Nkandla Local Municipality
(Registration number KZN 286)
Trading as Nkandla Municipality
Annual Financial Statements
for the year ended 30 June 2023

Nkandla Local Municipality
(Registration number KZN 286)
Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	Local Municipality - Municipality in terms of section 1 of the Local Government: Municipality Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996) KZN286
Nature of business and principal activities	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Constitution of the Republic of South Africa (Act 108 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007) Local Government: Municipal Systems Act (Act 32 of 2000)
Executive committee	
Mayor	Cllr M.B Biyela
Deputy mayor	Cllr N.F.J Nzuza
Speaker	Cllr S.O Sibiya
Exco Members	Cllr T.B Ntombela
	Cllr N.A Ntombela
	Cllr S.M Bhengu
Mpac Chairperson	Cllr N.P.N Magubane
Councillors	Cllr A.E Ngubane
	Cllr A.T. Ntuli
	Cllr B.B Ndima
	Cllr B.T Dlomo
	Cllr C.L Jali
	Cllr J.R Ntuli
	Cllr J.S Sithole
	Cllr L.B Manyoni
	Cllr L.N Ngobese
	Cllr M.B.E Ntombela
	Cllr N.P Mahaye
	Cllr N.W Gasa
	Cllr P.P Nkwanyana
	Cllr S.M Ngobese
	Cllr S.N Ngobese
	Cllr S.T.P Ngubane
	Cllr T.F Nxumalo
	Cllr V.S Ngonyama
	Cllr X.T Mdunge
	Cllr NA Ntombela
	Cllr Z.M Mbeje
Grading of local authority	Grade 2
Chief Financial Officer (CFO)	Mr. M E O Mkhize
Accounting Officer	Ms NP Dlamini
Registered office	Private Bag x 161 Nkandla 3855
Business address	Maree Road, Lot 292

General Information

	Nkandla
Bankers	FNB Absa Nedbank
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the Annual Financial Statements presented to the provincial legislature:

Abbreviations used:

MEC	Member of the Executive Council
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
GRAP	Generally Recognised Accounting Practice
MIG	Municipal Infrastructure Grant (Previously CMIP)
GAMAP	Generally Accepted Municipal Accounting Practice
INEP	Integrated National Electrification Programme
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data.

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, she is 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.

The external auditors are responsible for independently reviewing and reporting on the Municipality's Annual Financial Statements. The Annual Financial Statements have been examined by the Municipality's external auditors and their report is presented on page 5.

The Annual Financial Statements set out on page 6, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed on its behalf by:

Ms NP Dlamini
Accounting Officer

Statement of Financial Position as at 30 June 2023

	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	6	4 308 559	1 918 333
Receivables from non-exchange transactions	7	11 182 435	14 344 953
VAT receivable	10	7 527 895	11 289 057
Cash and cash equivalents	11	950 863	2 558 119
		23 969 752	**30 110 462**
Non-Current Assets			
Investment property	3	3 365 004	3 596 305
Property, plant and equipment	4	335 581 910	325 789 360
Intangible assets	5	112 232	144 362
		339 059 146	**329 530 027**
Total Assets		**363 028 898**	**359 640 489**
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	12	2 346 076	1 778 515
Employee benefit obligation	14	364 761	159 618
Finance lease obligation	15	851 091	795 335
Payables from exchange transactions	16	53 122 381	59 208 645
		56 684 309	**61 942 113**
Non-Current Liabilities			
Provisions	13	6 915 346	6 598 613
Employee benefit obligation	14	2 124 239	2 616 382
Finance lease obligation	15	-	590 185
		9 039 585	**9 805 180**
Total Liabilities		**65 723 894**	**71 747 293**
Net Assets		**297 305 004**	**287 893 196**
Accumulated surplus		297 305 004	287 893 196
Total Net Assets		**297 305 004**	**287 893 196**

