Nkandla Local Municipality
(Registration Number KZN 286)
Trading as Nkandla Municipality
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Local 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 (Act 108 of 1996)
Legislation governing 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 1996) Local Government: 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) Local Government: Municipal Structures Act (Act 117 of 1998)
Nature of business and principal activities	The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and supplying of services such as provision of electricity and refuse collection to the community. General Services - All types of services rendered by the municipality, excluding the supply of housing and water to the community. Waste Management services - the collection and disposal of waste. Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers of the municipality in licensed areas.

Executive committee

Mayor	Cllr N.F.J Nzuza (Appointed - 15 April 2025)
	Cllr M.B Biyela (Deceased - 15 Dec 2024)
Deputy mayor	Cllr N.P.N Magubane (Appointed - 15 April 2025)
Speaker	Cllr S.O Sibiya
Exco Members	Cllr T.B Ntombela
	Cllr N.A Ntombela
	Cllr S.M Bhengu
Mpac Chairperson	Cllr N.P Mahaye (Appointed - 15 April 2025)
	Cllr B.B Ndima
	Cllr B.T Dlomo
	Cllr C.L Jali
	Cllr J.B Ntuli
	Cllr J.S Sithole
	Cllr L.B Manyoni
	Cllr L.N Ngobese
	Cllr M.B.E Ntombela
	Cllr N.W Gasa
	Cllr P.P Nkwanyana
	Cllr S.M Ngobese
	Cllr S.N Ngobese
	Cllr S.T.P Ngubane
	Cllr S.V Ngonyama
	Cllr X.T Mdunge
	Cllr C.N Mbambo
	Cllr M.R Mazibuko
	Cllr S Nsele
	Cllr N.D Mbatha (Appointed - 10 March 2025)
	Cllr N.M Shelembe

Grading of local authority	Grade 2

General Information

Chief Financial Officer (CFO)	Mr. M.E.O Mkhize
Accounting Officer	Ms N.P Dlamini
Registered office	Private Bag X 161 Nkandla 3855
Business address	Maree Road, Lot 292 Nkandla 3855
Bankers	FNB Absa Nedbank
Auditors	Auditor General of South Africa
Attorneys	Panel of Legal Attorneys Gumede and Jona Inc. NS Ntanzi Attorneys Siyaya Attorneys Zuma and Partners Inc. Garlicke and Bousfield Miya Attorneys Makhofola Attorneys Mazibuko Z and Associates Modiba Motsai Attorneys Nkosi Sabelo Attorneys Venn Nemeth and Hart Attorneys

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The reports and statements set out below comprise the Annual Financial Statements presented to the Municipal Council:

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
PAYE	Pay As You Earn
MIG	Municipal Infrastructure Grant
FMG	Financial Management Grant
MFMA	Municipal Finance Management Act
MSCOA	Municipal Standard Chart of Accounts
MEC	Member of the Executive
CIGFARO	Chartered Institutite of Government Finance Audit and Risk Officers
INEP	Integrated National Electrification Programme

Accounting Officer’s Report

1. Review of activities

The municipality is engaged in local government activities, which include planning and promotion of integrated development plan and supplying of the services to the community which are waste collection, sale of electricity and environmental health services.

The municipality has generated a net surplus of R51 283 495 (2024: R29 240 061) from its operating activities.

2. Going Concern

I draw the attention to the fact that on 30 June 2025, the municipality had an accumulated surplus of R384 105 937 (2024: R332 822 437). The municipality’s current assets of R66 955 221 (2024: R17 460 807) exceeded its current liabilities R41 78 934 (2024: R30 726 211) with an amount of R25 376 287 (2024: -R13 265 404) and that the municipality’s total assets R432 660 478 (2024: R370 718 028) exceeded its total liabilities R48 554 541 (2024: R37 895 591) by R384 105 937 (2024: R332 822 437).

Description	2025 (Norm)	2024 (Norm)
Current Ratio	1.6:1 (1.5:1)	0.56 :1 (1.5:1)
Cash Coverage Ratio	1 month (1-3 months)	0 month (1-3 months)
Creditor Payment Period	45,3 (30,0) days	31,6 (30.0) days

The annual financial statements have been prepared based on 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. All impairments were measured and judged in line with past performances.

The municipality has assessed that no going concern issues have been noted and that the municipality can continue in operational existence for the foreseeable future.

3. Subsequent Events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the annual financial statements.

4. Accounting Officers’ interest in contracts

The accounting officer has no interest in contracts awarded, either direct or indirect.

5. Accounting Policies

The annual financial statements are prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name: Ms Nomfundo Phumzile Dlamini

7. Corporate Governance

General

The Accounting Officer is committed to do business operations of the municipality with integrity, transparency and professionalism. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report IV on Corporate Governance for South Africa of September 2009. The accounting officer discusses the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the Code on a quarterly basis. The salient features of the municipality's adoption of the Code are outlined below:

Performance and Audit Committee (PAC)

The municipality has a functional Performance and Audit Committee. The committee currently comprises of three members, following the passing of the fourth member who passed away on the 10th of April 2025 – may the soul of Advocate Mhlongo rest in eternal peace. The current committee was appointed and resumed their duties in the beginning of April 2024, as contemplated in Chapter 14, Section 166 (2)(a) of the local government Municipal Finance Management Act, 2003 (Act No 56 of 2003), and the appointment period is for three years

The committee sits on a quarterly basis to consider the items that are set out in the agenda and has a Independent Risk Chairperson who reports to the Performance Audit Committee on the progress of the mitigating of risks as identified in the risk register.
The Internal Audit Plan has been approved by the Performance and Audit Committee at the beginning of the financial year 2024/25.

Internal Audit

The provision of Internal Audit services is outsourced, and the Internal Auditors were appointed in the financial year 2023/2024. At the beginning of the 2024/25 financial year, they presented the Internal Audit Plan which was approved by the PAC, and the plan has been fully implemented.

The progress report on the audit issues is being presented to the Performance Audit Committee with fees that have been claimed. The municipality took an initiative in ensuring that there is a skills transfer from the Internal Auditors by creating the position of the Internal Audit Clerk so that in future there will be an establishment of the unit

8. Integrity Management and Consequence Management

The Council and Management of the municipality has a very strong attitude towards legislative compliance, specifically the Supply Chain Management principles, and the proper functioning of the Performance and Audit Committee (PAC), Risk Management Committee (RIMCO), Municipal Public Accounts Committee (MPAC) and the Financial Disciplinary Board (FDB).

The above-mentioned committees are being chaired by independent chairpersons especially the PAC, RIMCO and FDB. All the above-mentioned committees are functional because they have adhered to the quarterly seating of the prescribed meetings to deliberate on matters pertaining to the municipality operations as they play their oversight roles and responsibilities. Where required, matters are reported to the relevant external authorities for further investigation. Appropriate and relevant consequence management is also instituted, as and when required.

The Council's stance to fraud and corruption is zero tolerance and in line with this, the efficient application of instructions contained in the policies and procedures of Nkandla Local Municipality, is one of the most important duties to be applied by every employee in execution of daily tasks.

The main principles upon which the Nkandla Local Municipality is based on are:

Creating a culture which is ethical and intolerant to fraud and corruption;

Deterrence of fraud and corruption;

Prevention of fraud and corruption which cannot be deterred;

Detection of fraud and corruption;

Investigation of detected fraud and corruption;

Taking appropriate action in the event of such irregularities, e.g. disciplinary action (consequence management), recovery of losses, to the extent required , and prosecution; and

Applying sanctions, that includes blacklisting and prohibition from further employment.

All staff, including senior management and councillors, are obliged to declare specific personal assets and private business interests on an annual basis. These annual financial declarations are subjected to verification and where identified life-style audits are done. Declarations in terms of the following are being done:

Shares and other financial interests (not bank accounts with financial institutions);

Directorship and partnership (also those held by the spouse and close family members);

Remunerated work outside of the municipality;

Consultancies and retainerships;

Sponsorship;

Gifts and hospitality from a source other than a family member (exceeding the value of R350 over a period of 12 months);

Land and property registered in their name;

Vehicle(s) owned (registered) in their name;

Participation in elections.

9. Non-compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Act (No. 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

In terms of section 126 (1)(a) of the Municipal Finance Act (No. 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

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 were 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 judgement and estimates. I as the Accounting Officer acknowledge that I am 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 me to meet these responsibilities, I have set 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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am 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.

I have reviewed the Municipality’s cash flow forecast for the 30 June 2026 financial year and, in light of this review and the current financial position, I am satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 27 to these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The Annual Financial Statements set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) set out on page 8 - 80, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2025:

Ms N.P Dlamini
Accounting Officer

Statement of Financial Position as at 30 June 2025

	Note(s)	2025 R	2024 Restated* R
Assets			
Current Assets			
Receivables from exchange transactions	6	9,957,229	4,396,109
Receivables from non-exchange transactions	7	50,504,471	7,965,403
Cash and cash equivalents	9	6,493,521	5,099,295
		66,955,221	**17,460,807**
Non-Current Assets			
Investment property	3	8,501,866	8,920,493
Property, plant and equipment	4	357,122,689	344,256,625
Intangible assets	5	80,702	80,103
		365,705,257	**353,257,221**
Total Assets		**432,660,478**	**370,718,028**
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	12	3,038,103	1,522,823
Other liabilities (INEP)	13	-	198,163
Finance lease obligation	14	878,691	808,872
Payables from exchange transactions	15	36,826,971	27,667,005
Provisions	16	455,169	415,343
Employee benefit obligation	17	380,000	114,000
		41,578,934	**30,726,206**
Non-Current Liabilities			
Finance lease obligation	14	387,619	1,188,142
Provisions	16	3,548,078	3,063,238
Employee benefit obligation	17	3,039,910	2,918,000
		6,975,607	**7,169,380**
Total Liabilities		**48,554,541**	**37,895,586**
Net Assets		**384,105,937**	**332,822,442**
Accumulated surplus		384,105,937	332,822,442
Total Net Assets		**384,105,937**	**332,822,442**

