued)

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

1.31 Prior year adjustments

Restatements are affected to prior period comparatives resulting in the reclassification of prior period disclosure when the presentation or classification of items in the annual financial statements is amended.The nature and reason for the reclassification are disclosed.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

2.2 Standards and interpretations issued, but not yet effective

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

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

3. Inventories

	2023	2022
Boreholes	-	1 864 707
Water tank stands	-	343 868
Water tanks	-	319 263
	-	**2 527 838**

The municipality purchased Jojo tanks and installed boreholes and water tank stands on behalf of the Umkhanyakude District Municipality. These assets have been donated to Umkhanyakude District Municipality in the current year.

Inventory reconciliation

	2023	2022
Opening balance	2 527 838	7 061 686
Inventory write down - Boreholes	-	(4 150 476)
Inventory write down - Water tank stands	-	(155 283)
Inventory write down - Water tanks	-	(228 089)
Transfer to district	(2 527 838)	-
	-	**2 527 838**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Receivables from exchange transactions

Gross balances		
Refuse	34 183 519	31 083 145
Housing rental	1 334 928	1 628 707
Insurance refund	253 460	-
	35 771 907	**32 711 852**
Less: Allowance for impairment		
Refuse	(31 834 876)	(25 162 212)
Housing rental	(767 736)	(268 372)
	(32 602 612)	**(25 430 584)**
Net balance		
Refuse	2 348 643	5 920 933
Housing rental	567 192	1 360 335
Insurance refund	253 460	-
	3 169 295	**7 281 268**

Refuse		
Current (0 -30 days)	510 859	459 832
31 - 60 days	382 777	528 141
61 - 90 days	364 043	342 044
91 - 120 days	359 653	339 221
121 - 365 < days	32 566 187	29 413 907
	34 183 519	**31 083 145**
Housing rental		
Current (0 -30 days)	172 518	257 301
31 - 60 days	147 955	227 485
61 - 90 days	137 368	202 352
91 - 120 days	132 551	182 031
121 - 365 < days	744 536	759 538
	1 334 928	**1 628 707**

Summary of debtors by customer classification

Residential		
Current (0 -30 days)	264 814	238 147
31 - 60 days	260 476	276 811
61 - 90 days	258 637	232 544
91 - 120 days	257 842	234 004
121 - 365 days	22 582 375	18 135 469
	23 624 144	**19 116 975**
Business / Commercial		
Current (0 -30 days)	220 945	196 974
31 - 60 days	98 654	226 741
61 - 90 days	81 748	86 381
91 - 120 days	78 327	78 948
121 - 365 days	6 860 726	6 751 714
	7 340 400	**7 340 758**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Receivables from exchange transactions (continued)

National and provincial government		
Current (0 -30 days)	87 386	69 820
31 - 60 days	85 933	63 561
61 - 90 days	85 933	76 603
91 - 120 days	77 567	73 931
121 - 365 days	3 291 689	3 199 757
	3 628 508	**3 483 672**

Other debtors		
Current (0 -30 days)	110 233	188 465
31 - 60 days	85 670	164 123
61 - 90 days	75 082	141 988
91 - 120 days	48 470	127 056
121 - 365 days	605 940	520 099
	925 395	**1 141 731**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(25 430 583)	(12 668 933)
Contributions to allowance	(7 172 029)	(12 761 650)
	(32 602 612)	**(25 430 583)**

Transaction(s) arising from statute

There are no statutory receivables disclosed in the above receivables from exchange transactions.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Receivables from exchange transactions (continued)

Debtors past due but not impaired

Trade and other receivables which are past due and are not considered to be impaired are made up of government debt.

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

1 month past due	116 037	92 917
2 months past due	88 633	86 658
3 months past due	211 097	3 521 270
	415 767	**3 700 845**

Trade and other receivables impaired

As of 30 June 2023, consumer debtors of 35 102 680 (2022: 29 011 007) were impaired and provided for.

The amount of the provision was (32 602 612) as of 30 June 2023 (2022: (25 430 584)).

Interest or other charges levied/charged

Interest is charged on long outstanding consumer debtors at a rate of 1.00% per month

No interest is charged on government debt

No trade and other receivables from exchange transactions were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions

Gross balances		
Statutory debtors - property rates	103 511 934	102 465 246
Statutory debtors - traffic fines	9 587 850	8 941 150
Staff and payroll refund	-	16 459
Refund from supplier	5 171 007	4 859 679
	118 270 791	**111 111 527**
Less: Allowance for impairment		
Statutory debtors - property rates	(90 102 976)	(75 216 361)
Statutory debtors - traffic fines	(9 434 850)	(8 831 260)
Refund from supplier	(5 171 007)	-
	(104 708 833)	**(84 047 621)**
Net balance		
Statutory debtors - property rates	13 408 958	27 248 885
Statutory debtors - traffic fines	153 000	109 890
Staff and payroll refund	-	16 459
Refund from supplier	-	4 859 679
	13 561 958	**32 234 913**
Statutory receivables included in consumer debtors above are as follows:		
Statutory debtors - property rates	13 408 958	27 248 885
Statutory debtors - traffic fines	153 000	109 890
	13 561 958	**27 358 775**
Financial asset receivables included in consumer debtors above	**-**	**4 876 138**
Reconciliation of provision for impairment for statutory receivables		
Opening balance	(84 047 621)	(103 738 882)
Provision for impairment	(20 661 212)	(469 425)
Provision for impairment reversal	-	20 160 686
	(104 708 833)	**(84 047 621)**
Statutory debtors - property rates		
Current (0 -30 days)	1 955 533	1 968 516
31 - 60 days	1 158 235	1 264 571
61 - 90 days	1 052 020	1 503 637
91 - 120 days	1 040 619	1 097 632
121 - 365 < days	98 305 527	96 630 890
	103 511 934	**102 465 246**
Statutory debtors - traffic fines		
Current (0 -30 days)	63 700	41 500
31 - 60 days	61 750	40 150
61 - 90 days	20 400	54 750
91 - 120 days	50 200	14 000
121 - 365 < days	9 391 800	8 790 750
	9 587 850	**8 941 150**
Refund from suppliers		
> 365 days	5 171 007	4 859 679

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

Residential		
Current (0 -30 days)	155 454	260 414
31 - 60 days	128 367	175 782
61 - 90 days	126 279	245 604
91 - 120 days	129 304	158 744
121 - 365 days	24 169 271	22 959 697
	24 708 675	**23 800 241**

Business / Commercial		
Current (0 -30 days)	1 421 259	1 461 273
31 - 60 days	662 356	725 242
61 - 90 days	557 391	868 917
91 - 120 days	559 314	589 632
121 - 365 days	31 218 714	32 973 380
	34 419 034	**36 618 444**

National and provincial government		
Current (0 -30 days)	240 030	231 269
31 - 60 days	229 173	227 913
61 - 90 days	222 716	226 930
91 - 120 days	214 073	224 167
121 - 365 days	17 788 729	16 407 630
	18 694 721	**17 317 909**

Other debtors		
Current (0 -30 days)	138 770	162 709
31 - 60 days	137 933	190 977
61 - 90 days	145 198	204 019
91 - 120 days	137 926	160 947
121 - 365 days	25 129 667	24 009 990
	25 689 494	**24 728 642**

Statutory receivables general information

Transaction(s) arising from statute

Statutory receivables are receivables that arise from legislation, supporting regulations, or other means and are settled in cash or another financial asset.

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa.

Determination of transaction amount

Transaction amounts are determined as follows:

Property rates – transaction amount is determined by applying the Council approved rates to the market value of individual properties within the municipality's jurisdiction. Council approved rebates and exemptions are further applied to the assessed amount.

5. Receivables from non-exchange transactions (continued)

Traffic fines – transaction amount for traffic fines is determined according to Schedule 3 of the AARTO Regulations 2008 for charge codes and descriptions, penalties and their discounts, and demerit points.

Interest or other charges levied/charged

Interest is charged on long outstanding Property rates at a rate of 1.00% per month.

No interest is charged on Fines.

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

The Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

Business, government and other accounts, excluding residential, are classified as significant debtors and assessed for impairment individually. Credit impairment rates are determined based on the credit risk characteristics for each category and individual prevailing circumstances.

Business, government and other account, excluding residential, are classified and assessed for impairment individually. Credit impairment rates are determined based on the credit risk characteristics for each category and individual prevailing circumstances.

For collective assessment, debtors are grouped based on ageing and credit impairment is calculated as follows:

Business and other
- 61 and 120 days, the provision is made at 50%.
- 121 and 150 days. The provision is made at 70%.
- 151 days and above. The provision is made at 80%.

Residential
- 31 and 60 days, the provision is made at 20%.
- 61 and 90 days, the provision is made at 50%.
- 91 and 150 days, the provision is made at 70%.
- 151 days and above. The provision is made at 100%.

No provision is made for government properties

Trafic fines

The Municipality assesses whether objective evidence of impairment exists individually or collectively for traffic fines debtors.