* See Note 39

Statement of Financial Performance for the Year ended 30 June 2023

	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	12 896 090	12 632 183
Construction contracts	8	14 735 575	6 027 000
Rental of facilities and equipment	18	1 310 714	1 303 380
Interest on consumer debtors	19	1 974 383	1 760 734
Other income	20	683 209	431 400
Interest received - investment and other	21	1 183 931	1 326 628
Total revenue from exchange transactions		**32 783 902**	**23 481 325**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	58 429 268	54 350 021
Transfer revenue			
Government grants & subsidies	23	148 689 636	144 466 565
Public contributions and donations		60 400	-
Fines, Penalties and Forfeits	24	116 300	434 748
Total revenue from non-exchange transactions		**207 295 604**	**199 251 334**
Total revenue		**240 079 506**	**222 732 659**
Expenditure			
Employee related costs	25	(66 805 358)	(68 525 561)
Remuneration of councillors	26	(10 356 970)	(9 834 449)
Depreciation and amortisation	27	(18 687 901)	(22 377 702)
Lease rentals on operating lease	29	(4 973 707)	(4 404 184)
Debt Impairment	30	(17 865 028)	(18 519 678)
Bulk purchases	31	(18 769 552)	(18 094 664)
General Expenses	32	(93 596 668)	(115 375 182)
Total expenditure		**(231 055 184)**	**(257 131 420)**
Operating surplus (deficit)		**9 024 322**	**(34 398 761)**
Surplus or (Loss) on disposal of assets		515 022	159 703
Impairment loss	28	(18 258)	(48 750)
Assets written-off	4	(109 279)	(504 120)
		387 485	**(393 167)**
Surplus (deficit) for the year		**9 411 807**	**(34 791 928)**

* See Note 39

Statement of Changes in Net Assets for the Year ended 30 June 2023

	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	340 060 136	340 060 136
Adjustments		
Correction of errors 39	(17 375 012)	(17 375 012)
Balance at 01 July 2021 as restated*	**322 685 124**	**322 685 124**
Changes in net assets		
Surplus for the year	(34 791 928)	(34 791 928)
Total changes	(34 791 928)	(34 791 928)
Restated* Balance at 01 July 2022	**287 893 197**	**287 893 197**
Changes in net assets		
Deficit for the year	9 411 807	9 411 807
Total changes	9 411 807	9 411 807
Balance at 30 June 2023	**297 305 004**	**297 305 004**

Note(s)

* See Note 39

Cash Flow Statement for the Year ended 30 June 2023

	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		58 344 537	69 430 666
Grants		149 257 197	143 866 565
Interest received- investment and other		1 183 931	1 326 628
Traffic fines receipts		51 700	12 150
Construction revenue		14 736 000	6 027 000
		223 573 365	220 663 009
Payments			
Employee costs		(66 825 358)	(68 525 560)
Councillors remuneration		(10 356 970)	(9 834 449)
Suppliers		(119 345 302)	(131 649 523)
Interest paid		(289 025)	(668 782)
		(196 816 655)	(210 678 314)
Net cash flows from operating activities	34	**26 756 710**	**9 984 695**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(28 508 059)	(34 794 490)
Proceeds from sale of property, plant and equipment	4	678 522	278 703
Net cash flows from investing activities		**(27 829 537)**	**(34 515 787)**
Cash flows from financing activities			
Finance lease payments		(534 429)	(365 997)
Net increase/(decrease) in cash and cash equivalents		**(1 607 256)**	**(24 897 089)**
Cash and cash equivalents at the beginning of the year		2 558 119	27 455 209
Cash and cash equivalents at the end of the year	11	**950 863**	**2 558 120**