* See Note 40

Statement of Financial Performance for the year ended 30 June 2025

	Note(s)	2025 R	2024 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	18	14,387,680	13,419,110
Rental of facilities and equipment	19	1,395,552	1,387,852
Interest on consumer debtors	20	1,982,805	2,038,394
Other income	21	1,193,379	757,611
Interest received - investment and other	22	2,075,244	2,157,529
Total revenue from exchange transactions		**21,034,660**	**19,760,496**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	65,846,173	62,730,620
Transfer revenue			
Government grants and subsidies	24	166,278,985	154,385,972
Commission - Department of Transport	50	63,981	72,138
Public contributions and donations	53	7,285	-
Fines, penalties and forfeits	25	336,330	215,701
Contract revenue- INEP	11	7,039,000	8,000,000
Total revenue from non-exchange transactions		239,571,754	225,404,431
Contract revenue			
Contract revenue: INEP	10	-	6,801,837
Total revenue		**260,606,414**	**251,966,764**
Expenditure			
Employee related costs	26	(75,718,777)	(70,350,745)
Remuneration of councillors	27	(11,141,945)	(11,263,969)
Depreciation and amortisation	28	(20,684,870)	(19,774,782)
Finance costs	54	(590,623)	(698,453)
Lease rentals on operating lease	30	(1,428,754)	(3,268,222)
Debt impairment	31	(13,150)	(14,592,471)
Bulk purchases	32	(23,620,733)	(21,056,388)
Contracted services	34	(32,375,355)	(32,506,227)
Transfers and subsidies	51	(1,202,157)	(1,124,148)
General expenses	33	(50,072,691)	(40,400,928)
Total expenditure		**(216,849,055)**	**(215,036,333)**
Operating surplus		**43,757,359**	**36,930,431**
Long service award loss	17	99,000	(506,000)
Debt impairment reversal	52	13,171,263	-
Impairment loss	29	(1,187,255)	(3,934,883)
Assets written-off	4	(4,447,549)	(3,360,725)
Re-measurement of landfill site provision	16	(109,323)	111,238
		7,526,136	**(7,690,370)**
Surplus for the year		**51,283,495**	**29,240,061**

* See Note 40

Statement of Changes in Net Assets for the Year ended 30 June 2025

	Accumulated surplus / deficit R	Total net assets R
Opening balance as previously reported	308,301,810	308,301,810
Adjustments		
Correction of errors 40	(4,719,429)	(4,719,429)
Balance at 1 July 2023 as restated*	**303,582,381**	**303,582,381**
Changes in net assets		
Surplus for the year	29,240,061	29,240,061
Total changes	29,240,061	29,240,061
Restated* Balance at 1 July 2024	**332,822,442**	**332,822,442**
Changes in net assets		
Surplus for the year	51,283,495	51,283,495
Total changes	51,283,495	51,283,495
Balance at 30 June 2025	**384,105,937**	**384,105,937**

Note(s)

* See Note 40

Cash Flow Statement for the year ended 30 June 2025

	Note(s)	2025 R	2024 Restated* R
Cash flows from operating activities			
Receipts			
Property rates and other receipts from non-exchange transactions		35,946,256	68,033,005
Services charges and other receipts from exchange transactions		19,456,341	11,928,403
Grants		167,794,265	153,562,719
Interest received- investment		2,075,244	2,157,529
Construction contracts		7,896,687	17,220,276
		233,168,793	252,901,932
Payments			
Employees and Councillors		(85,467,699)	(80,803,233)
Suppliers, Service Providers and other		(106,135,162)	(136,708,815)
Interest paid		(60,984)	(144,193)
Transfers and Subsidies		(1,202,157)	(1,124,148)
		(192,866,002)	(218,780,389)
Net cash flows from operating activities	35	**40,302,791**	**34,121,543**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(38,029,991)	(28,499,930)
Purchase of other intangible assets	5	(18,733)	-
Net cash flows from investing activities		**(38,048,724)**	**(28,499,930)**
Cash flows from financing activities			
Repayment – Finance Lease		(730,704)	(1,321,186)
Finance cost – Finance Leases		(129,137)	(151,991)
Net cash flows from financing activities		**(859,841)**	**(1,473,177)**
Net increase in cash and cash equivalents		**1,394,226**	**4,148,436**
Cash and cash equivalents at the beginning of the year		5,099,295	950,863
Cash and cash equivalents at the end of the year	9	**6,493,521**	**5,099,299**

* See Note 40

Statement of Comparison of Budget and Actual Amounts for the Year ended 30 June 2025

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	19,542,654	(4,121,169)	**15,421,485**	14,387,680	**(1,033,805)**	Note 53
Rental of facilities and equipment	1,401,092	276,502	**1,677,594**	1,395,552	**(282,042)**	Note 53
Interest on consumer debtors	1,241,806	-	**1,241,806**	1,982,805	**740,999**	
Other income	944,239	672,733	**1,616,972**	1,193,379	**(423,593)**	Note 53
Interest received - investment	3,148,101	-	**3,148,101**	2,075,244	**(1,072,857)**	
Total revenue from exchange transactions	**26,277,892**	**(3,171,934)**	**23,105,958**	**21,034,660**	**(2,071,298)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	66,120,728	(274,552)	**65,846,176**	65,846,173	**(3)**	Note 53
Surcharges and Taxes	883,797	292,123	**1,175,920**	-	**(1,175,920)**	Note 53
Transfer revenue						
Government grants & subsidies	162,627,000	5,075,260	**167,702,260**	166,278,985	**(1,423,275)**	Note 53
Levies	-	-	**-**	63,981	**63,981**	
Public contributions and donations	-	-	**-**	7,285	**7,285**	
Fines, Penalties and Forfeits	76,441	26,910	**103,351**	336,330	**232,979**	Note 53
Construction revenue from non exchange	7,039,000	-	**7,039,000**	7,039,000	**-**	
Total revenue from non-exchange transactions	**236,746,966**	**5,119,741**	**241,866,707**	**239,571,754**	**(2,294,953)**	
Total revenue	**263,024,858**	**1,947,807**	**264,972,665**	**260,606,414**	**(4,366,251)**	
Expenditure						
Employee costs	(72,273,463)	(3,737,135)	**(76,010,598)**	(75,718,777)	**291,821**	Note 47 & 53
Remuneration of councillors	(11,979,341)	940,751	**(11,038,590)**	(11,141,945)	**(103,355)**	Note 47 & 53
Depreciation and amortisation	(18,696,008)	(812,829)	**(19,508,837)**	(20,684,870)	**(1,176,033)**	Note 47 & 53
Impairment loss/ Reversal of impairments	-	-	**-**	(1,187,255)	**(1,187,255)**	Note 47
Finance costs	(62,846)	(127,275)	**(190,121)**	(590,623)	**(400,502)**	Note 47 & 53
Operating lease	(1,323,881)	-	**(1,323,881)**	(1,428,754)	**(104,873)**	Note 47
Debt impairment	(4,100,000)	-	**(4,100,000)**	(13,150)	**4,086,850**	Note 47
Bad debts written off	(468,218)	-	**(468,218)**	-	**468,218**	Note 47
Bulk purchases	(22,000,000)	(1,620,733)	**(23,620,733)**	(23,620,733)	**-**	Note 47 & 53
Contracted services	(45,058,073)	668,519	**(44,389,554)**	(32,375,355)	**12,014,199**	Note 47 & 53
Transfer and subsidies	(1,300,000)	97,843	**(1,202,157)**	(1,202,157)	**-**	Note 53
General Expenses	(42,800,214)	(474,285)	**(43,274,499)**	(50,072,691)	**(6,798,192)**	Note 47 & 53
Total expenditure	**(220,062,044)**	**(5,065,144)**	**(225,127,188)**	**(218,036,310)**	**7,090,878**	
Operating surplus	**42,962,814**	**(3,117,337)**	**39,845,477**	**42,570,104**	**2,724,627**	

Statement of Comparison of Budget and Actual Amounts for the Year ended

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Actuarial gains/losses	-	-	-	99,000	**99,000**	Note 47
Gain on biological assets and agricultural produce	-	-	-	13,171,263	**13,171,263**	
Assets written-off	-	-	-	(4,447,549)	**(4,447,549)**	Note 47
Re-measurement of landfill site provision	-	-	-	(109,323)	**(109,323)**	Note 47
	-	**-**	**-**	**8,713,391**	**8,713,391**	
Surplus before taxation	**42,962,814**	**(3,117,337)**	**39,845,477**	**51,283,495**	**11,438,018**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**42,962,814**	**(3,117,337)**	**39,845,477**	**51,283,495**	**11,438,018**	

Statement of Comparison of Budget and Actual Amounts for the Year ended

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Receivables from non-exchange transactions	12,011,165	-	**12,011,165**	50,504,471	**38,493,306**	
VAT receivable	20,455,771	4,301,196	**24,756,967**	-	**(24,756,967)**	
Receivables from exchange transaction	13,556,719	(2,958,768)	**10,597,951**	9,957,229	**(640,722)**	
Cash and cash equivalents	34,676,061	(34,447,976)	**228,085**	6,493,521	**6,265,436**	
	80,699,716	**(33,105,548)**	**47,594,168**	**66,955,221**	**19,361,053**	
Non-Current Assets						
Investment property	3,596,306	-	**3,596,306**	8,501,866	**4,905,560**	
Property, plant and equipment	358,247,625	1,623	**358,249,248**	357,122,689	**(1,126,559)**	
Intangible assets	57,109	15,570	**72,679**	80,702	**8,023**	
	361,901,040	**17,193**	**361,918,233**	**365,705,257**	**3,787,024**	
Total Assets	**442,600,756**	**(33,088,355)**	**409,512,401**	**432,660,478**	**23,148,077**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	878,691	**878,691**	
Payables from exchange transactions	13,717,994	1,390,271	**15,108,265**	36,826,971	**21,718,706**	
Taxes and transfers payable (non-exchange)	1,778,515	(57,529)	**1,720,986**	-	**(1,720,986)**	
VAT payable	2,991,545	(628,204)	**2,363,341**	-	**(2,363,341)**	
Employee benefit obligation	-	-	**-**	380,000	**380,000**	
Unspent conditional grants and receipts	-	-	**-**	3,038,103	**3,038,103**	
Provisions	275,000	-	**275,000**	455,169	**180,169**	
	18,763,054	**704,538**	**19,467,592**	**41,578,934**	**22,111,342**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	387,619	**387,619**	
Employee benefit obligation	-	-	**-**	3,039,910	**3,039,910**	
Provisions	9,461,945	-	**9,461,945**	3,548,078	**(5,913,867)**	
	9,461,945	**-**	**9,461,945**	**6,975,607**	**(2,486,338)**	
Total Liabilities	**28,224,999**	**704,538**	**28,929,537**	**48,554,541**	**19,625,004**	
Net Assets	**414,375,757**	**(33,792,893)**	**380,582,864**	**384,105,937**	**3,523,073**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	414,375,757	(33,792,893)	**380,582,864**	384,105,937	**3,523,073**	