For collective assessment, debtors are grouped based on ageing and credit impairment is calculated as follows:
- 31 and 60 days, the provision is made at 20%.
- 61 and 90 days, the provision is made at 50%.
- 91 and 150 days, the provision is made at 70%.
- 151 days and above. The provision is made at 100%.

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2023, 1 561 567 (2022: 17 134 853) were past due but not impaired.

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

1 month past due	342 818	265 731
2 months past due	237 113	213 837
3 months past due	981 636	16 655 285

Statutory receivables impaired

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions (continued)

As of 30 June 2023, Statutory receivables of 111 538 217 (2022: 89 100 536) were impaired and provided for.

The amount of the provision was (99 537 826) as of 30 June 2023 (2022: (84 047 621)).

6. VAT receivable

Accrual basis	(148 597)	(632 635)
Cash basis	1 749 883	1 675 256
	1 601 286	**1 042 621**

The Municipality is registered for VAT on cash basis.

VAT output payables and VAT input receivables are shown in note under accrual basis.

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

7. Prepayments

The municipality made early payments for the use of Caseware and Sage VIP licences for the following financial year.

Prepaid expense		
SALGA membership	-	1 435 516
Caseware licence	93 609	85 099
Sage Pastel	-	927 002
Sage VIP	110 862	101 709
Third parties - Sanlam	867	-
PAYE	-	2 581
	205 338	**2 551 907**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023	2022
Cash on hand	8 384	-
Bank balances	3 481 900	6 943 043
Short-term deposits	2 021 437	35 634 304
	5 511 721	**42 577 347**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2023	Bank statement balances 30 June 2022	Bank statement balances 30 June 2021	Cash book balances 30 June 2023	Cash book balances 30 June 2022	Cash book balances 30 June 2021
FNB BANK - Main Bank Account 62024185432	2 145 756	6 442 330	3 552 961	2 145 756	6 442 330	3 552 961
ABSA BANK- Operational Account 4069624954	1 336 144	500 712	15 413 615	1 336 144	500 712	15 413 615
Grinrod BANK -Investment 11000034006	140 810	131 954	127 253	140 810	131 954	127 253
Grinrod BANK- Investment 11000032450	122 615	10 108 021	5 047 012	122 615	10 108 021	5 047 012
Grinrod BANK- Investment 110000150005	1 160 639	1 087 644	1 048 891	1 160 639	1 087 644	1 048 891
FNB BANK- Investment 62406733164	84 544	64 707	44 493	84 544	64 707	44 493
FNB BANK- Investment 62424077403	86 869	604 220	316 651	86 869	604 220	316 651
STD BANK- Investment 288741042032	-	-	5 166 120	-	-	5 166 120
FNB BANK- Investment 62588270612	425 960	8 485 217	10 063 549	425 960	8 485 217	10 063 549
INVESTEC- Investment 1100435870501	-	-	5 184 815	-	-	5 184 815
ABSA BANK- Investment 2078608636	-	-	5 175 602	-	-	5 175 602
STD BANK- Investment 268741042042	-	-	5 371 326	-	-	5 371 326
STD BANK- Investment 268741042044	-	-	5 166 119	-	-	5 166 119
FNB BANK- Investment 74892649938	-	-	5 049 058	-	-	5 049 058
ABSA BANK- Investment 2080337285	-	5 036 843	-	-	5 036 843	-
STD BANK- Investment 268741042038	-	5 051 338	-	-	5 051 338	-
STD BANK- Investment 268741042037	-	5 064 362	-	-	5 064 362	-
Cash on hand	8 384	-	56	8 384	-	56
Total	**5 511 721**	**42 577 348**	**66 727 521**	**5 511 721**	**42 577 348**	**66 727 521**

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	80 469 172	(5 436 736)	75 032 436	80 295 918	(2 717 098)	77 578 820

Reconciliation of investment property - 2023

	Opening balance	Additions resulting from capitalised subsequent expenditure	Depreciation	Total
Investment property	77 578 820	173 254	(2 719 638)	75 032 436

Reconciliation of investment property - 2022

	Opening balance	Additions	Depreciation	Total
Investment property	79 883 821	404 686	(2 709 687)	77 578 820

Pledged as security

No assets are pledged as security:

Investment property in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Investment property		
Ndumo Flats Septic Tank - Cost	173 253	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

9. Investment property (continued)

Details of property

Property 1
The department of Human settlement donated Rental property at Ndumo to the municipality. The municipality generates Rental Revenue from these properties.

Property Location : -26.9194422, 32.2574201		
Property Name : Indumo Rental Stock		
Property Description: Residential Property [Flats]		
Property Status: Completed [No Work-In Progress]		
Property Fair Value: R79 891 232		
- Fair value on donation date : 30 June 2021	79 891 232	79 891 232
- Capitalised expenditure	404 686	404 686
	80 295 918	**80 295 918**

Engineers Details:

An evalution of the property was performed by Powacons Engineering Consulting ,MN PAWANDIWA PR, Eng Engineering Council Registration No: 20130017

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.

Maintenance of investment property

Maintenance of investment property by nature and type of expenditure

Direct costs		
Contracted Services	2 069 880	1 360 070

Amounts recognised in surplus or deficit

Rental revenue from Investment property	3 263 446	3 103 524

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	15 972 647	(5 045 107)	10 927 540	15 972 647	(4 440 414)	11 532 233
Plant and machinery	15 576 222	(4 336 494)	11 239 728	15 259 366	(2 843 118)	12 416 248
Furniture and fixtures	6 462 173	(4 055 638)	2 406 535	5 672 937	(3 304 705)	2 368 232
Motor vehicles	11 071 172	(6 448 870)	4 622 302	10 627 155	(5 359 603)	5 267 552
IT equipment	8 130 963	(4 221 253)	3 909 710	6 180 718	(3 238 583)	2 942 135
Infrastructure Assets	274 905 771	(152 056 661)	122 849 110	246 062 995	(139 428 852)	106 634 143
Community Assets	356 091 781	(78 572 469)	277 519 312	297 881 164	(65 175 038)	232 706 126
WIP - Infrastructure Assets	5 826 818	-	5 826 818	11 480 801	-	11 480 801
WIP - Community Assets	42 890 300	-	42 890 300	64 081 325	-	64 081 325
WIP - Buildings	2 649 101	-	2 649 101	933 997	-	933 997
Total	**739 576 948**	**(254 736 492)**	**484 840 456**	**674 153 105**	**(223 790 313)**	**450 362 792**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Newly identified asset	Depreciation	Impairment loss	Total
Buildings	11 532 233	-	-	-	-	(604 693)	-	10 927 540
Plant and machinery	12 416 248	78 874	-	-	237 981	(1 493 375)	-	11 239 728
Furniture and fixtures	2 368 232	333 525	-	-	455 711	(748 697)	(2 236)	2 406 535
Motor vehicles	5 267 552	738 011	(66 479)	-	-	(1 316 782)	-	4 622 302
IT equipment	2 942 135	1 624 418	-	-	325 827	(973 470)	(9 200)	3 909 710
Infrastructure Assets	106 634 143	-	-	28 842 776	-	(12 263 118)	(364 691)	122 849 110
Community Assets	232 706 126	-	-	58 210 618	-	(11 663 313)	(1 734 119)	277 519 312
WIP - Infrastructure Assets	11 480 801	23 188 793	-	(28 842 776)	-	-	-	5 826 818
WIP - Community Assets	64 081 325	37 019 593	-	(58 210 618)	-	-	-	42 890 300
WIP - Buildings	933 997	1 715 104	-	-	-	-	-	2 649 101
	450 362 792	**64 698 318**	**(66 479)**	**-**	**1 019 519**	**(29 063 448)**	**(2 110 246)**	**484 840 456**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Reclassification	Donations	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	13 106 480	-	-	-	(849 421)	-	(664 228)	(60 598)	-	11 532 233
Plant and machinery	9 127 120	4 456 263	(54 410)	-	-	-	(1 110 980)	(1 745)	-	12 416 248
Furniture and fixtures	2 880 886	262 534	(84 378)	-	-	-	(683 912)	(6 898)	-	2 368 232
Motor vehicles	5 444 174	1 078 816	(263 254)	-	-	-	(992 184)	-	-	5 267 552
IT equipment	3 118 879	952 067	(423 463)	-	-	273 035	(937 648)	(40 735)	-	2 942 135
Infrastructure Assets	101 442 528	-	-	17 328 553	(1 886)	-	(12 100 771)	(34 281)	-	106 634 143
Community Assets	192 560 529	-	-	43 676 507	851 307	11 084 138	(10 756 356)	(5 961 120)	1 251 121	232 706 126
WIP - Infrastructure Assets	15 138 478	13 670 876	-	(17 328 553)	-	-	-	-	-	11 480 801
WIP - Community Assets	48 868 184	58 889 648	-	(43 676 507)	-	-	-	-	-	64 081 325
WIP - Buildings	933 997	-	-	-	-	-	-	-	-	933 997
	392 621 255	**79 310 204**	**(825 505)**	**-**	**-**	**11 357 173**	**(27 246 079)**	**(6 105 377)**	**1 251 121**	**450 362 792**