* See Note 39

Statement of Comparison of Budget and Actual Amounts for the Year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	14 882 827	27 946	**14 910 773**	12 896 090	**(2 014 683)**	Note 45
Construction contracts	-	-	-	14 735 575	**14 735 575**	
Rental of facilities and equipment	1 080 226	66 871	**1 147 097**	1 310 714	**163 617**	Note 45
Interest on consumer debtors	-	1 446 414	**1 446 414**	1 974 383	**527 969**	Note 45
Licences and permits	292 878	(44 884)	**247 994**	-	**(247 994)**	Note 45
Other income - (rollup)	1 151 960	2 918 639	**4 070 599**	683 209	**(3 387 390)**	Note 45
Interest received - investment	1 983 256	866 744	**2 850 000**	1 183 931	**(1 666 069)**	Note 45
Total revenue from exchange transactions	**19 391 147**	**5 281 730**	**24 672 877**	**32 783 902**	**8 111 025**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	59 527 004	-	**59 527 004**	58 429 268	**(1 097 736)**	
Transfer revenue						
Government grants & subsidies	152 130 000	14 736 000	**166 866 000**	148 689 636	**(18 176 364)**	
Levies	-	-	-	-	-	
Public contributions and donations	-	-	-	60 400	**60 400**	
Fines, Penalties and Forfeits	29 287	94 513	**123 800**	116 300	**(7 500)**	
Total revenue from non-exchange transactions	**211 686 291**	**14 830 513**	**226 516 804**	**207 295 604**	**(19 221 200)**	
Total revenue	**231 077 438**	**20 112 243**	**251 189 681**	**240 079 506**	**(11 110 175)**	
Expenditure						
Employee costs	(73 006 202)	-	**(73 006 202)**	(66 805 358)	**6 200 844**	
Remuneration of councillors	(10 098 897)	1 250 401	**(8 848 496)**	(10 356 970)	**(1 508 474)**	Note 45
Depreciation and amortisation	(18 000 000)	-	**(18 000 000)**	(18 687 901)	**(687 901)**	
Impairment loss/ Reversal of impairments	-	-	-	(18 258)	**(18 258)**	
Operating lease	-	-	-	(4 973 707)	**(4 973 707)**	
Bad debts written off and Debt impairment	(5 565 217)	-	**(5 565 217)**	(17 865 028)	**(12 299 811)**	Note 45
Bulk purchases	(15 988 646)	-	**(15 988 646)**	(18 769 552)	**(2 780 906)**	Note 45
General Expenses	(92 995 448)	5 615 144	**(87 380 304)**	(93 596 668)	**(6 216 364)**	
Total expenditure	**(215 654 410)**	**6 865 545**	**(208 788 865)**	**(231 073 442)**	**(22 284 577)**	
Operating surplus	**15 423 028**	**26 977 788**	**42 400 816**	**9 006 064**	**(33 394 752)**	
Gain on disposal of assets and liabilities	-	-	-	515 022	**515 022**	
Assets written-off	-	-	-	(109 279)	**(109 279)**	
	-	**-**	**-**	**405 743**	**405 743**	

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
Surplus before taxation	**15 423 028**	**26 977 788**	**42 400 816**	**9 411 807**	**(32 989 009)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**15 423 028**	**26 977 788**	**42 400 816**	**9 411 807**	**(32 989 009)**	

Nkandla Local Municipality
(Registration number KZN 286)
Annual Financial Statements for the year ended 30 June 2023