Statement of Comparison of Budget and Actual Amounts for the Year ended

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	59,001,509	(233,368)	**58,768,141**	35,946,256	**(22,821,885)**	
Sale of goods and services	35,083,992	(15,260,786)	**19,823,206**	19,456,341	**(366,865)**	
Grants	169,666,000	5,075,260	**174,741,260**	167,794,265	**(6,946,995)**	
Interest income	3,148,101	-	**3,148,101**	2,075,244	**(1,072,857)**	
Construction contracts	-	-	**-**	7,896,687	**7,896,687**	
	266,899,602	**(10,418,894)**	**256,480,708**	**233,168,793**	**(23,311,915)**	
Payments						
Suppliers and employees	(212,705,964)	(6,990,108)	**(219,696,072)**	(191,602,861)	**28,093,211**	
Interest paid	(62,846)	(127,275)	**(190,121)**	(60,984)	**129,137**	
Other cash item	(1,300,000)	97,843	**(1,202,157)**	(1,202,157)	**-**	
	(214,068,810)	**(7,019,540)**	**(221,088,350)**	**(192,866,002)**	**28,222,348**	
Net cash flows from operating activities	**52,830,792**	**(17,438,434)**	**35,392,358**	**40,302,791**	**4,910,433**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(39,289,852)	(973,716)	**(40,263,568)**	(38,048,724)	**2,214,844**	
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(859,841)	**(859,841)**	
Net increase/(decrease) in cash and cash equivalents	13,540,940	(18,412,150)	**(4,871,210)**	1,394,226	**6,265,436**	
Cash and cash equivalents at the beginning of the year	21,135,121	(16,035,826)	**5,099,295**	5,099,295	**-**	
Cash and cash equivalents at the end of the year	**34,676,061**	**(34,447,976)**	**228,085**	**6,493,521**	**6,265,436**	

Accounting Policies

	Note(s)	2025 R	2024 R

1. Significant account policies

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

1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.The amounts reflected are rounded to the nearest Rand.

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Provision for landfill site

The entity has an obligation to rehabilitate its landfill site in terms of its license stipulations. Provision is made for this obligation based on the size/extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value to represent the time value of money.

Other provisions

The municipality's other provisions consist of a provision for long service award. Provisions are measured as the present value of the estimated future outflows required to settle the obligation.

Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgments. In determining this allowance, the estimates are made about the probability of recovery of the debtors based on their past payments history and risk profile. The Municipality firstly assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not significant.

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 over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	10-50 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 3).

1.5 Investment property (continued)

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

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.

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

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

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

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

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

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

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

Property, plant and equipment 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.

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

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life in years
Infrastructure		
• Roads and paving	Straight-line	10-80
• Electrical	Straight line	10-50
• Solid waste	Straight line	15-50
Community assets	Straight-line	5-50
Operational buildings	Straight-line	10-50
Machinery and equipment	Straight-line	2-20
Furniture and office equipment	Straight-line	3-15
Transport assets	Straight-line	5-10
Computer equipment	Straight-line	3-10

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

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.

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 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	Amortisation is method	Average useful life
Computer software, other	Straight-line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

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).

Accounting Policies

1.8 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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably.

However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

A financial 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.

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- 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.

1.8 Financial instruments (continued)

Classification

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

Class	**Category**
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables from 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.The entity recognizes a financial asset using the trade date accounting

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.

Accounting Policies

1.8 Financial instruments (continued)

Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is: -a 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 subsequent periods, 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.

1.8 Financial instruments (continued)

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 recognises 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 recognises 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 recognises 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.

1.8 Financial instruments (continued)

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)

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

1.9 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.

The Municipality has two classes of receivables that meet the criteria of statutory receivables, being property rates which are levied in terms of the Municipal Property Rates Act and traffic fines imposed in terms of the Criminal Procedure Act.

Property rates and traffic fines are disclosed as receivables from non-exchange transactions in note 7.

The accounting policy on debtors has not been changed in respect of the classification and measurement of statutory receivables since the Municipality has opted to apply the transitional provisions of Directive 3 in terms of not changing the classification and measurement of the debtors while the full implications of compliance with GRAP 108 is still under review.

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

1.9 Statutory receivables (continued)

- 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.

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, a 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

Accounting Policies

1.9 Statutory receivables (continued)

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

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

1.10 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Impairment of cash-generating assets

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

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

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

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

Identification

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

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

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

Value in use

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

Accounting Policies

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Accounting Policies

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services 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 services 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.

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.

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered services to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Contributions to Natal Joint Pension Fund are as follows:
Provident fund A : 1 Members 5% Council 9.75%
Provident fund B : 100 Members 7% Council 13.65%
Provident fund C : 3 Members 9.25% Council 18%
Retirement: 9 Members 7% Council 53.27%
Superannuation: 7 Members 9.25% Council 21.63%

1.14 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure needed 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 expenditure 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 the 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 expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating surplus .

Contingencies are disclosed in note 36.

Accounting Policies

1.15 Commitments

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

Commitments are measured at the value of the contract less the amount incurred.

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Accounting Policies

1.16 Revenue from exchange transactions

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

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

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

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 charges

Service charges revenue relating to refuse removal is recognised on a monthly basis in arrears by applying the approved tariff. Service charges relating to electricity are based on consumption. Meters are read on regular basis and revenue is recognised when billed. Provisional estimates of consumption are made when meter readings cannot be done. Prepaid electricity is recognised based on the approved tariffs.

Service charges revenue relating to other services is recognised on a monthly basis in arrears by applying the approved tariff.

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.

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

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

Contract revenue

Contract revenue is measured at the fair value of the consideration received or receivable. Both the initial and ongoing measurement of contract revenue are affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Where a contract is a cost plus or cost based contract, the initial amount of revenue may not be stated in the contract. Instead, it may need to be estimated on a basis consistent with the terms and provisions of the contract, such as by reference to expected costs over the life of the contract.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

In addition, the amount of contract revenue may increase or decrease from one period to the next.
a contractor and a customer may agree to variations or claims that increase or decrease contract revenue in a period subsequent to that in which the contract was initially agreed;

the amount of revenue agreed in a fixed price, cost plus or cost based contract may increase as a result of cost escalation or other clauses;

the amount of contract revenue may decrease as a result of penalties arising from delays caused by the contractor in the completion of the contract; or

when a fixed price contract involves a fixed price per unit of output, contract revenue increases or decreases as the number of units is increased or decreased.

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

1.17 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

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

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

The Municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

1.18 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 the proportion that contract costs incurred for work performed to date bear the estimated total contract costs.

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

Accounting Policies

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it 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.

Accounting Policies

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality’s approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act. Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:
- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality’s budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level. 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. If the expenditure is not written-off by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. 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. Additional disclosure for fruitless and wasteful expenditure is disclosed in note 46.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 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 municipality’s supply chain management policy.

Accounting Policies

1.25 Irregular expenditure (continued)

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. Irregular expenditure that was incurred and identified during the current financial and which was written-off 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 written-off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written-off. Irregular expenditure that was incurred and identified during the current financial year and which was not written-off 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 bad debt written off 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 written-off and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.26 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available. Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met. Reports are used to identify reportable segments and the review thereof, eg. monthly section 71 reports. The municipality reports a measure of assets and liabilities for each reportable segment if such an amount is regularly provided to management." The municipality does not disclose the geographical areas in which it operates as it is not relevant for decision-making purposes.

Measurement

The municipality uses section 71 reports to assess performance. The measurement basis per the monthly reports is the same as the annual financial statements

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.

The Municipality considered the segment reporting, however the Municipality does not meet the minimum requirement as specified in GRAP18

1.27 Related parties

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

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

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

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

Accounting Policies

1.27 Related parties (continued)

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

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

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

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

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

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.29 Budget information

Municipalities 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 of financial reporting by a municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30. 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. Comparative information is not required. In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material. All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following: the approved and final amounts; actual amounts and final budget amounts.

1.29 Budget information (continued)

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as the MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis that the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below: Explanation of variances between approved and final budget amounts. The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Nkandla Local Municipality as approved by Council. Explanation of variances greater than 10%: Final Budget and Actual Amounts.

1.30 Grant expenditure

Grant expenditure refers to expenditure incurred by the Municipality to deliver services funded by grants received from National and Provincial Government. Grant expenditure includes only operational grants which are conditional. Grant expenditure is only recognised as expenditure when the full conditions of the grant have been complied with. To the extent that the grant is not fully utilised at year end, an unspent conditional grant liability is disclosed.

1.31 Bulk purchase

Bulk purchase expenditure refers to bulk electricity purchased from Eskom and consumed during the year. Expenditure on bulk purchases is recognised as electricity consumed. At each reporting date, the Municipality determines electricity distribution losses and are included in bulk purchases and disclosed separately.

1.32 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Source figures (AFS 30 June 2024)
- Total revenue: R251 966 764.
- Total expenditure: R210 631 362.
- Surplus for the year: R32 987 052.
- Total assets: R377 566 092.

Quantitative benchmarks (computed)
- Revenue: 0.5% = R1.26m, 1% = R2.52m.
- Expenditure: 0.5% = R1.05m, 0.75% = R1.58m, 1% = R2.11m.
- Assets: 1% = R3.78m.
- Surplus: 5% = R1.65m, 10% = R3.30m.

Recommended materiality (financial statements as a whole)
Overall materiality: R1.58 million
- Basis: 0.75% of total expenditure (public-sector focus on spend/service delivery, moderate risk profile, and a relatively modest surplus). This sits sensibly within the revenue (0.5–1%) and surplus (5–10%) ranges above.

Performance materiality: R1.1 million
- Set at 70% of overall materiality to reduce aggregation risk of undetected misstatements.

Clearly trivial threshold (posting threshold): R79 000
- Set at 5% of overall materiality; misstatements below this are clearly trivial individually (still accumulate qualitative exceptions).