Pledged as security

No assets are pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed taking longer than anticipated to complete

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Ngonyameni Hall	6 185 951	4 996 778
KwaJobe Youth Centre Paving	873 078	679 098
Machobeni Hall	-	6 988 152
Cezwana Youth Centre	-	6 884 172
Nyamane Sport Field	3 418 320	421 396
Oshabeni Nyathini Sportfield	-	647 818
Sibonukuhle Sportfield	-	423 348
Mkuze Town Road 2	-	3 817 167
Ziphusheni Com Hall	-	607 844
Ndumo Sportfield Phase 2	12 590 437	4 303 297
Kwaphaweni Com Hall	-	467 264
Ubombo Sport Field	-	435 965
Mkuze Market Stalls	-	115 500
Jozini Municipality Phase 3	2 649 101	933 997
Ophansi Sportfield	-	558 616
Manyiseni Youth Center	1 165 459	943 528
	26 882 346	**33 223 940**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	11 480 800	64 081 326	933 997	76 496 123
Additions/capital expenditure	23 188 792	37 019 610	1 715 103	61 923 505
Transferred to completed items	(28 842 776)	(58 210 618)	-	(87 053 394)
	5 826 816	**42 890 318**	**2 649 100**	**51 366 234**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	15 138 479	48 868 184	933 997	64 940 660
Additions/capital expenditure	13 201 302	58 907 070	-	72 108 372
Transferred to completed items	(16 858 981)	(43 693 928)	-	(60 552 909)
	11 480 800	**64 081 326**	**933 997**	**76 496 123**

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		
Employee related costs	7 749 921	6 451 275
Maintenance of Buildings and Facilities	949 745	2 367 717
Maintenance of Equipment	736 905	38 585
Maintenance of Infrastructure Assets	11 963 812	4 256 409
	21 400 383	**13 113 986**

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

11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5 604 518	(3 550 194)	2 054 324	5 347 792	(2 762 017)	2 585 775

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	2 585 775	256 726	(788 177)	2 054 324

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	3 297 678	95 600	(807 503)	2 585 775

Pledged as security

No intangible assets are 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

12. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	89 600	-	89 600	89 600	-	89 600

Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	89 600	89 600

Reconciliation of heritage assets 2022

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	-	89 600	89 600

Pledged as security

No heritage assets are 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

13. Operating lease liability

Current liabilities	(133 228)	(244 820)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Construction contracts and receivables

Advances received in excess of work completed are included in trade and other payables.

At 30 June 2023, retention of contracts in progress are 673 931 (2022: 1 932 004).

Aggregate amount recognised surpluses or deficit

Construction contract - revenue recognised	6 600 000	10 561 940
Construction contract - expenditure incurred	6 600 000	10 561 940

15. Payables from exchange transactions

Trade payables	23 420 342	9 019 287
Retention	8 632 962	9 739 284
Leave pay	9 780 708	8 946 222
13th Cheque	2 719 487	2 484 528
Debtors with credit balances	694 786	572 999
Surety	3 000 124	2 693 014
	48 248 409	**33 455 334**

The 13th Cheque is payable on the anniversary of the employment with the Municipality. The annual bonus is calculated monthly as per the formula at the ordinary salary rate earned during each relevant month and accumulated and paid to the employee.

Leave pay relates to accrual for unused leave at year-end. the leave is expected to be taken over the next financial year and is calculated based on employee total cost to company

16. Consumer deposits

Land stand deposit	712 703	712 703
Unallocated deposit	257 291	254 729
Hall refunds	30 915	29 995
	1 000 909	**997 427**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Accounting by principals and agents

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

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

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

The Municipality is party to an arrangement with the Local Government Sector Education Training (LGSETA) to fund the community housebulding qualification (SAQA - 24273)

Entity as agent

Rural Housing Grant

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

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

Additi3onal text

- approved stage 1 the provisioning of 800 units at Msiyane/Nondabuya (ward 8 and 19) at a total cost of R 2 469 392.

- approved stage 1 the provisioning of 800 units at Hlalanathi/Mamfene (ward 5 and 6) at a total cost of R 2 469 392.
- approved stage 1 the provisioning of 800 units at Zineshe/Gujini (ward 3 and 4) at a total cost of R 2 469 392.
- approved stage 1 the provisioning of 800 units at Ndumo/Mbadleni (ward 16 and 17) at a total cost of R 2 469 392.
- approved stage 1 the provisioning of 800 units at Maphaya/Madinyane (ward 2 and 7) at a total cost of R 2 469 392.
- approved phase 1 the provisioning of 180 units at Mkuze at a total cost of R 2 283 709.

LGSETA Discretionary Grant

The purpose of the LGSETA Discretionary Grant is to 'provide funding to the municipalities for the provision of Training for unemployed learners on community House Building NQF 2 in deep rural areas.

LGSETA has processed the application and concluded as follows:

Additional text

- Approve the or the provision of training for 25 learners in deep rural areas of Jozini at a total cost amounting to R1 140 000.00 which is in accordance with the LGSETA Code prescripts.
- The duration of the project is twelve months commencing upon the receipt of the first tranche

Assets (cash) held at year end:		
Housing grant	76 073	76 073
Discretionary Grant	5 481	90 000
	81 554	**166 073**

Additional information

Transactions undertaken in terms of the principal-agent arrangement

Amount of expenses paid during the reporting period:

Housing Grant

Opening balance	76 073	76 073
Current year receipts	-	4 704 958
Expenditure incurred	-	(4 704 958)
	76 073	**76 073**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Accounting by principals and agents (continued)

Amount of expenses paid during the reporting period

LGSETA Discretionery Grant

Opening balance	90 000	-
Current year receipts	2 167 636	185 000
Expenditure incurred	(2 252 155)	(95 000)
	5 481	**90 000**

Amount of expenses paid during the reporting period

Student stipend	132 136	95 000
Learnership fees	2 120 019	-
	2 252 155	**95 000**

An amount of R 137 914 that was underspent relates to amounts received from National Treasury for Discretionery Grant allocated by LGSETA.

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

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Ubuhle besiko cultural village	69 700	69 700
Development of recycling centre	10 730	10 730
Fresh produce market grant	73 002	73 002
Implementation of pound	48 418	48 418
Waste management grant	500 000	-
Mkuze market stalls	112 657	-
	814 507	**201 850**

Movement during the year

Balance at the beginning of the year	201 850	1 961 419
Receipts during the 12 months	85 354 000	66 385 987
Income recognition during the year	(84 741 343)	(68 145 556)
	814 507	**201 850**

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.

19. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Finance cost	Actuarial (gain)/loss	Total
Environmental rehabilitation	6 511 746	-	-	947 404	-	7 459 150
Long service award provision	5 712 742	754 006	(550 609)	634 005	(683 678)	5 866 466
	12 224 488	**754 006**	**(550 609)**	**1 581 409**	**(683 678)**	**13 325 616**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Provisions (continued)

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Finance cost	Actuarial (gain)/loss	Total
Environmental rehabilitation	6 253 937	-	-	257 809	-	6 511 746
Long service award provision	5 095 461	850 219	(581 490)	462 857	(114 305)	5 712 742
	11 349 398	**850 219**	**(581 490)**	**720 666**	**(114 305)**	**12 224 488**

	2023	2022
Non-current liabilities	12 881 172	11 885 210
Current liabilities	444 444	339 278
	13 325 616	**12 224 488**

Landfill sites

The provision for rehabilitation of landfill sites relate to the legal obligation to rehabilitate the landfill sites used for waste disposal in accordance with the National Environmental management Act 107 of 1998 and Environmental Conservation Act No 73 of 1989. It is calculated as the present value of the expenditure expected to be required to settle the future obligation to rehabilitate the landfill sites.

The discount rate used reflect the current market assessment of the time value of money and the risks specific to the liability. The valuation for the provision of the landfill sites was reviewed by an independent landfill site and environmental specialist.

The landfill site report was performed by Pawacons Engineering consultants and has 2.5 years remaining at the June 2022."

The existing Mkuze Landfill site is situated just outside Mkuze town. The Waste Disposal Site receives "general waste"

Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation linked rates are used.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used.

For this landfill, the rate associated with the maximum period of 10 years was used, i.e.,4,97% above CPI.
Assumption 2021-2022
CPI 5,18%
Discount rate 8,75%
Net effect 6,97%

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Provisions (continued)

Long service awards

Long service awards Jozini offers bonuses for every 5 years of completed service from 5 years to 45 years. Below are actuarial assumption relating to calculation of the defined contribution plan liability.

Actuarial Assumptions		
Discount rate	11,66 %	11,66 %
CPI	5,98 %	6,93 %
Salary increase rate	6,98 %	7,93 %
Net Discount rate	4,37 %	3,46 %

Long service awards		
Opening Balance	5 712 742	5 095 461
Service cost	754 006	850 219
Interest cost	634 005	462 857
Actuarial loss	(683 678)	(114 305)
Benefits paid	(550 609)	(581 490)
	5 866 466	**5 712 742**

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds

The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2021 the duration of liabilities was 8.40 years

At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 11.66% per annum, and the yield on inflation-linked bonds of a similar term was about 3.96% per annum. This implies an underlying expectation of inflation of 6.93% per annum ([1 + 11.66% - 0.5%] / [1 + 3.96%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 7.93% per annum. However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.46% per annum ([1 + 11.66%] / [1 + 7.93%] - 1).