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
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	3 504 348	**3 504 348**	-	**(3 504 348)**	
Receivables from non-exchange transactions	20 090 820	1 922 087	**22 012 907**	11 182 435	**(10 830 472)**	
VAT receivable	(2 001 401)	-	**(2 001 401)**	7 527 895	**9 529 296**	
Consumer debtors	34 231 154	20 744 840	**54 975 994**	4 308 559	**(50 667 435)**	
Cash and cash equivalents	(107 462 665)	116 544 737	**9 082 072**	950 863	**(8 131 209)**	
	(55 142 092)	**142 716 012**	**87 573 920**	**23 969 752**	**(63 604 168)**	
Non-Current Assets						
Investment property	3 827 606	-	**3 827 606**	3 365 004	**(462 602)**	
Property, plant and equipment	340 342 708	9 816 086	**350 158 794**	335 581 910	**(14 576 884)**	
Intangible assets	5 510 051	(3 279 182)	**2 230 869**	112 232	**(2 118 637)**	
	349 680 365	**6 536 904**	**356 217 269**	**339 059 146**	**(17 158 123)**	
Total Assets	**294 538 273**	**149 252 916**	**443 791 189**	**363 028 898**	**(80 762 291)**	
Liabilities						
Current Liabilities						
Other financial liabilities	541 671	(541 671)	-	-	-	
Finance lease obligation	-	-	-	851 091	**851 091**	
Payables from exchange transactions	6 787 502	17 336 578	**24 124 080**	53 122 381	**28 998 301**	
Employee benefit obligation	-	-	-	364 761	**364 761**	
Unspent conditional grants and receipts	2 378 515	(2 378 515)	-	2 346 076	**2 346 076**	
Provisions	1 577 351	-	**1 577 351**	-	**(1 577 351)**	
	11 285 039	**14 416 392**	**25 701 431**	**56 684 309**	**30 982 878**	
Non-Current Liabilities						
Employee benefit obligation	3 929 573	-	**3 929 573**	2 124 239	**(1 805 334)**	
Provisions	6 350 926	-	**6 350 926**	6 915 346	**564 420**	
	10 280 499	-	**10 280 499**	**9 039 585**	**(1 240 914)**	
Total Liabilities	**21 565 538**	**14 416 392**	**35 981 930**	**65 723 894**	**29 741 964**	
Net Assets	**272 972 735**	**134 836 524**	**407 809 259**	**297 305 004**	**(110 504 255)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	272 972 735	134 836 524	**407 809 259**	297 305 004	**(110 504 255)**	

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	81 398 162	(9 709 541)	71 688 621	58 344 537	(13 344 084)	
Grants	168 130 000	(5 180 000)	162 950 000	149 257 197	(13 692 803)	
Interest income	3 966 512	(1 116 512)	2 850 000	1 183 931	(1 666 069)	
	253 494 674	**(16 006 053)**	**237 488 621**	**208 785 665**	**(28 702 956)**	
Payments						
Employee costs	(73 006 202)	-	(73 006 202)	(66 825 358)	6 180 844	
Councillors remuneration	(10 098 897)	1 250 000	(8 848 897)	(10 356 970)	(1 508 073)	
Suppliers	(127 055 184)	7 491 326	(119 563 858)	(119 345 302)	218 556	
Interest paid	-	-	-	(289 025)	(289 025)	
Other cash item	(1 500 000)	850 000	(650 000)	-	650 000	
	(211 660 283)	**9 591 326**	**(202 068 957)**	**(196 816 655)**	**5 252 302**	
Net cash flows from operating activities	**41 834 391**	**(6 414 727)**	**35 419 664**	**11 969 010**	**(23 450 654)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(36 255 568)	(8 082 425)	(44 337 993)	(28 508 059)	15 829 934	
Proceeds from sale of property, plant and equipment	-	-	-	678 522	678 522	
Net cash flows from investing activities	**(36 255 568)**	**(8 082 425)**	**(44 337 993)**	**(27 829 537)**	**16 508 456**	
Cash flows from financing activities						
Finance lease payments	-	-	-	(534 429)	(534 429)	
Net increase/(decrease) in cash and cash equivalents	5 578 823	(14 497 152)	(8 918 329)	(16 394 956)	(7 476 627)	
Cash and cash equivalents at the beginning of the year	27 457 614	(9 457 614)	18 000 000	2 558 119	(15 441 881)	
Cash and cash equivalents at the end of the year	**33 036 437**	**(23 954 766)**	**9 081 671**	**(13 836 837)**	**(22 918 508)**	

Accounting Policies

	Note(s)	2023	2022

1. Significant account policies

The principal accounting policies applied in the preparation of these Annual Financial Statements are set out below.

1.1 Basis of preparations

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

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

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 amount 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 13 - 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 metre, the monitoring cost per square metre, 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 13 - Provisions.

Accounting Policies

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	30 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).

Accounting Policies

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).