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The Municipality has not applied the following standards and interpretations, which have been published and are mandatory for the Municipality's accounting periods beginning on or after 1 July 2025 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 25 on Employee Benefits (and GRAP 7)	01 April 2023	Unlikely there will be a material impact
• GRAP 103 on Heritage Assets	May not early adopt - Minister must still determine effective date	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• IGRAP 21: The Effect of Past Decisions on Materiality	1 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	1 April 2023	Unlikely there will be a material impact
• GRAP 1 (amendments related to going concern)	May not early adopt - Minister must still determine effective date	Unlikely there will be a material impact
• IGRAP 22 Foreign Currency Transactions and Advanced Consideration	1 April 2025	Unlikely there will be a material impact
• GRAP 105, GRAP 106 and GRAP 107 (amendments) Transfer of Functions and Mergers	May not early adopt - Minister must still determine effective date	Unlikely there will be a material impact
• GRAP 18: Segment Reporting	1 April 2019	Unlikely there will be a material impact

3. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	16,085,012	(7,583,146)	8,501,866	16,085,012	(7,164,519)	8,920,493

Reconciliation of investment property - 2025

	Opening balance	Depreciation	Total
Investment property	8,920,493	(418,627)	8,501,866

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	9,340,268	(419,775)	8,920,493

Pledged as security

The are no assets pledged as security for liabilities.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1,330,628	1,341,462

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.

There are no repairs and maintenance costs incurred relating to assets held as investment property.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	61,243,940	-	61,243,940	61,490,440	-	61,490,440
Furniture and office equipment	4,796,653	(3,403,576)	1,393,077	4,462,895	(2,991,737)	1,471,158
Computer equipment	7,980,979	(4,925,875)	3,055,104	6,210,848	(4,174,394)	2,036,454
Community Assets	167,441,106	(53,032,456)	114,408,650	165,688,681	(47,687,666)	118,001,015
Electrical infrastructure	43,287,867	(9,272,039)	34,015,828	34,012,250	(8,505,065)	25,507,185
Machinery and equipment	9,802,370	(6,486,512)	3,315,858	9,802,369	(5,721,104)	4,081,265
Transport assets	8,469,600	(5,117,157)	3,352,443	7,425,353	(3,913,998)	3,511,355
Solid Waste Infrastructure	3,042,842	(2,258,592)	784,250	3,043,323	(2,163,033)	880,290
Road infrastructure	224,383,583	(105,139,136)	119,244,447	208,781,294	(98,282,741)	110,498,553
Operational buildings	28,707,913	(12,398,821)	16,309,092	28,200,868	(11,421,958)	16,778,910
Total	**559,156,853**	**(202,034,164)**	**357,122,689**	**529,118,321**	**(184,861,696)**	**344,256,625**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfers in	Transfers out	Write-offs	Depreciation	Impairment loss	Total
Land	61,490,440	-	-	-	-	-	(246,500)	61,243,940
Furniture and Office Equipment	1,471,158	333,759	-	-	-	(395,140)	(16,700)	1,393,077
Computer equipment	2,036,454	1,770,131	-	-	-	(687,938)	(63,543)	3,055,104
Community Assets	118,001,015	3,242,237	577,810	(546,682)	(1,238,839)	(5,239,658)	(387,233)	114,408,650
Electrical Infrastructure	25,507,185	10,146,708	3,994,710	(4,025,837)	(533,340)	(805,983)	(267,615)	34,015,828
Machinery and Equipment	4,081,265	-	-	-	-	(765,334)	(73)	3,315,858
Transport Assets	3,511,355	1,044,247	-	-	-	(1,203,159)	-	3,352,443
Solid Waste Infrastructure	880,290	-	-	-	(51)	(95,989)	-	784,250
Road Infrastructure	110,498,553	21,579,809	12,644,997	(12,644,997)	(2,600,403)	(10,034,946)	(198,566)	119,244,447
Operational buildings	16,778,910	632,084	402,084	(402,084)	(74,917)	(1,019,961)	(7,024)	16,309,092
	344,256,625	**38,748,975**	**17,619,601**	**(17,619,600)**	**(4,447,550)**	**(20,248,108)**	**(1,187,254)**	**357,122,689**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers in	Transfers out	Write-offs	Depreciation	Impairment loss	Impairment reversal	Total
Land	61,490,440	-	-	-	-	-	-	-	61,490,440
Furniture and Office Equipment	1,511,761	324,066	-	-	(6,030)	(348,352)	(10,287)	-	1,471,158
Computer equipment	2,230,727	643,379	-	-	(9,019)	(726,628)	(102,005)	-	2,036,454
Community	121,684,431	6,184,955	12,241,806	(12,241,806)	(2,970,039)	(5,346,419)	(1,551,913)	-	118,001,015
Electrical infrastructure	19,331,246	6,956,522	-	-	(131,293)	(649,290)	-	-	25,507,185
Machinery and equipment	5,202,019	-	-	-	(9,897)	(832,548)	(278,309)	-	4,081,265
Transport assets	2,137,739	2,467,019	-	-	(925)	(1,092,478)	-	-	3,511,355
Solid Waste Infrastructure	912,937	-	-	-	(42)	(32,605)	-	-	880,290
Road infrastructure	107,943,041	14,066,853	12,222,061	(12,222,061)	(229,299)	(9,289,515)	(2,650,509)	657,982	110,498,553
Operational buildings	17,787,975	-	-	-	(4,181)	(1,005,044)	-	160	16,778,910
	340,232,316	**30,642,794**	**24,463,867**	**(24,463,867)**	**(3,360,725)**	**(19,322,879)**	**(4,593,023)**	**658,142**	**344,256,625**

Notes to the Annual Financial Statements

	2025 R	2024 R

4. Property, plant and equipment (continued)

Pledged as security

There are no property, plant and equipment pledged as security for liabilities.

Assets subject to finance lease

Vehicles, plant and machinery - Additions	-	2,467,109

Repairs and maintenance

Property, plant and equipment		
Contracted Services	3,773,971	2,881,202
Materials	418,326	2,831,235
Electrical Infrastructure	685,987	1,160,336
Employee Cost	-	5,291,432
	4,878,284	**12,164,205**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	3,607,563	-	11,975,135	15,582,698
Additions/capital expenditure	31,726,517	3,242,237	402,084	35,370,838
Transferred to completed items	(16,670,835)	(546,682)	(402,084)	(17,619,601)
	18,663,245	**2,695,555**	**11,975,135**	**33,333,935**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	1,762,771	6,056,852	5,018,613	12,838,236
Additions/capital expenditure	14,066,853	6,184,955	6,956,522	27,208,330
Transferred to completed items	(12,222,061)	(12,241,807)	-	(24,463,868)
	3,607,563	**-**	**11,975,135**	**15,582,698**

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.

5. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,244,530	(2,163,828)	80,702	2,225,797	(2,145,694)	80,103

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	80,103	18,733	(18,134)	80,702

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	112,232	(32,129)	80,103

Pledged as security

There are no intangible assets pledged as security for liabilities.

Notes to the Annual Financial Statements

	2025 R	2024 R

6. Receivables from exchange transactions

	2025 R	2024 R
Gross balances		
Electricity	14,747,478	14,465,803
Sundry	1,752,588	1,316,148
Refuse	12,350,505	10,900,041
VAT input accrual	2,377,213	1,281,424
Insurance debtor	571,672	571,672
	31,799,456	**28,535,088**
Less: Allowance for impairment		
Electricity	(10,872,589)	(12,776,969)
Sundry	(1,292,228)	(1,162,530)
Refuse	(9,105,738)	(9,627,808)
Insurance debtor	(571,672)	(571,672)
	(21,842,227)	**(24,138,979)**
Net balance		
Electricity	3,874,889	1,688,834
Sundry	460,360	153,618
Refuse	3,244,767	1,272,233
VAT input accrual	2,377,213	1,281,424
	9,957,229	**4,396,109**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(24,138,979)	(27,645,414)
Movement in allowance	2,212,142	(2,068,695)
Insurance debt Impairment	-	(571,672)
Debtors written off against credit impairment	84,610	6,146,802
	(21,842,227)	**(24,138,979)**

Receivables from exchange transactions pledged as security

There were no receivables from exchange transactions pledged as security for liabilities.

Basis used to assess and test whether Receivables from Exchange Transactions are impaired

Account with an outstanding balance for more than 90 days at the reporting date is considered as an objective evidence that a receivable account could be impaired at an individual account level.

The collection rate per account is determined and if the collection rate is above 95%, the account is not assessed as impaired.

GRAP 104 provides for the assessment of all accounts at individual level without separating significant and insignificant accounts and therefore accounts have not been segregated between significant and insignificant accounts.

Accounts with outstanding balances less than 90 days and accounts which were not assessed as impairment at individual level are assessed for impairment collectively with other debtors with similar risk characteristics.

Accounts are grouped based on the types of municipality's customers (Business, Residential, State owned and Other)

Notes to the Annual Financial Statements

	2025 R	2024 R

6. Receivables from exchange transactions (continued)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2025 , R 620,551 (2024, R 419,189) were past due but not impaired.

1 month past due	336,178	345,217
2 months past due	283,170	73,779
3 months past due	1,203	193

Consumer debtors impaired

As of 30 June 2025, consumer debtors of R 25,601,236 - (2024: R 23,808,225) were impaired and provided for.

The ageing of these loans is as follows:

3 to 6 months	1,068,854	1,766,992
Over 6 months	24,532,383	22,041,233

Notes to the Annual Financial Statements

	2025 R	2024 R

7. Receivables from non-exchange transactions

Gross balances		
Statutory debtors - property rates	79,034,124	48,573,403
Statutory debtors - traffic fines	1,170,675	833,125
Statutory debtors - Sundry debtor	-	13,050
Sundry debtor Department of Transport	24,002	13,921
Statutory receivable - VAT receivable	1,891,597	5,436,512
	82,120,398	**54,870,011**
Less: Allowance for impairment		
Statutory debtors - property rates	(30,795,200)	(46,255,121)
Statutory debtors - traffic fines	(820,727)	(649,487)
	(31,615,927)	**(46,904,608)**
Net balance	-	-
Statutory sundry debtor	-	13,050
Statutory receivable - VAT receivable	1,891,597	5,436,512
Sundry debtor Department of Transport	24,002	13,921
Statutory debtors - property rates	48,238,924	2,318,282
Statutory debtors - traffic fines	349,948	183,638
	50,504,471	**7,965,403**

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Taxes	79,034,124	48,573,403
Fines	1,170,675	833,125
Statutory receivable - VAT receivable	1,891,597	5,436,512
	82,096,396	**54,843,040**

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

Opening balance	(46,904,608)	(38,927,642)
Movement in allowance - Statutory debtors - Property rates	11,389,479	(11,925,399)
Movement in allowance - Statutory debtors - Traffic fines	(171,240)	(98,244)
Debtors written off against credit impairment	4,070,442	4,046,677
	(31,615,927)	**(46,904,608)**

Property Rates accounts belonging to Public Works and TVET college were not impaired in the current year due to arrangements that were concluded.