In addition to the salary assumption arrived at in the previous page,the following promotional increase were applied at the following ages:.

Age Band	Promotional Increase 2023	Promotional Increase 2022
20-24	5.00%	5.00%
25-29	4.00%	4.00%
30-34	3.00%	3.00%
35-39	2.00%	2.00%
40-44	1.00%	1.00%
	15%	**15%**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Provisions (continued)

1. During the 2021/22 financial year Jozini employees accrued an extra year of service and as a result the liability increased by R850 219.
2. Interest cost over the valuation period results in an increase in the liability by R462 857.
3. Some employees attained milestones during the valuation period and this resulted in bonus payment of R581 490 which reduced the accrued liability by the same margin.
4. The net discount rate changed from 2.80% to 3.46% during the valuation period. The accrued liability is inversely related to the net discount. As such the decrease in the net discount resulted in an increase in the accrued liability.
5. Movements in the staff employed by Jozini, resulted in an increase to the accrued liability.
6. The salary increases of 4.00% anticipated as at 1 July 2021 resulted in an increase to the accrued liability.
7. The miscellaneous items in the data resulted in a decrease to the liability by R269,116. Factors that make up the miscellaneous items are changes to membership composition, data changes from the previous valuation, and variations from demographic assumptions (i.e. rates of withdrawal).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

20. Service charges

Solid waste	3 842 184	3 556 459

21. Rental of facilities and equipment

Premises		
Rental income	3 263 446	3 103 524
Facilities and equipment		
Rental of facilities	12 184	14 160
	3 275 630	**3 117 684**

22. Interest income from refuse and rental properties

Interest income on refuse	1 445 948	1 277 791
Interest income on rental income	86 155	18 237
	1 532 103	**1 296 028**

23. Licences and permits (exchange)

Trading	18 043	24 591
Road and Transport	1 178 561	1 218 534
	1 196 604	**1 243 125**

24. Other income

Cemetery and burial	14 108	6 456
School patrol	331 975	332 410
Landing fees	14 020	21 440
Photocopies and recoveries	11 797	18 659
Insurance refund	-	547 751
Sale of tender documents	264 434	53 043
Advertisements	17 184	15 255
Plantation standby	1 904	783
Application fees for land usage	27 177	22 842
Building plan approval	93 151	27 048
Clearance certificates	3 496	3 470
Recycling of waste	1 060	5 093
Interest on refund due from suppliers	311 328	311 328
Skills development levy refund	309 489	230 590
Newly identified asset	1 019 520	-
commission received	103 649	89 717
	2 524 292	**1 685 885**

25. Investment revenue

Interest revenue		
Bank	667 074	524 386
Short term investment and call accounts	3 833 311	2 160 074
	4 500 385	**2 684 460**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

26. Lease rentals on operating lease

Equipment		
Contractual amounts	4 701 766	3 776 148

27. Property rates

Rates billed

Residential	3 402 828	2 985 115
Commercial	17 265 177	15 847 139
State	12 129 095	11 346 179
Agricultural	1 254 741	1 120 074
Less: Income forgone	(2 327 084)	(1 807 599)
	31 724 757	**29 490 908**

Valuations

Residential	248 983 200	248 983 200
Commercial	1 258 989 000	1 296 339 000
State	1 073 681 075	1 073 681 075
Municipal properties	100 891 720	100 891 720
Place of worship	10 712 000	10 712 000
Protected areas	588 334 681	588 334 681
Public service infrastructue	5 429 000	5 429 000
Rural communal land	513 452 337	513 452 337
Agricultural	531 670 000	531 670 000
	4 332 143 013	**4 369 493 013**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will come into effect on 1 July 2024.

The Property Rates Tariffs & Rebates that will be applicable in the 2022/23 Financial year are as follows:

Agriculture (Bona fide farmers)	0.00236
Business or Commercial	0.01419
Residential	0.00944
Vacant Land	0.02832
Public Service Property	0.01135
Commercial Tourism Properties	0.01419
Rural Communal Land	0.00236
Municipal Property	0.00

The following rebate rates are applied:
A reduction in the value of residential properties for rating purposes will apply at R100 000.

Interest is levied on a monthly basis at 1% per month (2022: 1%) on all outstanding amounts except for amounts receivable from the state .

28. Interest on property rates

Interest - Receivables	2 866 242	5 117 718

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Government grants and subsidies

Operating grants		
Equitable Share	230 520 000	203 877 000
Expanded Public Works Program	4 095 000	3 296 000
Financial Management Grant	3 000 000	2 850 000
Community Library Service Grant	5 778 000	5 517 000
Ndumo Sports Field	-	5 000 000
Mkuze Information Centre	-	101 556
Mkuze Market Stalls Grant	887 343	-
	244 280 343	**220 641 556**
Capital grants		
Municipal Infrastructure Grant	64 381 000	51 381 000
	308 661 343	**272 022 556**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	78 754 000	68 145 556
Unconditional grants received	230 520 000	203 877 000
	309 274 000	**272 022 556**

Equitable Share

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

Ubuhle Besiko Cultural Grant

Balance unspent at beginning of year	69 700	69 700

Development of Recycling Centre Grant

Balance unspent at beginning of year	10 730	10 730

Fresh Products Market Grants

Balance unspent at beginning of year	73 002	73 002

Implementation of Pound Grant

Balance unspent at beginning of year	48 418	48 418

Expended Public Works Program

Current-year receipts	4 095 000	3 296 000
Conditions met - transferred to revenue	(4 095 000)	(3 296 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Government grants and subsidies (continued)

Financial Management Grant

Current-year receipts	3 000 000	2 850 000
Conditions met - transferred to revenue	(3 000 000)	(2 850 000)
	-	-

Community Library Services Grant

Current-year receipts	5 778 000	5 517 000
Conditions met - transferred to revenue	(5 778 000)	(5 517 000)
	-	-

Municipal Infrastructure Grant

Current-year receipts	64 381 000	51 381 000
Conditions met - transferred to revenue	(64 381 000)	(51 381 000)
	-	-

Mkuze Information Centre

Balance unspent at beginning of year	-	101 556
Conditions met - transferred to revenue	-	(101 556)
	-	-

Ndumo Sports Field Grant

Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(5 000 000)
	-	-

Mkuze Market Stalls

Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(887 343)	-
	112 657	-

Conditions still to be met - remain liabilities (see note 18).

30. Public contributions and donations

Property, plant and equipment from 3rd parties	-	11 357 173
Cash donations from 3rd parties	10 000	-
	10 000	**11 357 173**

Public donations contributions comprises of:		
Community assets	-	11 084 139
Computer equipment	-	273 034
Cash donation	10 000	-
	10 000	**11 357 173**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

31. Fines, Penalties and Forfeits

Law Enforcement Fines	750	-
Pound Fees Fines	8 196	111 497
Municipal Traffic Fines	694 900	441 250
Disciplinary Sanctions	-	16 459
Retentions Forfeits	291 280	-
	995 126	**569 206**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

32. Employee related costs

Basic	79 855 483	76 828 447
Bonus	6 024 987	4 898 206
Medical aid and life cover	8 147 428	7 288 583
UIF	634 852	618 125
Bargaining Council	39 084	37 729
Skills development fund	1 077 936	1 033 214
Leave pay provision charge	1 756 791	844 199
Overtime payments	3 805 984	3 808 232
Long-service awards	754 006	850 219
Acting allowances	1 231 806	344 255
Car allowance	11 744 047	11 438 110
Housing benefits and allowances	1 006 896	704 142
Standby allowance	2 396 506	2 218 909
workmen's compensation fund	1 265 039	642 501
Cellular & telephone allowance	25 200	29 574
Pension	12 178 198	10 934 460
	131 944 243	**122 518 905**

Remuneration of municipal manager - Mr JA Mngomezulu

Annual Remuneration	750 991	799 066
Car Allowance	180 000	180 000
Performance Bonuses	94 160	177 389
Contributions to UIF, Medical and Pension Funds	110 875	94 005
Rural Allowance	7 391	88 695
Housing Allowance	265 000	240 000
Reimbursement travel	118 296	58 385
Leave pay	20 354	-
	1 547 067	**1 637 540**

Remuneration of chief finance officer (Mr VI Gumede) - Appointed on 08 November 2022

Annual Remuneration	457 482	-
Car Allowance	229 082	-
Contributions to UIF, Medical and Pension Funds	19 775	-
Rural Allowance	46 648	-
Reimbursement travel	3 441	-
Acting allowance	41 777	8 449
	798 205	**8 449**

Remuneration of chief finance officer (Mr MT Nkosi) - Contract ended on 31 May 2022