Accounting Policies

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

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

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

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

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

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

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

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

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

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.

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

Accounting Policies

1.6 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life in years
Infrastructure	Straight-line	
• Roads and paving		30
• Electricity		20-80
Community	Straight-line	
• Buildings		30
• Recreational facilities		20-30
• Security		5
Other	Straight-line	
• Buildings		30
• Vehicles		5
• Office Equipment		3-7

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).

Accounting Policies

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 method	is	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).

1.8 Statutory receivables

Identification

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

1.8 Statutory receivables (continued)

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
- 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.

Accounting Policies

1.8 Statutory receivables (continued)

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

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

1.9 Leases

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

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

Accounting Policies

1.9 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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 continuing use of the asset and from its ultimate disposal and the v applies the appropriate discount rate to those future cash flows.

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Accounting Policies

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

1.12 Employee benefits

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

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

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

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

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

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

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

Short-term employee benefits

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

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

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.

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 service 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%

Accounting Policies

1.13 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus .

Contingencies are disclosed in note 36.

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

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

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

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

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

Accounting Policies

1.14 Commitments

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

Commitments are measured at the value of the contract less 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

1.15 Revenue from exchange transactions

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

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

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

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 recognise 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.

Construction 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

1.15 Employee benefits (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.

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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

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.

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 government remit 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.

1.17 Investment income

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

1.18 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.

Accounting Policies

1.19 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

1.20 Comparative figures

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

1.21 Unauthorised expenditure

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

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

Accounting Policies

1.22 Fruitless and wasteful expenditure

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

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

1.23 Irregular expenditure

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

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

1.24 Segment information

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

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

1.25 Related parties

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

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

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

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

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

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

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

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

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

Accounting Policies

1.26 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.

1.27 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.

1.28 Bulk purchase

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

Notes to the Annual Financial Statements

	2023	2022

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets		
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements		
• 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	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 955 451	(3 590 447)	3 365 004	6 955 451	(3 359 146)	3 596 305

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	3 596 305	(231 301)	3 365 004

Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	3 827 606	(231 301)	3 596 305

Pledged as security

Carrying value of assets pledged as security:

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

Notes to the Annual Financial Statements

	2023	2022

3. Investment property (continued)

Amounts recognised in surplus or deficit

	2023	2022
Rental revenue from Investment property	1 198 464	1 120 916
Maintenance of investment property		
The following maintenance costs were incurred:		
Corrective Maintenance incurred on		
Rental revenue from Investment property	-	(245 887)