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 levied in terms of the Municipal Property Rates Act No. 6 of 2004 to customers with immovable properties within the Municipality jurisdiction.

	2025 R	2024 R

7. Receivables from non-exchange transactions (continued)

Traffic fines – are issued to offenders in terms of Criminal Procedures Act No. 51 of 1977.

VAT receivable in terms of VAT Act No. 89 of 1991

Determination of transaction amount

Transaction amounts are determined as follows

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

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

Interest or other charges levied/charged

Property rates – interest at a fixed rate of 1.5% per month (2024: 1.5% per month) is charged on all outstanding debtor balances older than 30 days. No other charges are levied on property rates.

Traffic fines – no interest or other levies are charged on outstanding traffic fines balances.

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

Rates

Statutory receivable with a total outstanding balance greater/equal to average balance of the group is considered material and will be assessed individually for the evidence of impairment. If there is no indication that an individually significant statutory receivable is impaired, it is included in a group of similar receivables and collectively assessed for impairment. The average balance of the group is determined by dividing total outstanding group balance by a number of customers in the group.

Statutory receivables with a total outstanding balance less than average balance of the group is considered as immaterial and is collectively assessed for the evidence of impairment.

Statutory receivable with a total outstanding balance greater/equal to the average balance of the group and the balance is outstanding for more than 90 days at the reporting date is considered as an objective evidence that a receivable account could be impaired at an individual account level.

Statutory receivable with a total outstanding balance less than average balance of the group and the balance is outstanding for more than 90 days at the reporting date is considered as an objective evidence that a receivable account could be impaired at group level. In addition accounts which have not been assessed as impairment at individual account level are assessed for impairment collectively with other debtors with similar risk characteristics:

Accounts are grouped based on the types of municipality's customers (Business, Resintial, State owned and Other).

Traffic 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:
- 120 to 365 days – 50% impairment
- Above 365 days - 80% impairment

Notes to the Annual Financial Statements

	2025 R	2024 R

7. Receivables from non-exchange transactions (continued)

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 2025 :R 142 818, (2024: R 101,367) were past due but not impaired

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

	2025 R	2024 R
1 month past due	135,391	100,519
2 months past due	7,427	848

Receivables from non-exchange transactions pledged as security

There are no receivables from non-exchange transactions pledged as security for liabilities.

	2025 R	2024 R

8. Consumer debtors disclosure

	2025 R	2024 R
Residential		
Current (0 -30 days)	565,696	427,478
31 - 60 days	252,656	410,378
61 - 90 days	255,050	405,227
91 - 120 days	20,400,145	22,751,304
	21,473,547	**23,994,387**

	2025 R	2024 R
Business		
Current (0 -30 days)	1,886,639	1,334,099
31 - 60 days	373,153	475,017
61 - 90 days	156,430	261,455
91 - 120 days	6,026,963	4,052,803
	8,443,185	**6,123,374**

	2025 R	2024 R
State owned		
Current (0 -30 days)	6,243,236	1,222,613
31 - 60 days	3,034,872	1,176,518
61 - 90 days	2,820,262	1,045,149
91 - 120 days	54,162,462	32,034,190
	66,260,832	**35,478,470**

	2025 R	2024 R
Other		
Current (0 -30 days)	311,023	185,169
31 - 60 days	156,858	156,929
61 - 90 days	155,839	148,627
91 - 120 days	10,616,558	9,063,597
	11,240,278	**9,554,322**

	2025 R	2024 R
Total		
Current (0 - 30 days)	9,006,594	3,169,359
31 - 60 days	3,817,539	2,218,842
61 - 90 days	3,387,581	1,860,458
91 - 180 + days	91,206,128	67,901,894
Add back: Credit balance in debtors	406,132	104,852
Traffic fines	1,170,675	833,125
Sundry debtor	-	13,050
Insurance debtors	571,672	571,672
Less: Allowance for impairment	(53,458,154)	(71,043,587)
Sundry debtor DoT	24,002	13,921
Statutory debtors - VAT receivable cash basis	1,891,597	5,436,512
	58,023,766	**11,080,098**

Notes to the Annual Financial Statements

	2025 R	2024 R

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	115	284
Bank and cash	226,836	712,481
Short-term deposits	6,266,570	4,386,530
	6,493,521	**5,099,295**

The Municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
62720610717:FNB Main	221,316	698,230	222,955	226,836	712,480	222,955
4053858355:ABSA	280,918	161,140	533,761	280,918	161,140	533,761
037881151609:Nedbank Call	44,111	208,703	193,933	44,110	210,075	193,933
037881181923:Nedbank MIG	1,109,234	1,390,734	-	1,109,234	1,413,695	-
037881181907:Nedbank EPWP	40,525	70,099	-	40,526	87,723	-
037881181885:Nedbank Emerg	46,854	942,668	-	46,853	967,934	-
037881181931:Nedbank FMG	43,036	613,920	-	43,036	630,943	-
037881181893:Nedbank Library	12,560	1,357	-	12,560	7,165	-
037881181915:Nedbank INEP	79,559	900,073	-	79,559	907,856	-
037881187816:Nedbank EEDM	1,072,728	-	-	1,072,728	-	-
037881191368:Nedbank DRG	3,537,047	-	-	3,537,047	-	-
Petty Cash	-	-	-	179	284	217
Cashiers Collection	-	-	-	(65)	-	17,707
Total	**6,487,888**	**4,986,924**	**950,649**	**6,493,521**	**5,099,295**	**968,573**

Restricted cash balances

	2025	2024
Conditional grants	3,038,103	1,522,823

The amount of R6 493 521 includes unspent conditional grants (R3 038 103) that are subject to conditions as set out in the grant agreements and may only be utilised for the purposes stipulated therein. Unspent amount must be returned to the funder unless approval for retention was obtained.

Notes to the Annual Financial Statements

	2025 R	2024 R

10. Construction contracts and receivables

The Municipality received a Schedule 5B grant to unlicensed areas, such as Chwezi (Ward 1) and Thuma (Ward 13) for electrification projects. The Municipality is undertaking construction activities as a primary contractor on behalf of the Department of Mineral Resources and Energy and Eskom in areas where it does not have an approved license for the supply of electricity. The Municipality has accounted for this transaction according to GRAP 11, Construction contract. Advances received in excess of work completed are included in trade and other payables.

To reliably measure the work performed, the completion of a contract is determined by the proportion of contract costs incurred for work performed to date to the estimated total contract costs, as well as the physical completion of the contract work.

The Municipality will transfer these projects to Eskom after completion as per the Memorandum of Understanding (MOU) signed between the Municipality and Eskom.

Contracts in progress at statement of financial position date

	2025 R	2024 R
Construction contract- expenditure incurred (VAT exclusive)	-	5,914,641
VAT	-	887,196
	-	**6,801,837**

11. Construction contract revenue from non-exchange transaction

	2025 R	2024 R
Electrification project- expenditure incurred (VAT exclusive)	6,120,870	6,956,522
VAT	918,130	1,043,478
	7,039,000	**8,000,000**

The Municipality received a Schedule 5B grant of R7,039,000, (2024) R8,000,000 for the construction of Nkandla Substation, which is a project located within the municipality’s licensed area.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025 R	2024 R
Unspent conditional grants and receipts		
Local Government Sector Education and Training Authority Grant (LGSETA)	-	62,219
Single land use scheme	12,928	12,928
Qedisimo Grant	1,447,676	1,447,676
Municipal Disaster Response Grant	1,577,284	-
Energy Efficiency and Demand Side Management Grant	215	-
	3,038,103	**1,522,823**

Movement during the year

	2025 R	2024 R
Balance at the beginning of the year	1,522,823	2,346,076
Additions during the year	41,469,102	153,233,000
Income recognition during the year	(39,953,822)	(154,056,253)
	3,038,103	**1,522,823**

13. Other liabilities (INEP)

	2025 R	2024 R
INEP -unspent	-	198,163

	2025 R	2024 R

14. Finance lease obligation

Minimum lease payments due		
- within one year	938,010	938,009
- in second to fifth year inclusive	387,619	1,188,142
	1,325,629	2,126,151
less: future finance charges	(59,319)	(129,137)
Present value of minimum lease payments	**1,266,310**	**1,997,014**
Present value of minimum lease payments due		
- within one year	878,691	808,872
Non-current liabilities	387,619	1,188,142
Current liabilities	878,691	808,872
	1,266,310	**1,997,014**

The average lease term is 3 years and the average effective borrowing rate is 8.0% (2024: 8.0%).

15. Payables from exchange transactions

Trade payables	19,411,878	12,829,693
Payments received in advanced	733,604	420,798
Other payables	1,407,815	2,099,022
Debtors credit balances	406,123	104,843
Accrued leave pay	7,386,856	6,585,552
Accrued bonus	1,775,842	1,671,033
Retentions	4,428,072	3,716,373
VAT output accrual	2,199,244	1,434,455
VAT on impairment of receivables	(922,463)	(1,194,764)
	36,826,971	**27,667,005**

Notes to the Annual Financial Statements

	2025 R	2024 R

16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Increases	Interest	Total
Environmental rehabilitation	3,478,581	109,323	415,343	4,003,247

Reconciliation of provisions - 2024

	Opening Balance	Reductions	Interest	Total
Environmental rehabilitation	3,187,550	(111,238)	402,269	3,478,581

	2025	2024
Non-current liabilities	3,548,078	3,063,238
Current liabilities	455,169	415,343
	4,003,247	**3,478,581**

Environmental rehabilitation provision

The landfill site rehabilitation provision is intended for the closure and rehabilitation of the current operational site which is evaluated at each year-end to reflect the best estimate at reporting date. The site under consideration is Nkandla Local Municipality's Landfill Site which situated in Nkandla next to the cemetery. The valuation for the landfill site was performed by Mr. Masimba Mapfurira BSc Hons, Meng (Civil Engineering) employed by One Pangeae Expertise and Solutions, and he is a registered member of IWMSA.