Annual Remuneration	33 951	715 225
Car Allowance	-	238 408
Perfomance bonus	-	135 243
Contributions to UIF, Medical and Pension Funds	517	38 596
Rural Allowance	-	66 754
Leave pay	-	188 011
Reimbursement tavel	-	7 452
	34 468	**1 389 689**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

32. Employee related costs (continued)

Remuneration of Direct of Technical services (Mr. Xp Kunene) - Appointed on 01 September 2022

Annual Remuneration	431 491	-
Car Allowance	150 000	-
Contributions to UIF, Medical and Pension Funds	69 051	-
Rural Allowance	55 579	-
Reimbursement travel	70 031	-
Acting Allowance	9 740	11 148
Housing Allowance	200 000	-
	985 892	**11 148**

Remunaration of Director of Corporate services (Mrs LA Mncwango) - Retired on 31 March 2022

Annual Remuneration	27 778	585 184
Car allowance	-	195 061
Performance Bonuses	-	124 839
Contributions to UIF, Medical and Pension Funds	455	30 854
Reimbursement travel	-	18 618
Rural Allowance	-	54 617
	28 233	**1 009 173**

Remunaration of Acting Director of Corporate services (Mr EM Dlamini)

Acting allowance	45 451	11 148

Remuneration of Director Community Services (LB Mpontshane) - Contract ended on 31 October 2022

Annual Remuneration	346 776	1 040 327
Car Allowance	16 820	84 496
Rural allowance	24 274	72 823
Perfomance bonus	-	135 243
Contributions to UIF, Medical and Pension Funds	23 598	40 692
Leave pay	213 079	-
	624 547	**1 373 581**

Remuneration of Director Community Services (NM Phakathi) - Appointed on 24 January 2023

Annual Remuneration	476 344	-
Rural Allowance	30 616	-
Contributions to UIF, Medical and Pension Funds	15 904	-
	522 864	**-**

Remuneration of Director Strategic and Development Planning (Ms NP Ndaba) - Contract ended on 31 May 2022

Annual Remuneration	33 951	603 423
Car Allowance	-	218 881
Reimbursement travel	-	10 886
Rural Allowance	-	66 754
Perfomance bonus	-	124 839
Contributions to UIF, Medical and Pension Funds	3 123	169 692
Leave pay	-	171 299
	37 074	**1 365 774**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

32. Employee related costs (continued)

Remuneration of Director Strategic and Development Planning (LB Mpontshane) - Appointed on 08 November 2022

Annual Remuneration	462 252	-
Car Allowance	125 000	-
Reimbursement travel	51 728	-
Rural Allowance	44 350	-
Perfomance bonus	60 130	-
Contributions to UIF, Medical and Pension Funds	28 346	-
Housing Allowance	90 000	-
	861 806	**-**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

33. Remuneration of councillors

Executive Mayor	910 245	892 743
Deputy Executive Mayor	735 864	733 221
Exco Members	3 554 563	2 549 791
Speaker	736 439	738 614
Councillors	11 478 512	10 742 899
	17 415 623	**15 657 268**

In-kind benefits

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

The Executive Committee Members are paid as part-time.

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

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

Mayor - Cllr M Mathe From 19 November 2021		
Councillors allowance	645 644	422 650
Cellphone allowance	40 800	27 200
Travel allowance	215 215	125 542
Skills development fund	8 586	5 503
	910 245	**580 895**

Mayor - Cllr DP Mabika from 1 July 2021 to 30 October 2021		
Councillors allowance	-	215 215
Cellphone allowance	-	13 600
Travel allowance	-	71 738
Skills development fund	-	2 862
	-	**303 415**

Deputy Mayor - Cllr NR Zulu		
Councillors allowance	516 516	521 971
Cellphone allowance	40 800	40 800
Travel allowance	172 172	157 824
Skills development fund	6 376	6 313
	735 864	**726 908**

Speaker - Cllr DP Mabika from 19 November 2021		
Councillors allowance	516 516	354 103
Cellphone allowance	40 800	27 200
Travel allowance	172 172	100 434
Skills development fund	6 951	4 617
	736 439	**486 354**

Speaker - Cllr NS Myeni from 1 July 2021 to 30 October 2021		
Councillors allowance	-	172 172
Cellphone allowance	-	13 600
Travel allowance	-	57 391
Skills development fund	-	2 317
	-	**245 480**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

33. Remuneration of councillors (continued)

Executive Committee Member - Cllr NS Myeni from 19 November 2021		
Councillors allowance	451 657	195 132
Cellphone allowance	40 800	27 200
Travel allowance	146 413	52 528
Skills development fund	6 485	2 751
	645 355	**277 611**

Executive Committee Member - Cllr ME Ndlela		
Councillors allowance	270 145	276 968
Cellphone allowance	40 800	40 800
Travel allowance	90 048	82 544
Skills development fund	3 983	3 873
	404 976	**404 185**

Executive Committee Member - Cllr BQ Gumede		
Councillors allowance	451 657	252 833
Cellphone allowance	40 800	40 800
Travel allowance	146 413	75 231
Skills development fund	6 299	3 617
	645 169	**372 481**

Executive Committee Member - Cllr SK Mncwango		
Councillors allowance	451 657	252 833
Cellphone allowance	40 800	40 800
Travel allowance	146 413	75 231
Skills development fund	5 717	3 223
	644 587	**372 087**

Executive Committee Member - Cllr SW Nkonyane		
Councillors allowance	231 748	232 701
Cellphone allowance	40 800	40 800
Travel allowance	77 250	39 729
Skills development fund	3 406	3 162
	353 204	**316 392**

Executive Committee Member - Cllr TE Ntimbane		
Councillors allowance	270 145	177 915
Cellphone allowance	40 800	26 407
Travel allowance	90 048	52 528
Skills development fund	4 171	2 548
	405 164	**259 398**

Executive Committee Member - Cllr SN Gumede		
Councillors allowance	270 145	177 915
Cellphone allowance	40 800	26 407
Travel allowance	90 048	5 258
Skills development fund	3 919	2 500
	404 912	**212 080**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

34. Depreciation and amortisation

Property, plant and equipment	29 063 448	27 246 079
Investment property	2 719 638	2 709 687
Intangible assets	788 179	806 516
	32 571 265	**30 762 282**

35. Impairment of assets

Impairments		
Property, plant and equipment	2 110 248	4 902 350

36. Finance costs

Landfill site	947 404	257 809
Long Service awards	634 005	462 857
	1 581 409	**720 666**

37. Debt impairment

Debt impairment	27 833 240	-
Debt impairment reversal	-	(10 630 507)
Bad debts written off	7 978 415	29 710 004
	35 811 655	**19 079 497**

38. Inventory consumed

Consumables	225 865	337 810

39. Contracted services

Outsourced Services		
Animal Care	281 360	380 148
Burial Services	1 624 891	1 215 994
Catering Services	5 639 148	2 442 934
Cleaning Services	965 254	1 120 564
Refuse Removal	1 404 900	1 028 350
Security Services	3 001 676	336 523
Consultants and Professional Services		
Business and Advisory	13 902 829	12 307 590
Infrastructure and Planning	1 654 433	1 857 775
Legal Cost	594 132	1 982 012
Contractors		
Electrical	337 000	189 205
Maintenance of Buildings and Facilities	3 019 625	2 367 717
Maintenance of Equipment	736 905	38 585
Maintenance of Unspecified Assets	11 963 812	4 256 409
Stage and Sound Crew	258 300	25 000
	45 384 265	**29 548 806**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

40. Transfers and subsidies

Other subsidies		
Bursaries (Non-Employee)	1 891 119	918 156
Electrification expenditure	740 232	2 281 470
Ward upliftment	27 371 553	12 115 676
Operation sukuma sakhe	19 697 240	5 546 888
Agricultural support	2 073 360	-
	51 773 504	**20 862 190**

Bursaries (Non-Employee) reclassified from General expenditure.