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 maintainance cost incurred relating to assets held as investment property during the 2023 financial year.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	61 490 440	-	61 490 440	61 653 940	-	61 653 940
Furniture and office equipment	4 210 806	(2 699 045)	1 511 761	4 089 156	(2 356 149)	1 733 007
Computer equipment	5 649 192	(3 418 465)	2 230 727	5 372 742	(2 759 581)	2 613 161
Community Assets	158 863 353	(41 184 327)	117 679 026	146 080 053	(36 189 808)	109 890 245
Electrical infrastructure	27 163 375	(7 964 452)	19 198 923	22 144 762	(7 324 390)	14 820 372
Machinery and equipment	9 980 138	(4 778 119)	5 202 019	9 980 138	(3 951 660)	6 028 478
Transport assets	5 086 014	(2 948 275)	2 137 739	5 086 014	(2 079 339)	3 006 675
Solid Waste Infrastructure	3 058 404	(2 239 567)	818 837	3 058 404	(2 160 203)	898 201
Road infrastructure	194 749 359	(87 008 677)	107 740 682	184 924 106	(78 059 016)	106 865 090
Other Assets	27 803 613	(10 231 857)	17 571 756	27 501 254	(9 221 063)	18 280 191
Total	**498 054 694**	**(162 472 784)**	**335 581 910**	**469 890 569**	**(144 101 209)**	**325 789 360**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers in	Transfers out	Write-off	Depreciation	Impairment loss	Total
Land	61 653 940	-	(163 500)	-	-	-	-	-	61 490 440
Furniture and Office Equipment	1 733 007	121 652	-	-	-	-	(341 807)	(1 091)	1 511 761
Computer equipment	2 613 161	276 450	-	-	-	-	(652 372)	(6 512)	2 230 727
Community Assets	109 890 245	12 961 852	-	21 155 140	(21 155 140)	(109 279)	(5 053 136)	(10 656)	117 679 026
Electrical Infrastructure	14 820 372	5 018 613	-	-	-	-	(640 062)	-	19 198 923
Machinery and Equipment	6 028 478	-	-	-	-	-	(826 459)	-	5 202 019
Transport Assets	3 006 675	-	-	-	-	-	(868 936)	-	2 137 739
Solid Waste Infrastructure	898 201	-	-	-	-	-	(79 364)	-	818 837
Road Infrastructure	106 865 090	9 827 133	-	11 856 874	(11 856 874)	-	(8 951 541)	-	107 740 682
Other Assets	18 280 191	302 359	-	302 359	(302 359)	-	(1 010 794)	-	17 571 756
	325 789 360	**28 508 059**	**(163 500)**	**33 314 373**	**(33 314 373)**	**(109 279)**	**(18 424 471)**	**(18 259)**	**335 581 910**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Write-offs	Transfers in	Transfers out	Depreciation	Impairment loss	Total
Land	61 772 940	-	(119 000)	-	-	-	-	-	61 653 940
Furniture and Office Equipment	1 658 345	495 111	-	-	-	-	(410 427)	(10 022)	1 733 007
Computer equipment	2 470 768	880 949	-	-	-	-	(736 224)	(2 332)	2 613 161
Community	97 157 500	17 592 396	-	(78 249)	6 495 947	(6 495 947)	(4 768 691)	(12 711)	109 890 245
Electrical infrastructure	12 293 184	3 382 848	-	(244 324)	3 673 213	(3 673 213)	(611 336)	-	14 820 372
Machinery and equipment	5 716 456	1 150 467	-	-	-	-	(837 952)	(493)	6 028 478
Transport assets	3 026 659	850 750	-	-	-	-	(870 734)	-	3 006 675
Solid Waste Infrastructure	978 222	-	-	(73)	-	-	(79 948)	-	898 201
Road infrastructure	109 390 743	10 441 969	-	(162 710)	7 170 424	(7 170 424)	(12 781 720)	(23 192)	106 865 090
Other Assets	19 313 070	-	-	(18 764)	-	-	(1 014 115)	-	18 280 191
	313 777 887	**34 794 490**	**(119 000)**	**(504 120)**	**17 339 584**	**(17 339 584)**	**(22 111 147)**	**(48 750)**	**325 789 360**

	2023	2022

4. Property, plant and equipment (continued)

Pledged as security

There are no property, plant and equipment pledged as security:

Assets subject to finance lease (Net carrying amount)

Plant and machinery	1 517 949	1 722 850

Repairs and maintenance

Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)

Contracted Services	5 096 498	7 020 714
Materials	3 334 432	840 991
Electrical Infrastructure	2 532 760	4 032 639
Employee Costs	6 059 086	5 241 922
	17 022 776	**17 136 266**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Electrical Infrastructure	Total
Opening balance	3 450 590	14 250 139	-	17 700 729
Additions/capital expenditure	10 129 492	12 961 852	5 018 613	28 109 957
Transferred to completed items	(12 159 233)	(21 155 140)	-	(33 314 373)
	1 420 849	**6 056 851**	**5 018 613**	**12 496 313**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Electrical Infrastructure	Total
Opening balance	-	3 444 053	-	3 444 053
Additions/capital expenditure	10 621 014	17 302 033	3 673 213	31 596 260
Transferred to completed items	(7 170 424)	(6 495 947)	(3 673 213)	(17 339 584)
	3 450 590	**14 250 139**	**-**	**17 700 729**

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

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 225 797	(2 113 565)	112 232	2 225 797	(2 081 435)	144 362