Key financial assumptions used in this calculation were as follows:

CPI	5.94%
Discount rate	11.37%
Net effective discount rate	5.13%

The 2025 amount of the discounted landfill disclosure provision of R4 003 247 (2024: R3 478 581) represent an increase. Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment of amounts charged. The amount for 2025 is discounted based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2025. The size of the landfill site used up until now, and estimated remaining useful life are as follows:

Approximate size	10.2 ha
Remaining useful life	27 years

17. Employee benefit obligations

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3,032,000)	(2,489,000)
Net change in the accrued liability over the financial year ending 30 June 2025	(387,910)	(543,000)
	(3,419,910)	**(3,032,000)**

	2025	2024
Non-current liabilities	(3,039,910)	(2,918,000)
Current liabilities	(380,000)	(114,000)
	(3,419,910)	**(3,032,000)**

The fair value of plan assets includes:

Notes to the Annual Financial Statements

	2025 R	2024 R

17. Employee benefit obligations (continued)

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

Opening balance	3,032,000	2,489,000
Benefits paid	(228,090)	(558,000)
Net expense recognised in the statement of financial performance	616,000	1,101,000
	3,419,910	**3,032,000**

Net expense recognised in the statement of financial performance

Current service cost	382,000	323,000
Interest cost	333,000	272,000
Actuarial (gains) losses	(99,000)	506,000
	616,000	**1,101,000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.04 %	11.20 %
Expected rate of return on assets	4.14 %	5.36 %
Expected rate of return on reimbursement rights	5.14 %	6.36 %
Actual return on reimbursement rights	4.66 %	4.56 %

In line with the guidelines of the Bargaining Council, the Municipality remunerates its employees for the long service rendered to the Municipality. The estimates of the present obligation are determined through the use of Actuarial expertise. Such estimates are reviewed annually at the end of each financial year.The finance cost and actuarial gains/losses are recognised directly in the statement of financial performance

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

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 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 2024 the duration of liabilities was 7.7 years

At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 10.04% per annum, and the yield on inflation-linked bonds of a similar term was about 5.19% per annum. This implies an underlying expectation of inflation of 4.14% per annum ([1 + 10.04% - 0.5%] / [1 + 5.19%] - 1).

18. Service charges

Sale of electricity	12,507,077	11,622,871
Refuse removal	1,880,603	1,796,239
	14,387,680	**13,419,110**

19. Rental of facilities and equipment

Premises

Premises	1,330,628	1,341,462

Notes to the Annual Financial Statements

	2025 R	2024 R

19. Rental of facilities and equipment (continued)

Facilities and equipment		
Rental of facilities	64,924	46,390
	1,395,552	**1,387,852**

20. Interest on consumer debtors

Interest from exchange and non-exchange transactions	1,982,805	2,038,394

21. Other income

Burial fees	14,783	10,581
Connection fees	86,818	39,661
Staff recoveries	547,686	142,507
Housing plan	52,478	43,866
Library fees	34,617	12,435
Illegal connection fees	47,693	11,961
Taxi and bus licenses	152,518	10,631
Tender monies	17,383	76,583
Rates clearance certificates	8,574	1,800
Electricity meter upgrade	9,743	30,957
Advertising billboards	5,711	5,387
Learners Licenses	91,478	129,480
Public Driving Permit (PDP) and Learners Licenses renewals	123,897	241,762
	1,193,379	**757,611**

22. Interest received - investment and other

Interest revenue		
Interest from current account	905,144	439,561
Interest on investment	1,170,100	1,717,968
	2,075,244	**2,157,529**

Notes to the Annual Financial Statements

	2025 R	2024 R

23. Property rates

Rates received

Property rates	67,034,671	63,635,369
Less: Income forgone	(1,188,498)	(904,749)
	65,846,173	**62,730,620**

Valuations

Agriculture	193,368,791	193,368,791
Business	159,755,000	141,050,000
Place of worship	4,040,000	4,040,000
Residential	182,720,000	182,000,000
Public benefit organisations	420,000	420,000
State owned properties	1,111,100,000	1,111,100,000
Vacant land	19,918,000	19,918,000
Protected area	7,000,000	7,000,000
Unauthorised use	3,515,000	43,139,000
Municipality owned	56,040,000	56,040,000
Public service infrastructure	5,000	5,000
	1,737,881,791	**1,758,080,791**

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.

A fixed rate is applied:

Agriculture	: 0.0030 in the Rand
Business	: 0.0385 in the Rand
Place of Worship	: 0.0000 in the Rand
Residential	: 0.0128 in the Rand
Public Service Purpose	: 0.0513 in the Rand
Vacant Land	: 0.0308 in the Rand
Protected Area	: 0.0000 in the Rand
Public Service Infrastructure	: 0.0000 in the Rand
Public Benefit Organisation	: 0.0032 in the Rand
Unauthorised Usage	: 0.0513 in the Rand
Municipal Owned	: 0.0000 in the Rand

The following rebate rates are applied:
100% of market value residential properties less than R105 000 and the first R15,000 is exempted.100% of market value of worshipping properties. Business & Commercial Property - The first R100 000 of the market value is not rateable.

Interest is levied at 18.00% per annum (2024: 18.00%) on all outstanding amounts.

	2025 R	2024 R

24. Government grants & subsidies

	2025 R	2024 R
Operating grants		
Equitable share	126,325,163	120,197,000
Expanded Public Works Programme Grant	2,477,000	3,651,000
Financial Management Grant	2,600,000	2,650,000
Cyber Cadet Grant	1,024,000	254,000
Library Grant	1,012,000	1,696,000
Local Government SETA Grant- Unconditional	229,321	-
Local Government SETA Grant- Conditional	-	955,890
Single land use scheme	-	197,082
Municipal Disaster Response Grant	3,422,716	-
	137,090,200	**129,600,972**
Capital grants		
Municipal Infrastructure Grant	26,189,000	24,785,000
Energy Efficiency and Demand Side Management Grant	2,999,785	-
	29,188,785	**24,785,000**
	166,278,985	**154,385,972**

Equitable Share

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

Local Government SETA Grant

	2025 R	2024 R
Balance unspent at beginning of year	62,219	688,390
Current-year receipts	167,102	329,718
Conditions met - transferred to revenue	(229,321)	(955,889)
	-	**62,219**

Grant is utilised for employees and non-employees skills development training.

Single land use scheme

	2025 R	2024 R
Balance unspent at beginning of year	12,928	210,010
Conditions met - transferred to revenue	-	(197,082)
	12,928	**12,928**

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

Expanded Public Works Programme Grant

	2025 R	2024 R
Current-year receipts	2,477,000	3,651,000
Conditions met - transferred to revenue	(2,477,000)	(3,651,000)
	-	**-**

Grant is utilised to pay stipends for temporary employees.

Notes to the Annual Financial Statements

	2025 R	2024 R

24. Government grants & subsidies (continued)

Financial Management Grant

Current-year receipts	2,600,000	2,650,000
Conditions met - transferred to revenue	(2,600,000)	(2,650,000)
	-	-

Grant is utilised to pay for interns stipends and finance staff trainings amongst other things.

Qedisimo Projects

Balance unspent at beginning of year	1,447,676	1,447,676

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

Municipal Disaster Response Grant

Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(3,422,716)	-
	1,577,284	-

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

Grant was utillised to pay for Vumanhlavu and Willem access road rpairs.

Energy Efficiency and Demand Side Management Grant

Current-year receipts	3,000,000	-
Conditions met - transferred to revenue	(2,999,785)	-
	215	-

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

Grant was utilised to pay for elecrical infrastructure upgrade within Nkandla town.

Municipal Infrastructure Grant

Current-year receipts	26,189,000	24,785,000
Conditions met - transferred to revenue	(26,189,000)	(24,785,000)
	-	-

Grant was utilised to pay for construction of roads and community halls within Nkandla area.

Library Grant

Current-year receipts	2,036,000	1,950,000
Conditions met - transferred to revenue	(2,036,000)	(1,950,000)
	-	-

Grant was utilised to pay for library employees and library computer equipment.

Notes to the Annual Financial Statements

	2025 R	2024 R

25. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	336,330	215,701

Notes to the Annual Financial Statements

	2025 R	2024 R

26. Employee Related Costs

Basic	49,798,682	46,199,323
Bonus	3,668,187	3,482,391
Medical aid - company contributions	2,918,778	2,641,054
Unemployment Insurance Fund (UIF)	357,101	345,040
Skills Development Levy (SDL)	643,873	606,549
Leave pay provision charge	1,392,110	1,221,021
Standby allowance	949,596	1,301,298
Pension contributions	6,847,734	6,171,064
Travel, motor car, accommodation, subsistence and other allowances	5,884,236	6,275,656
Overtime payments	1,505,730	840,845
Long-service awards	715,000	595,323
Housing benefits and allowances	106,982	102,376
Industrial council	21,343	19,873
Cellphone allowance	6,400	10,000
Group life insurance	903,025	538,932
	75,718,777	**70,350,745**

Remuneration of Municipal Manager

Annual Remuneration	867,710	837,480
Car Allowance	347,308	336,213
Other	23,604	5,948
	1,238,622	**1,179,641**

Remuneration of Chief Financial Officer

Annual Remuneration	1,001,233	924,091
Other	3,502	-
	1,004,735	**924,091**

Remuneration of Director of Community Services

Annual Remuneration	332,685	637,579
Car Allowance	142,579	253,045
Other	61,838	4,950
Leave	196,481	-
	733,583	**895,574**

Remuneration of Director of Technical Services

Annual Remuneration	716,074	691,254
Car Allowance	285,158	259,946
Performance Bonuses	-	97,059
Contributions to UIF, Medical and Pension Funds	-	17,358
Other	7,425	177,381
	1,008,657	**1,242,998**

Notes to the Annual Financial Statements

	2025 R	2024 R

26. Employee Related Costs (continued)

Remuneration of Director of Corporate Services

Annual Remuneration	716,074	648,042
Car Allowance	237,622	230,041
Performance Bonuses	47,536	72,008
Other	2,373	-
	1,003,605	**950,091**

27. Remuneration of Councillors

Mayor	562,354	1,000,542
Deputy Mayor	515,778	475,736
Speaker	793,818	811,077
Councillors	7,147,430	6,885,076
Municipal Public Accounts Committee (MPAC) Chairperson	706,420	742,788
Executive Committee	1,416,145	1,348,750
	11,141,945	**11,263,969**

In-kind benefits

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

The Mayor, Deputy Mayor and the Speaker each have access to Council owned vehicles for official duties.

The Mayor has three bodyguards. The Deputy Mayor and Speaker have two bodyguards.

Salaries, allowances and benefits of political office-bearers and councillors are within the Upper Limits of the Framework as per section 219 of the Constitution.

28. Depreciation and Amortisation

Property, plant and equipment	20,248,109	19,322,879
Investment property	418,627	419,774
Intangible assets	18,134	32,129
	20,684,870	**19,774,782**

29. Impairment loss

Impairments		
Property, plant and equipment	1,187,255	3,934,883
A conditional assessment was performed for al property plant and equipment items. Based on the assessment results, assets assessed to have very poor conditions and not in use were impaired to nil value. Conditions considered during this assessment includes amongst others, the functionality of the assets as well as its physical status.		