41. General expenses

Accommodation cost	4 536 714	1 157 667
Advertising, publicity and marketing	3 835 606	1 511 979
Bank charges	485 632	310 220
Daily allowances	1 046 307	360 795
Donations	2 527 837	-
Drivers licence and permits	14 348	64 155
Electricity	1 813 448	2 364 841
Events	6 314 292	10 852 107
Expanded Public Works Participation	14 403 834	11 409 654
Fuel and oil	6 958 862	4 974 679
Hire charges	3 083 394	2 880 946
Incidental costs	7 408	3 838
Indigent relief	710 800	1 218 640
Insurance	1 782 735	1 350 124
IDP and public participation	2 705 350	3 278 595
IT expenses	396 309	530 055
Learnership and internship	47 774	160 425
Printing and stationery	2 094 371	1 492 966
Protective clothing	3 211 642	1 012 900
Radio and TV transmissions	3 899 582	1 235 569
Remuneration for ward committees	4 108 500	1 822 350
Signage	552 340	40 627
Subscriptions and membership fees	3 246 814	1 320 627
Telephone and fax	3 803 915	3 542 087
Toll gate fees	17 094	10 968
Training	603 585	113 764
Travel - local	6 560 804	2 918 883
Travel Agency and Visa's	2 395 126	1 642 813
Gender development	3 201 001	3 700 749
Disaster management	782 700	586 200
Disability	796 285	324 220
Youth development	1 411 270	539 744
Vehicle tracking	204 499	263 373
Construction contracts	6 600 000	10 561 940
	94 160 178	**73 558 500**

42. Gains or (loss) on disposposal of assets

Property plant and equipment	186 981	121 977
	186 981	**121 977**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Cash generated from operations

(Deficit) surplus	(49 080 696)	16 681 153
Adjustments for:		
Depreciation and amortisation	32 571 265	30 762 282
loss /(Gain) on disposal of assets	(186 981)	(121 977)
Impairment loss	2 110 248	4 902 350
Debt impairment	35 811 655	19 079 497
Movements in operating lease assets and accruals	(111 592)	(15 048)
Advances - Agency/Principal transactions	(84 519)	(1 491 940)
Movements in provisions	1 101 128	875 090
Public Donation	-	(11 357 173)
Non cash movement in inventory	2 527 838	4 533 848
Newly identified asset	(1 019 520)	-
Changes in working capital:		
Receivables from exchange transactions	4 365 433	4 492 887
Debt Impairment	(36 065 115)	(19 079 497)
Receivables from non-exchange transactions	18 672 955	1 037 925
Prepayments	2 346 568	(1 279 970)
Payables from exchange transactions	14 793 071	3 493 042
VAT	(558 665)	2 364 456
Consumer Deposit	3 482	27 064
Unspent conditional grants and receipts	612 657	(101 556)
	27 809 212	**54 802 433**

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	60 954 946	33 314 757
• INEP	11 322 595	1 468 318
	72 277 541	**34 783 075**

Total capital commitments		
Already contracted for but not provided for	72 277 541	34 783 075

Authorised operational expenditure

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 431 155	2 701 815
- in second to fifth year inclusive	112 337	1 682 888
	1 543 492	**4 384 703**

The total future minimum sublease payment expected to be received under non-cancellable sublease	-	-

Operating lease payments represent rentals payable by the municipality for certain of its Photocopy machines and telephones. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of three years. An annual escalations of 10% is charged per the telephone agreement Contingent rent is payable based on the usage per agreement.

Rental expenses relating to operating leases		
Monthly Rental payments	217 149	217 149

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

45. Contingencies

There were are no contingecies during the current year.

46. Related parties

Related party balances

Compensation to accounting officer and other key management		
Councillors	17 415 623	15 657 268
Municipal Manager and Section 56 Personnel	3 439 316	6 806 502
	20 854 939	**22 463 770**

Remuneration of management

Executive committee members
Refer to note 33 councillors remuneration.

Councillors
Refer to note 33 remuneration of councillors

Executive management
Refer to note 32 on "Employee related costs"

47. Change in estimate

Non-current assets

During the current year the remaining useful lives of items of Property, plant and equipment and Intangible, were reassessed. The impact of the adjustment in depreciation and amotirsation charges on these items for the 2023 financial period was as follows:

	Depreciation and amortisation before reassessment	Depreciation and amortisation after reassessment	Impact in the current year	Impact on future periods
Furniture and Fixtures	(49 560)	(38 854)	10 706	(10 706)
Infrastructure	(174)	(116)	58	(58)
Intangible Assets	(174 853)	(139 186)	35 667	(35 667)
IT Equipment	(270 324)	(206 599)	63 725	(63 725)
	(494 911)	**(384 755)**	**110 156**	**(110 156)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Risk management

Financial risk management

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

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation .

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met .

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

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 .

At 28 February 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	48 248 409	-	-	-
Consumer deposits	1 000 909	-	-	-
	49 249 318	**-**	**-**	**-**

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	33 455 334	-	-	-
Consumer deposits	997 427	-	-	-
	34 452 761	**-**	**-**	**-**

Credit risk

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

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents-The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with major institutions. No investments with a tenure exceeding twelve months are made.

48. Risk management (continued)

Trade and Other Receivables-Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

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

Financial instrument	2023	2022
Receivables from exchange transactions	3 169 295	7 281 268
Receivables from non-exchange transaction	-	4 876 138
Prepayments	205 338	2 551 906
Cash and cash equivalents	5 511 721	42 577 347
Payables from exchange transaction	(48 248 409)	(33 455 334)
Consumer deposits	(1 000 909)	(997 427)

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with financial instrument will fluctuate in amount as a result of market interest changes.

In accordance with Grap 104 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification
Current investments	
30 day deposits	Financial Assets at amortised
Trade receivables from exchange transactions & non-exchange transactions	
Consumer debtors	Financial Assets at amortised cost
Other debtors	Financial Assets at amortised cost
Bank, Cash and Cash Equivalents	
Bank Balances Financial	Assets at amortised cost
Cash on hand	At fair Value

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R522 462 191, deficit for the current year amount to R49 080 696 and that the municipality's total assets exceed its liabilities by R522 462 191. The current liabilities of R50 723 051 exceed current assets of R24 049 598. This indicates a possible uncertainty and management will review its plan to address the uncertainty

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

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

50. Events after the reporting date

No events after reporting period were identified

51. Unauthorised expenditure

Opening balance as previously reported	521 845	-
Opening balance as restated	**521 845**	**-**
Add: Expenditure identified - current	94 072 648	521 845
Less: Approved/condoned/authorised by council	(72 910 446)	-
Closing balance	**21 684 047**	**521 845**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	30 036 034	-
Cash	64 036 614	521 845
	94 072 648	**521 845**

Analysed as follows: non-cash

Depreciation and amortisation	11 571 265	-
Impairment loss	2 110 248	-
Finance costs	1 581 409	-
Provision of impairment	14 773 112	-
	30 036 034	**-**

Analysed as follows: cash

Remuneration of councillors	426 314	-
Lease rentals on operating lease	4 701 766	-
Employee related costs	5 344 243	521 845
Inventory Consumed	225 865	-
Contracted Services	11 560 360	-
Transfers and Subsidies	26 199 309	-
General Expenses	15 578 757	-
	64 036 614	**521 845**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

52. Fruitless and wasteful expenditure

Opening balance as previously reported	13 395 782	13 395 782
Opening balance as restated	**13 395 782**	**13 395 782**
Add: Expenditure identified - current	273 623	-
Closing balance	**13 669 405**	**13 395 782**

Fruitless and wasteful expenditure is to be investigated

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

52. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2023	2022
Interest Department of Employment and labour	Amount to be tabled to council	273 623	-

53. Irregular expenditure

	2023	2022
Opening balance as previously reported	579 359 720	480 295 548
Opening balance as restated	**579 359 720**	**480 295 548**
Add: Irregular Expenditure - current	25 695 585	47 695 491
Add: Irregular Expenditure - prior period	13 188 688	43 116 199
Add: Irregular expenditure splitting	-	6 187 007
Add: Irregular Expenditure - Directors in the service of the sate	-	2 065 475
Less: Amount written off - current	(67 494 375)	-
Less: Amount written off - prior period	(333 472 404)	-
Closing balance	**217 277 214**	**579 359 720**

Cases under investigation

	2023	2022
Non compliance with section	12 286 705	12 286 705
Payroll-Security Guards with no finger print	1 823 276	1 823 276
Bid Committee not constituted correct	6 554 450	6 554 450
	20 664 431	**20 664 431**

Notes to the Annual Financial Statements

54. Actual operating expenditure versus budgeted operating expenditure

REVENUE

SERVICE CHARGE

Data cleansing throughout the financial year has eliminated businesses that closed down and others who proved the Municipality was not collecting refuse for. Management is encouraging more businesses to enrol for refuse collection for the Municipality to fulfil its constitutional mandate and concurrently increase revenue.

RENTAL OF FACILITIESAND EQUIPMENT

Lease agreements were renewed in the current financial year and Public works revised down the rental per square metre. Public Works holds the view that the Thusong Centre was donated to service the community and not so much to collect revenue, hence the previous rental was viewed to be unnecessarily high.

INTEREST INCOME TRADING

When budgeting interest on refuse collection and rental debt was lumped with that of interest on property rates. Furthermore a Council resolution was taken not to bill interest on Ingonyama Trust debt.

LICENCES AND PERMITS

Loadshedding has adversely affected the traffic station's issue of licences. Management has purchased solar panels to avoid further loss of revenue.

OTHER INCOME

Insurance refunds have boosted this revenue stream.

INTEREST RECEIVE-INVESTMENT

Investments of surplus funds were made and hence the overachievement. Management will continue to exploit such opportunities to invest as soon as the Municipality receives tranches to up this revenue further.

INTEREST ON PROPERTY RATES

When budgeting interest on refuse collection and rental debt was lumped with that of interest on property rates. Furthermore a Council resolution was taken not to bill interest on Ingonyama Trust debt.

PUBLIC CONTRIBUTIONS AND DONATIONS

These small donations were not budgeted for.

FINES,PENALTIES AND FORTEITS

Fines issued were underbudgeted for since these are based on infringements and cannot be budgeted for with pinpoint precision.