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	144 362	(32 130)	112 232

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	179 616	(35 254)	144 362

Notes to the Annual Financial Statements

6. Receivables from exchange transactions

	2023	2022
Gross balances		
Electricity	6 375 602	2 303 132
Sundry	2 691 194	3 662 378
Refuse	6 539 803	5 917 728
Other	2 851 837	2 851 837
Payment of creditors in advance	19 034	460 162
Insurance debtor	571 672	571 672
	19 049 142	**15 766 909**
Less: Allowance for impairment		
Electricity	(4 539 492)	(1 961 878)
Insurance debtor	(571 672)	-
Sundry	(2 480 683)	(3 255 345)
Refuse	(5 550 716)	(5 929 711)
Other	(1 598 020)	(2 701 642)
	(14 740 583)	**(13 848 576)**
Net balance		
Electricity	1 836 110	341 254
Insurance debtor	(571 672)	-
Sundry	210 511	407 033
Refuse	989 087	(11 983)
Other	1 253 817	150 195
Payment of creditors in advance	19 034	460 162
Insurance debtor	571 672	571 672
	4 308 559	**1 918 333**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(13 848 576)	(4 150 999)
Contributions to allowance	(320 335)	(9 697 577)
Insurance debt impairment	(571 672)	-
	(14 740 583)	**(13 848 576)**

Receivables from exchange transactions pledged as security

There were no Receivables from exchange transactions pledged as security.

Notes to the Annual Financial Statements

	2023	2022

7. Receivables from non-exchange transactions

	2023	2022
Gross balances		
Add back: Credit balance in debtors	141 748	161 173
Statutory debtors - property rates	53 211 644	39 829 175
Statutory debtors - traffic fines	678 225	636 275
	54 031 617	**40 626 623**
Less: Allowance for impairment		
Statutory debtors - property rates	(42 297 939)	(26 015 184)
Statutory debtors - traffic fines	(551 243)	(266 486)
	(42 849 182)	**(26 281 670)**
Net balance		
Add back: Credit balance in debtors	141 748	161 173
Statutory debtors - property rates	10 913 705	13 813 991
Statutory debtors - traffic fines	126 982	369 789
	11 182 435	**14 344 953**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Statutory debtors - property rates	53 211 644	39 829 175
Statutory debtors - traffic fines	678 225	636 275
	53 889 869	**40 465 450**

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

Opening balance	(26 281 670)	(17 655 396)
Statutory debtors - property rates	(16 282 754)	(8 513 370)
Statutory debtors - traffic fines	(262 108)	(112 904)
Write off - traffic fines	(22 650)	-
	(42 849 182)	**(26 281 670)**

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.

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

Determination of transaction amount

Transaction amounts are determined as follows

Property rates – transaction amount is determined by applying the Council approved rates randanges 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 AARTO Regulations 2008 for charge codes and descriptions, penalties and their discounts, and demerit points.

	2023	2022

7. Receivables from non-exchange transactions (continued)

Interest or other charges levied/charged

Property rates – interest at a fixed rate of 1.5% per month (2022: 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

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

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

If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For collective assessment, debtors are grouped based on ageing and credit impairment is calculated as follows:
- 120 days 25% of debt is considered bad
- 150 days 50% of debt is considered bad
- 180 days and above 90% of debt is considered bad

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

Receivables from non-exchange transactions pledged as security

There are no Receivables from non-exchange transactions pledged as security

8. Construction contracts and receivables

	2023	2022
Intergrated National Electrification Program Grant (VAT inc)		
Current year receipts	7 736 000	5 240 870
Expenditure incurred	(7 736 000)	(5 240 870)
	-	-

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

Contracts in progress at statement of financial position date

	2023	2022
Construction contract- revenue recognised	7 736 000	6 027 000
Construction contract- expenditure incurred	7 794 930	5 240 870