30. Lease rentals on operating lease

Lease rentals on operating lease - Other		
Contractual amounts	1,428,754	3,268,222

Notes to the Annual Financial Statements

	2025 R	2024 R

31. Debt impairment and Bad debts written off

Debt impairment	-	14,565,071
Bad debts written off - Fines	13,150	27,400
	13,150	**14,592,471**

32. Bulk purchases

Electricity - Eskom	23,620,733	21,056,388

Electricity losses

Units purchased	11,374,573	10,863,780
Units sold	(3,130,123)	(3,323,751)
Total loss	**8,244,450**	**7,540,029**

Electricity losses in Rands comprises of:		
Non-technical losses	9,997,761	9,606,482
Technical losses	1,110,862	1,067,387
Total	**11,108,623**	**10,673,869**

Percentage Loss:		
Technical losses	10 %	10 %
Electricity losses	62.00 %	59.00 %
Total	**72 %**	**69 %**

The municipality is required in terms of MFMA Circular 71 issued by National Treasury to calculate and report on the percentage (%) of the electricity distribution losses. The municipality have complied with those reporting requirements. It is apparent from the results of that calculation that the municipality have incurred the above the norm of between 7% to 10% on the electricity losses. The municipality have implemented measures to address the issue of losses, but it has not yet yielded the anticipated results. A detailed report has been included as part of the submission on the annual report and audit file for the perusal .

Notes to the Annual Financial Statements

33. General expenses

	2025 R	2024 R
Admin fees	730,697	61,173
Advertising	2,868,135	6,353,770
Bank charges	688,724	499,136
Cleaning	2,561,124	1,337,051
Electricity expense	145,818	202,186
Sport & recreation	9,317,792	4,917,533
Fines and penalties	65,360	63,183
Indigent burial	553,040	613,180
Personal protective equipment	524,479	639,543
Insurance	1,662,033	498,727
Community development	3,900,378	965,561
Bursaries	923,351	739,286
IT Government and network	1,654,705	1,647,253
Fuel and oil	3,331,898	3,656,750
Printing and stationery	2,299,521	625,623
Legal claim	-	57,000
Software expenses	39,977	1,549,370
Staff welfare	532,993	417,087
Subscriptions and membership fees	906,947	889,496
Telephone and fax	2,042,775	1,755,371
Training	1,241,312	505,421
Water	252,337	417,638
Waste disposal	2,227,193	2,170,663
Uniforms	402,943	171,780
Travelling and accommodation	2,390,935	911,887
Youth development	1,886,871	2,804,303
Local economic development	2,898,186	2,546,877
Ward committee stipends	1,709,900	1,629,000
Disaster relief	2,271,107	1,552,754
Traffic unit	42,160	22,326
Strategic planning	-	180,000
	50,072,691	**40,400,928**

34. Contracted services

	2025 R	2024 R
Outsourced Services		
Distribution of Electricity by Others	392,194	621,165
Consultants and Professional Services		
Consulting and professional fees	5,817,474	3,727,121
Internal audit fees	1,831,418	1,636,189
Auditors remuneration	2,313,064	2,156,714
Contractors		
Construction contracts- INEP	-	5,914,641
First Aid	-	9,900
Material- repairs and maintenance	3,857,211	2,831,235
Contracted services- repairs and maintenance	7,305	6,729
Repairs and maintenance- electricity infrastructure	2,997,905	2,359,182
Plant hire road mainatenance	4,051,450	2,874,473
Relief Drivers	-	67,028
Security services	11,107,334	10,301,850
	32,375,355	**32,506,227**

Notes to the Annual Financial Statements

	2025 R	2024 R

35. Cash generated from operations

Surplus	51,283,495	29,240,061
Adjustments for:		
Depreciation and amortisation	20,684,870	19,774,782
Surplus or (loss) on disposal of assets	(13,171,263)	-
Impairment loss	1,187,255	3,934,883
Debt impairment	13,150	14,592,471
Finance costs	129,137	151,991
Provisions interest	415,343	402,269
Donations received	(7,285)	-
Assets Written Off	4,447,549	3,360,725
Fair Value Adjustments (incl. Actuarial gains/losses)	10,323	394,762
Defined employee benefits, Long service award and Other employee related provisions	486,910	37,000
Accrued Bonus	104,809	190,007
Leave Pay Accrual	801,304	584,474
Changes in working capital:		
Receivables from Non-exchange transactions - Gross	(30,795,302)	4,914,589
Receivables from Exchange transactions - Gross	(2,168,579)	(8,111,922)
VAT Receivable/(Payable)	(941,104)	(11,295,420)
Trade and Other Payables from Exchange Transactions	6,505,062	(23,424,039)
Other liabilities (INEP)	(198,163)	198,163
Unspent conditional grants and receipts	1,515,280	(823,253)
	40,302,791	**34,121,543**

36. Contingencies

There were no contingent liabilities against the municipality in the financial year 2024/2025.

Notes to the Annual Financial Statements

	2025 R	2024 R

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	30,125,127	48,219,096
Contracted for and in progress		
• Property, plant and equipment	44,964,272	-
Total capital commitments		
Already contracted for but not provided for	30,125,127	48,219,096
Contracted for and in progress	44,964,272	-
	75,089,399	**48,219,096**

Total commitments

Total commitments		
Authorised capital expenditure	75,089,399	48,219,096

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

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	300,554	1,466,310
- in second to fifth year inclusive	100,185	108,897
	400,739	**1,575,207**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. Contingent rent is payable on vehicles and printing machines.

Notes to the Annual Financial Statements

	2025 R	2024 R

38. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note 26
Councillors	Refer to general information for Councillors names, and the remuneration of councillors have been included in Note 27.
Close family member of key management	There were no transactions between close family members of management.
Joint venture of key management	None
Associate of close family member of key management	None
Post employment benefit plan for employees of entity and/or other related parties	Refer to Note 17
Members of key management	None

39. Change in estimate

Property, plant and equipment

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

2025	**Depreciation previously reported**	**Revised depreciation**	**Change in accounting estimate**	**Impact on future periods**
Infrastructure assets	505,530	(500,717)	(4,813)	4,813
Land, buildings and community assets	94,168	(101,933)	7,765	(7,765)
	599,698	**(602,650)**	**2,952**	**(2,952)**

2024	**Depreciation previously reported**	**Revised depreciation**	**Change in accounting estimate**	**Impact on future periods**
Furniture and Office Equipment	389,860	(348,351)	(41,509)	41,509
Computer and equipment	798,309	(726,630)	(71,678)	71,678
Machinery and Equipment	916,304	(832,547)	(83,757)	83,757
Transport Assets	1,242,071	(1,092,478)	(149,593)	149,593
	3,346,544	**(3,000,006)**	**(346,537)**	**346,537**

The change in estimate effect amount relating to future periods is not disclosed, as it is impracticable to do so. (GRAP 3.42)

40. Prior period errors

Statement of Financial Position

Receivables from exchange transactions and Receivables from non-exchange transactions

The prior period error emanated from the change of the policy on the assessment of receivables from exchange and non-exchange transactions to align with the standards of GRAP 104 and 108. This has resulted into the understatement of the receivables. This constitutes the prior period error in terms of GRAP. The management have processed the correcting entries to ensure fair presentation.

VAT receivable

Changes in VAT were informed by the principles in GRAP 104 on Financial Instruments and GRAP 108 on Statutory Receivables.

Property, plant and equipment and Investment property

During the review of assets records and annual assets physical verification, management discovered that certain investment property assets were not included on the municipal assets register. The omission resulted in understatement of investment property and depreciation in the prior years. The error constitutes prior period error in terms of GRAP and impact on Investment Assets, Depreciation and retained income. The management has processed necessary correcting entries in order to ensure fair presentation.

Payables from exchange transactions

The prior period error emanated from review of the payments, the management discovered that one payment from ZLM was not updated on the prior year schedule of accruals. This has resulted in the understatement of the trade payables. This constitutes the prior period error in terms of GRAP. The management have processed the correcting entries to ensure fair presentation.

Statement of Financial Performance

Depreciation and amortisation, Debt Impairment, Contracted services and (Impairment loss) Reversal of impairments were adjusted as a result of explanation given in Property, plant and equipment and Investment property, Payables from exchange transactions and Receivables from exchange transactions and Receivables from non-exchange transactions.

Cash Flow Statement

In the current year gross cash receipts relating to revenue from exchange transactions include the VAT output. Cash paid to suppliers include VAT input which was determined by calculating the movement in VAT balances that was nullified by VAT amount included in the gross receipts. The amount relating to purchase of assets is excluding VAT due to the limitations in the system to provide VAT amount relating to the acquisition of assets without due effort.

Sale of goods and services is now split between receipts from exchange and non-exchange to align with the presentation on the face of Statement of Financial Performance. Receipts from Traffic fines have been moved to receipts from non-exchange revenue as their nature is non-exchange.

	2025 R	2024 R

40. Prior period errors (continued)

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

Statement of financial position	Audited amount	Correction of error: 2024	Correction of error: 2023	Reclassification	Restated amount
Receivables from exchange transactions	3,273,629	1,122,480	-	-	4,396,109
Receivables from non-exchange transactions	19,839,344	(3,681,016)	(9,554,964)	1,362,039	7,965,403
VAT receivable	2,694,082	-	(1,332,043)	(1,362,039)	-
Investment property	3,133,070	(187,839)	5,975,262	-	8,920,493
Property, plant and equipment	343,446,569	617,743	192,313	-	344,256,625
Payables from exchange transactions	(26,048,649)	(1,618,361)	-	-	(27,667,010)
	346,338,045	**(3,746,993)**	**(4,719,432)**	**-**	**337,871,620**

Statement of financial performance	Audited amount	Correction of error: 2024	Reclassification	Restated amount
Depreciation and amortisation	(19,546,704)	(228,078)	-	(19,774,782)
Debt Impairment	(11,614,424)	(2,978,047)	-	(14,592,471)
Contracted services	(31,307,381)	(1,198,846)	-	(32,506,227)
Transfers and subsidies	-	-	(1,124,148)	(1,124,148)
General Expenses	(41,525,076)	-	1,124,148	(40,400,928)
(Impairment loss) Reversal of impairments	(4,592,863)	657,980	-	(3,934,883)
	(108,586,448)	**(3,746,991)**	**-**	**(112,333,439)**

Cash flow statement	Audited amount	Correction of error: 2024	Restated amount
Sale of goods and services	63,952,976	(63,952,976)	-
Property rates and other receipts from non-exchange transactions	-	68,033,005	68,033,005
Services charges and other receipts from exchange transactions	-	11,928,403	11,928,403
Grants	153,233,000	329,719	153,562,719
Traffic fines receipts	19,850	(19,850)	-
Construction revenue	15,000,000	2,220,276	17,220,276
Employee costs	(70,350,745)	70,350,745	-
Councillors remuneration	(11,263,969)	11,263,969	-
Employees and Councillors	-	(80,803,233)	(80,803,233)
Suppliers	(118,974,142)	(17,734,673)	(136,708,815)
Interest paid	(129,226)	(14,967)	(144,193)
Purchase of property, plant and equipment	(30,642,794)	2,142,864	(28,499,930)
Net movement on finance lease	1,145,923	(2,467,109)	(1,321,186)
Finance cost – Borrowings and Finance Leases	-	(151,991)	(151,991)
	1,990,873	**1,124,182**	**3,115,055**

	2025 R	2024 R

41. Risk management

Financial risk management

Liquidity risk

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

The table below analyses the Municipality's financial liabilities balances due within 12 months equal to their carrying balances as the impact of discounting is not significant.