EXPENDITURE

DEPRECIATION AND AMORTISATION

Budget was estimated around the assumption that disposals will take effect during the financial year which and this did not happen. Management will dispose off assets some assets in the year subsequent to the year under audit.

IMPAIRMENT LOSS/REVENUEOF IMPAIRMENTS

Assessment of assets for impairment took place at year end and impairment losses were not budgeted for. Management is going to correct this going forward albeit the challenge of budgeting with pinpoint accuracy.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

FINANCE COST

Finance costs on actuarial assessments and land fill site assessment were not budgeted for. Management is going to rectify this going forward.

LEASE RENTALS ON OPERATING LEASE

Smoothing and calculation of lease liability, expense and asset take effect at the end of the financial year

DEBT IMPAIRMENT

Positive variance is due to the reason that the amnesty has motivated debtors to pay and also the one on one meetings that Management is undertaking with debtors is bearing positive results.

CONTRACTED SERVICES

The February 2023 storms disaster damaged access roads and inhibited the flow of economic activities, travelling to schools, hospitals and clinics and the repairs of roads exceeded the already limited budget. Management applied for a disaster grant and have not received a response from COGTA.

TRANSFER AND SUBSIDIES

Bursaries: During the period of 2023, the applications received from students who requested funding increased since the municipality started the programme of visiting high schools to assist with career guidance. This office haves done a lot of community engagements where the youth was advised of the programmes available from the office. Therefore the demand for study assistance was too high. The Operation Sukuma Sakhe account is also used by the Mayor to intervene with respect to building houses for the destitute and respond to community requests had a limited budget. Ward upliftment projects including handover thereof have stretched the budget in excess of the limit.

GENERAL EXPENSES

Electrification projects were not budgeted for under this vote. The backup generator fuel has also contributed to fuel expenses exceeding budget. Travelling expenses resulting from the February 2023 disaster as the Infrastructure and disaster teams had to travel the twenty three wards assessing infrastructure damage, the Infrastructure Portfolio councillors' and MPAC councillors' checking of projects have increased travelling expenses. Travelling in attendance of Municipal events have also stretched the budget over limit.

CASH FLOW STATEMENT

CASH FLOW FROM OPERATING ACTIVITIES

INTEREST INCOME

Community high demand on goods and services resulted in over-performance by the municipality hence less investments on resources

VAT RECEIVED

Huge amount on payments to VAT registered Services provider resulted in more VAT claimes

CASH RECEIVED FROM CUSTOMERS

Emplementation of revenue enhancement strategy made good performance on revenue collection

CASH PAID TO SUPPLIERS

High demand of goods and services emanating from the municipal visibility and interventions to communities resulted in limited resources utility.

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

NET CASH FLOW FROM OPERATING ACTIVITIES

PURCHASE OF INVESTMENT PROPERTY

Variance based on the reason that Ndumo rental stock being the revenue enhancement facility should always be in good condition

PURCHASE OF OTHER INTANGIBLE ASSETS

GIS procurement and Since the municipality is embarking on inteventions sitelight offices were opened and provided with Computers and software

55. 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.

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

Deviation		
Emergency	649 185	1 707 907
Sole service provider	-	182 064
	649 185	**1 889 971**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government		
Opening balance	(1 435 516)	(1 080 261)
Current year subscription/ fee	1 435 516	1 171 671
Amount paid - current year	-	(1 526 926)
	-	**(1 435 516)**
Audit fees		
Current year subscription/ fee	3 367 284	2 642 676
Amount paid - current year	(3 367 284)	(2 642 676)
	-	-
PAYE and UIF		
Opening balance	(2 786)	(427)
Current year subscription/ fee	24 047 292	20 574 405
Amount paid - current year	(22 138 639)	(20 576 764)
	1 905 867	**(2 786)**
Medical aid deductions		
Current year subscription/ fee	11 003 472	9 971 631
Amount paid - current year	(11 003 472)	(9 971 631)
	-	-
Pension		
Current year subscription/ fee	17 672 048	17 451 318
Amount paid - current year	(17 672 048)	(17 451 318)
	-	-
VAT		
VAT receivable	1 601 286	1 042 621

VAT output payables and VAT input receivables are shown in note 6.

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

Councillors' arrear consumer accounts

There are no outstanding balance as at 30 June 2023

Notes to the Annual Financial Statements

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57. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and Public safety, Economic planning and Development, and Gevernance and Trading services. Management uses these same segments for determining strategic objectives.

Aggregated segments

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

Community and public safety: Community services, Library services and Traffic services

Economic planning and development: Local Development, Technical department and Planning department.

Gevernance and Trading services: Waste management, Corporate services department, Governance and Finance department.

Notes to the Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Segment surplus or deficit

2023

	Revenue from exchange transactions	Revenue from non-exchange transactions	Total Segment revenue	Salaries and wages	Depreciation, amortisation and impairment	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
Revenue								
Community and Public safety	1 536 441	87 148 092	88 684 533	52 673 067	13 867 787	59 606 511	126 147 365	(37 462 832)
Economic planning and Development	6 720 329	95 599 485	102 319 814	17 862 831	12 732 179	70 448 204	101 043 214	1 276 600
Trading services	15 214 429	161 509 892	176 724 321	78 823 971	8 081 547	103 583 925	190 489 443	(13 765 122)
Total	**23 471 199**	**344 257 469**	**367 728 668**	**149 359 869**	**34 681 513**	**233 638 640**	**417 680 022**	**(49 951 354)**
Revenue related reconciling items								
Gain on disposal of assets and liabilities			186 980					186 980
Actuarial gains			683 678					683 678
Entity's revenue			**368 599 326**					
Entity's Surplus (deficit) for the period								**(49 080 696)**

57. Segment information (continued)

Segment assets and liabilities

2023

	Total segment assets	Total segment liabilities
Community and Public safety	248 091 552	500 000
Economic planning and Development	108 892 589	10 665 092
Trading services	228 386 615	51 743 474
Total segment assets	**585 370 756**	**62 908 566**
Reconciling items		
Debtors with credit balances	694 786	694 786
3rd partiy pepayment	866	866
Total as per Statement of financial Position	**586 066 408**	**63 604 218**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

58. Prior period errors

Receivables from non-exchange transactions

Through the detailed review and reconciliation of employee cost it was noted that a payroll refunds made by an employee in July 2021 was incorrectly allocated to employee cost instead of being allocated to Staff and payroll refund. A retrospective adjustment has been made to correct the error.

Through the detailed review and reconciliation of property rates account balance and supporting schedules noted the following discrepancies:-
1. UMkuze Clinic was incorrectly billed property rates for a property owned by the municipality Between the 2017 to 2021 financial years.
2. Sqakatha Tribal Court was incorrectly duplicated on the system, resulting in a duplicate billing of property rates for one property.
3. A property owned by Space Mkuze Properties CC was incorrectly overvalued in the valuation for 2019.
4. The municipality incorrectly incorrectly billed property rates on a property classified as a public service infrastructure.
5. A 25% phasing in was incorrectly not applied to the rates billing of Crystal Lagoon bhambanana department of education during the 2022 financial year.

The above resulted in an over statement of property rates and receivables from non-exchange transactions. A retrospective adjustment has been made to correct the error.

Tiger lodge had been disputing the exorbitant market increase from R27 million to R80 million in the 2019 valuation, which resulted in an increase in the monthly property rates billing. The customer engaged a private valuer who assessed the property at R45 million. Management as part of revenue enhancement decided to get the two valuers in a special meeting to thrash out this protracted issue. The two valuers agreed on a market value of R51 million. The municipality accounted for the error in valuation of the property introspectively.

Payable from exchange transactions

The municipality had outstanding workmen's compensation fund returns for the 2009 to 2022 financial years.The municipality did not make annual submission as required resulting to understatement of expenditure and liability for those financial years. The expenditure relating to these returns has been recorded in the relevant financial period.

Provisions

During the current it was noted that the municipality incorrectly accounted for landfill site provision inclusive of VAT. This resulted in an overstatement of of expenditure and liability

Property, pant and equipment

During the current financial year the municipality received invoices for professional civil engineering services rendered at Kwambuzi Community Hall and Mtshakela Access Road during the 2022 financial year. The projects were certified as complete and subsequently capitalised during 2022 financial year. The invoice was not submitted on time by the service provider and resulted to understatement of cost price of asset, depreciation and payable from exchange transactions.

During the asset verification, we noted two vehicles that were not on the ground upon investigation we confirmed that the vehicles were disposed during the 2019 and 2021 financial years.We also noted a vehicle on the ground but not on the fixed asset register, upon investigation it was noted that the vehicle was incorrectly disposed on the fixed asset register during the 2019 financial year. This resulted in over statement of property, plant and equipment. A retrospective adjustment has been made to correct the error.

During the 2021/22 audit period the Auditor General pointed out that some assets in the fixed asset register were not indicative of the future economic benefits of the assets. During the current financial year management performed detailed review of the fixed asset register. It was noted that 718 assets were significantly under valued. The root cause is that management did not re-assess infrastructure and other assets as required by GRAP 17 paragraph 56. This resulted in an understatement of Property Plant and Equipment and overstatement of depreciation in the prior years. The error was corrected retrospectively.