The Accounting Officer has an overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Department Budget and Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk, and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these Annual Financial Statements.

Current liabilities		
Trade and other payables from exchange transactions	26,402,337	19,170,734
Unspent conditional grants	3,038,103	1,522,823
Finance lease obligation	878,691	808,872
	30,319,131	**21,502,429**

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.

Consumer debtors comprise of a large number of rate payers dispersed across different sectors and geographical areas. Management evaluated credit risk relating to customers on an ongoing basis. Credit exposure is managed by application of the Municipality's policies regarding credit control and debt collection. The Municipality has made a provision for doubtful debts in accordance to its policies. The carrying amount of financial assets is the maximum exposure to credit risk in relation to these assets.

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

Financial instrument	2025	2024
Trade and other receivables from exchange transactions	7,580,016	3,114,685
Cash and cash equivalents/bank balances	6,493,521	5,099,295

Market risk

Interest rate risk

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

Notes to the Annual Financial Statements

	2025 R	2024 R

42. Going concern financial sustainability

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R R384,105,937 and that the municipality's total assets exceed its total liabilities by R384,105,937, however the current assets exceeds it current liabilities by R 25,324,395. The annual financial statements have been prepared based on accounting policies applicable to a going concern as referenced in Accounting Policy 1.3 of the Annual Financial Statements. 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. All impairments were measured and judged in line with past performances.

Description	2025	(Norm)	2024	(Norm)
Current ratio	1.60:1	1.5:1	0.56:1	1.5:1
Cash coverage ratio	1 Months	1-3 Months	0 Months	1-3 Months
Creditor payment period	45.3 Days	30 Days	31,6 Days	30 Days
Collection Rate	86%	95%	81%	95%

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. All impairments were measured and judged in line with past performances.

The Municipality has assessed that no going concern issues have been noted and that the municipality can continue in operational existence for the foreseeable future.

The Municipality is grant dependent and there is no indication that this will change in the foreseeable future.

43. Events after the reporting date

There were no events after the reporting date.

44. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	7,410,254	55,160,133
Add: Unauthorised expenditure - current	9,822,099	7,410,254
Less: Amount Written Off	(7,410,254)	(55,160,133)
Closing balance	**9,822,099**	**7,410,254**

The Accounting Officer have reported the instances of Unauthorised Expenditure (UE) to the Council and MPAC. The municipality have a functional MPAC and Disciplinary Board which assist to further investigate the instances of UE. The unauthorised expenditure resulted from the non-cash items such as depreciation and impairment of receivables amounts to R2 778 631, and the cash items such as remuneration of councillors, and general expenses amounting to R7 043 568.

Analysed as follows: non-cash

	2025	2024
Depreciation and amortisation	1,176,033	-
Finance charges	415,343	698,453
Provision of impairment	1,187,255	4,592,863
Bad debts written off and Debt impairment	-	7,261,424
	2,778,631	**12,552,740**

45. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	56,109	1,389,258
Add: Interest charged current	46,143	144,194
Add: Over payment on suppliers	-	19,509
Less: Amount written off - current	-	(1,496,852)
Closing balance	**102,252**	**56,109**

Notes to the Annual Financial Statements

	2025 R	2024 R

45. Fruitless and wasteful expenditure (continued)

The MPAC have investigated the fruitless and wasteful expenditure, and recommended that it must be further investigated to establish the actual reasons and evidence of why it have incurred. Hence the the balance of R102 252 is still under investigation by the Internal Auditors.

46. Irregular expenditure

	2025 R	2024 R
Opening balance as previously reported	558,585	13,052,421
Add: Irregular expenditure - current	2,056,022	3,255,055
Less: Amount reversed	-	(157,593)
Less: Amount written off - current	(2,056,022)	(15,591,298)
Closing balance	**558,585**	**558,585**

The MPAC have investigated the irregular expenditure, and recommended the write-off to the Council, which was then approved. There was a portion of the irregular expenditure of R558 585 which is still under investigation by the Internal Auditors, and it has not yet been written off. The Financial Misconduct Board have dealt with the instances of irregular expenditure and made recommendations to the accounting officer.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025 R	2024 R
Current year subscription / fee	879,601	881,791
Amount paid - current year	(659,701)	(652,776)
	219,900	**229,015**

Audit fees

	2025 R	2024 R
Opening balance	-	8,454
Current year subscription / fee	2,660,024	2,498,794
Amount paid - current year	(2,660,024)	(2,507,248)
	-	-

PAYE and UIF

	2025 R	2024 R
Opening balance	(311)	968,510
Current year subscription / fee	11,512,536	9,600,291
Amount paid - current year	(11,512,536)	(10,569,112)
	(311)	**(311)**

Pension and Medical Aid Deductions

	2025 R	2024 R
Opening balance	-	1,200,471
Current year subscription / fee	29,422,997	14,221,520
Amount paid - current year	(29,420,363)	(15,421,991)
	2,634	-

Notes to the Annual Financial Statements

	2025	2024
	R	R

48. Actual operating expenditure versus budgeted operating expenditure

1. **Remuneration of councillor**s - the budget have exceeded with a total amount of R103 355. This was as a result of increase in the remuneration of councillors back pay above what was anticipated during the budgeting process.

2**. Depreciation and amortisation** - the budgeted amount have exceeded with a total amount of R1 176 033. This was as a result of the budget depreciation was based on the estimated depreciation at the beginning of the year, and the actual depreciation was more as a result of capitalisation of movable and immovable assts at the year end.text

3**. Impairment loss/Impairment reversal** - the budget have exceeded with a total amount of R1 187 255. This was as a result of increase in the impairment loss/impairment reversal was above what was anticipated during the budgeting process

4. **Contracted services, General Expenses and Finance costs** - There are items that are classified as contracted services for budget purposes however these accounts are classified as operational expenditure for financial statements reporting purposes, hence there is a misalignment of budget versus actual on contracted services, general expenses and Finance cost.

Notes to the Annual Financial Statements

	2025 R	2024 R

49. Deviation from supply chain management regulations - SCM Regulation 36

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

Paragraph 36 of the same gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Exceptional case	-	365,782
Sole service provider	-	21,417
Emergency	-	249,000
	-	**636,199**

In the financial year 2024/2025 there were no deviations incurred in respect of SCM Regulation 36.

Notes to the Annual Financial Statements

	2025 R	2024 R

50. Accounting by principals and agents

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

Details of the arrangement(s) are as follows:

KwaZulu-Natal Department of Transport
Nkandla Local Municipality has entered into an agreement with KwaZulu-Natal Department of Transport to facilitate the motor vehicle registration, licensing and driving license testing function in accordance with national and provincial road traffic legislation. In terms of the arrangement the municipality is the agent.

Obligation of the municipality:
1. Nkandla Local Municipality shall report at all times to the Head of Department or his designee.
2.The municipality shall, in terms of applicable national and provincial road traffic legislation, be responsible for the following motor vehicle registration and licensing functions:
- Vehicle search
- Change of person particular
- Renewal of vehicle licensing.
- Licensing of a vehicle in a private's or legally recognised entity's name.
- Licensing of a financed vehicle, in a private person's or legally recognised entity's name.
- Referral of all motor vehicle licensing queries, complaints and disputes to the Departmental employee.
- any other transaction reasonably requested by the Department.

3. The municipality shall, in terms of applicable national and provincial road traffic legislation, be responsible for the following learners license function:
- Application for Learner's License.
- testing of learner drivers to determine competency, by means of a written test or a computerised learners license testing system.
- oral testing of learner driver's to determine competency upon written authorisation from the MEC or delegated authority
- issue of Learner's Licence

- issue of duplicated learners licence and
- referral of all queries to the Departmental employee specified by the RTI contact person within 2 working days of a query or lodging.

4. The municipality shall, in terms of applicable national and provincial road traffic legislation be responsible for the following driving licence functions:
- application for renewal of driving license.
- issue of credit card format driving license card, including eye test and fingerprints.
- issue of duplication credit card format driving license card, where required.
- renewal of credit card format driving license card, including eye test and fingerprints
- issue of temporary driving license.
- applicable for renewal of professional driving permit.
- issue of professional driving permit, including eye test and fingerprints.
- issue of duplicate professional driving permit, where required.
- substitution of foreign driving license and issue of credit card format driving license card, including eye and fingerprints.
- verification of driving license particulars and
- referral of all queries to the Department employee specified by RTI contact person within 2 working days.

The municipality is entitled to a fee equal to the collection fee of 10% including VAT for all fees collected.

	2025	2024
Commission	63,981	72 138

Notes to the Annual Financial Statements

	2025 R	2024 R

51. Transfer and subsidies

Other subsidies		
Free basic electricity	1,202,157	1,124,148

Free Basic Electricity have been previously disclosed under general expenditure. In the current year that has been corrected to comply with the Standards of GRAP, Municipal Budget Reporting Regulations and Municipal Standard Chart of Acoounts by disclosing the FBE separately in the face of the Statement of Financial Performance.

52. Debt impairment

Debt impairment reversal	13,171,263	-

53. Public contributions and donations

Donated assets	7,285	-

54. Finance costs

Interest on environmental rehabilitation	415,343	402,269
Finance leases	129,137	151,991
Other interest paid	46,143	144,193
	590,623	**698,453**