During the 2021/22 verification process, the municipality identified 865 assets that were not accounted for in its fixed asset register. During the investigation it was noted that these assets were incorrectly written off in the prior years. This resulted in an understatement of Property Plant and Equipment and depreciation in the prior years. The error was corrected retrospectively.

58. Prior period errors (continued)

During the current year it was noted the estimated useful life for a number of assets was not in line with the municipality's asset management policy. This resulted in an overstatement of Property Plant and Equipment and under statement of depreciation in the prior years. The error was corrected retrospectively.

Receivables from exchange transactions

The municipality billed rental income to Home Affairs and the Department of Labour at incorrect rates between 2014 and 2019 financial years, resulting in the over statement of rent income and receivables from exchange transactions. The error has been corrected retrospectively.

The municipality incorrectly billed the Okhayeni Primary School for refuse services not rendered during January 2020 to December 2021. This resulted in an over statement of refuse removal and receivables from exchange transactions. A retrospective restatement restatement has been processed on the system to correct the error.

The correction of the errors results in adjustments as follows:

Statement of financial position	2022	2021
Receivables from exchange transactions	(203 612)	(203 612)
VAT receivable	62 777	26 558
Receivables from non-exchange transactions	(1 908 887)	(1 307 858)
Property, plant and equipment	46 211 858	43 877 835
Investment property	(980 314)	(7 411)
Intangible assets	85 797	117 730
Payables from exchange transactions	(3 804 193)	(2 884 003)
Provisions	976 761	900 248
Opening Accumulated Surplus or Deficit	(40 440 187)	(40 519 487)

Statement of financial performance	
Employee related costs	(645 664)
Property rates	(597 866)
Depreciation	(6 402 082)
Finance costs	76 513
Government grants & subsidies	(980 314)
Transfers & subsidies	85 797
Impairment	7 489 799

Receivables from non-exchange transactions	
Audited amount	34 143 800
Staff and payroll refund	(3 163)
Property rates	(1 905 724)
	32 234 913

Receivables from exchange transactions	
Audited amount	7 484 880
Correction of prior year error - Housing rental	(174 168)
Correction of prior year error - Refuse removal	(29 444)
	7 281 268

VAT	
Audited amount	979 844
Correction of prior year error - Housing rental	22 718
Correction of prior year error - Refuse removal	3 840
Correction of prior year error - Work in progress	36 219
	1 042 621

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

58. Prior period errors (continued)

Payables from exchange transactions

Audited amount		(29 651 140)
Correction of prior year error -Workmen's compensation fund		(3 526 503)
Correction of prior year error - Work in progress		(277 690)
		(33 455 333)

Accumulated surplus

Audited amount		(531 102 702)
Correction of prior year error - Receivables from exchange transactions		203 612
Correction of prior year error - VAT receivable		(62 777)
Correction of prior year error - Receivables from non-exchange transactions		1 908 887
Correction of prior year error - Property, plant and equipment		(46 211 858)
Correction of prior year error - Payables from exchange transactions		3 804 193
Correction of prior year error - Provisions		(976 761)
Correction of prior year error - Investment property		980 314
Correction of prior year error - Intangible assets		(85 797)
		(571 542 889)

Employee related costs

Audited amount		(121 873 241)
Correction of prior year error - workmen's compensation fund		(642 501)
Correction of prior year error - Basic salary		(3 163)
		(122 518 905)

Property Rates

Audited amount		30 088 774
Correction of prior year error - Property Rates		(597 866)
		29 490 908

Property, plant and equipment

Audited amount		404 150 933
Correction of prior year error - Community Assets		19 992
Correction of prior year error - Infrastructure Assets		202 263
Correction of prior year error - Motor vehicles		73 545
Correction of prior year error - Reversal of PY write-offs		772 994
Correction of prior year error - Reassessment of assets		49 244 554
Correction of prior year error - Estimated useful life		(4 101 490)
		450 362 791

Depreciation

Audited amount		(24 360 199)
Correction of prior year error - Community Assets		(485)
Correction of prior year error - Infrastructure Assets		(18 731)
Correction of prior year error - Motor vehicles		(18 021)
Correction of prior year error - Reversal of PY write-offs		(260 897)
Correction of prior year error - Reassessment of assets		(2 536 587)
Correction of prior year error - Estimated useful life		(3 567 361)
		(30 762 281)

Provisions

Audited amount		(12 861 971)
Correction of prior year error - Landfill site		976 761
		(11 885 210)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

58. Prior period errors (continued)

Finance costs		
Audited amount		(797 179)
Correction of prior year error - Landfill site		76 513
		(720 666)

Investment Property		
Audited amount		78 559 134
Correction of prior year error - Estimated useful life		(980 314)
		77 578 820

Intangible Assets		
Audited amount		2 499 978
Correction of prior year error - Estimated useful life		85 797
		2 585 775

Impairment		
Audited amount		(12 392 149)
Correction of prior year error - Estimated useful life		7 489 799
	-	**(4 902 350)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

59. Prior-year adjustments

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

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		11 977 774	(203 612)	11 774 162
Receivables from non-exchange transaction		34 580 696	(1 307 858)	33 272 838
VAT receivable		3 380 519	26 558	3 407 077
Property, plant and equipment		348 791 513	43 877 835	392 669 348
Investment property		79 891 232	(7 411)	79 883 821
Intangible assets		3 179 948	117 730	3 297 678
Payables from exchange transactions		(27 079 283)	(2 884 003)	(29 963 286)
Provisions		(12 861 971)	900 248	(11 961 723)
Accumulated surplus		(514 342 246)	(40 519 487)	(554 861 733)
		(72 481 818)	**-**	**(72 481 818)**

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions	4	7 484 881	(203 612)	-	7 281 269
Receivables from non-exchange transaction	5	34 143 800	(1 908 887)	-	32 234 913
VAT receivable	6	979 844	62 777	-	1 042 621
Property, plant and equipment		404 150 933	46 211 858	-	450 362 791
Investment property		78 559 134	(980 314)	-	77 578 820
Intangible assets		2 499 978	85 797	-	2 585 775
Payables from exchange transactions	15	(29 651 140)	(3 804 193)	-	(33 455 333)
Advances - Agency/Principal transactions		-	-	(166 073)	(166 073)
Unspent conditional grants and receipts		(367 923)	-	166 073	(201 850)
Provisions		(12 910 529)	976 761	-	(12 910 529)
Accumulated surplus	58	(531 102 702)	(40 440 187)	-	(571 542 889)
		(46 213 724)	**-**	**-**	**(47 190 485)**

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Property rates		30 088 774	(597 866)	-	29 490 908
Employee related costs	32	(121 873 241)	(645 664)	-	(122 518 905)
Contracted services	39	(31 870 567)	-	2 321 761	(29 548 806)
Depreciation		(24 360 199)	(6 402 082)	-	(30 762 281)
Transfers and Subsidies	40	(19 316 271)	-	(1 545 919)	(20 862 190)
General expenditure	41	(62 220 718)	85 797	(11 337 782)	(73 472 703)
Construction Revenue	22	-	(980 314)	10 561 940	9 581 626
Finance costs	32	(797 179)	76 513	-	(720 666)
Licences and permits	26	261 128	-	981 997	1 243 125
Licences and Permits (Non-exchange)	33	981 997	-	(981 997)	-
Impairment	41	12 392 149	(7 489 799)	-	4 902 350
Surplus for the year		**(216 714 127)**	**(15 953 415)**	**-**	**(232 667 542)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

59. Prior-year adjustments (continued)

Change in accounting policy

The municipality amended the Property, plant and equipment and Investment property accounting policy notes (see note 1.6 and note 1.5 respectively) in the current year. The purpose of the amendment was to align the policy notes to the municipality's asset management policy and the Local government capital asset management guideline issued by National Treasury.

Reclassifications

Certain comparative figures have been reclassified.

The following reclassifications adjustment occurred:

Advances - Agency/Principal transactions

Reclassified Housing and LGSETA Grant from Unspent conditional grants and receipts to Advances - Agency/Principal transactions	R 166 073

Licences and permits

Reclassified Road and Transport from Licences and Permits (Non-exchange) to Licences and Permits from exchange exchange	R 981 997

Contracted services

Reclassified expenditure allocated to Business and Advisory to Disaster management	R 586 200
Reclassified expenditure allocated to Catering Services to DP and public participation	R 1 458 210
Reclassified expenditure allocated to Catering Services to DP and public participation	R 277 351

Transfers and Subsidies

Reclassified expenditure allocated to Poverty Relief to Disability expenditure	R 324 219
Reclassified expenditure allocated to Poverty Relief to Gender development	R 3 676 749

General expenditure

Reclassified expenditure allocated to Indigent relief to Indigent relief - OSS	R 5 546 888
Reclassified Construction contract expenditure from Government grants & subsidies Construction contracts	R 10 561 940

Construction contracts

Reclassified Construction contract revenue from Government grants & subsidies Construction contracts	R 10 561 940