Notes to the Annual Financial Statements

	2023	2022

9. Consumer debtors disclosure

Residential		
Current (0 -30 days)	520 638	356 666
31 - 60 days	386 824	348 343
61 - 90 days	382 278	316 753
91 - 180 + days	18 716 241	14 830 032
	20 005 981	**15 851 794**

Business		
Current (0 -30 days)	1 177 231	790 634
31 - 60 days	248 473	688 363
61 - 90 days	147 724	279 289
91 - 180 + days	5 983 500	10 844 604
	7 556 928	**12 602 890**

State owned		
Current (0 -30 days)	1 193 273	2 614 188
31 - 60 days	1 266 083	988 304
61 - 90 days	1 032 878	865 576
91 - 180 + days	25 946 682	13 964 854
	29 438 916	**18 432 922**

Other		
Current (0 -30 days)	233 951	151 066
31 - 60 days	177 506	145 398
61 - 90 days	179 142	136 771
91 - 180 + days	14 077 656	7 326 625
	14 668 255	**7 759 860**

Total		
Current (0 -30 days)	3 125 093	3 912 554
31 - 60 days	2 078 886	2 170 408
61 - 90 days	1 742 022	1 598 389
91 - 180 + days	64 724 079	46 966 115
Add back: Credit balance in debtors	141 748	161 173
Traffic fines	678 225	636 275
Payment of creditors in advance	19 034	460 162
Insurance debtor	571 672	571 672
Less: Allowance for impairment	(57 589 765)	(40 130 246)
	15 490 994	**16 346 502**

Statutory receivables general information

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R5 305 237 (2022: R5 076 375) were past due but not impaired.

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

1 month past due	2 015 379	2 170 407
2 months past due	1 675 523	1 598 388
3 months past due	1 614 335	1 307 597

	2023	2022

10. VAT receivable

	2023	2022
Accrual basis	5 689 854	5 735 507
Cash basis	1 838 041	5 553 550
	7 527 895	**11 289 057**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023	2022
Cash on hand	217	18 227
Bank and cash	222 952	1 252 568
Short-term deposits	727 694	1 287 324
	950 863	**2 558 119**

	2023	2022
The total amount of undrawn facilities available for future operating activities and commitments	120 000	120 000

The Municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB Primary Bank Account 62720610717	222 955	1 239 064	6 343 323	222 952	1 252 568	6 363 112
ABSA - Account 4053858355	533 761	296 354	124 958	533 761	296 354	124 958
Nedbank LTD Call Account 037881151609	193 933	990 970	5 838 771	193 933	990 970	5 838 771
Nedbank LTD Fixed deposit	-	-	15 123 386	-	-	15 123 386
Petty Cash	-	-	-	217	520	2 121
Cashiers Collection	-	-	-	-	17 707	5 326
Total	**950 649**	**2 526 388**	**27 430 438**	**950 863**	**2 558 119**	**27 457 674**

Notes to the Annual Financial Statements

	2023	2022

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2023	2022
Unspent conditional grants and receipts		
Local Government SETA Grant	688 390	-
Single land use scheme	210 010	330 839
Qedisimo Grant	1 447 676	1 447 676
	2 346 076	**1 778 515**

Movement during the year

	2023	2022
Balance at the beginning of the year	1 778 515	2 378 515
Additions during the year	148 059 883	37 990 000
Income recognition during the year	(147 492 322)	(38 590 000)
	2 346 076	**1 778 515**

The nature and extent of government grants recognised in the Annual Financial Statements and an indication of other forms of government assistance from which the Municipality has directly benefited; and

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

See note 23 for reconciliation of grants from National/Provincial Government.

13. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Interest Cost/Finance Charges	Total
Environmental rehabilitation	6 598 613	316 733	6 915 346

Reconciliation of provisions - 2022

	Opening Balance	Interest Cost/Finance Charges	Total
Environmental rehabilitation	6 350 926	247 687	6 598 613

Environmental rehabilitation provision

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 6.55% over an average period of 5 years.

	2023	2022

14. Employee benefit obligations

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

	2023	2022
Carrying value		
Present value of the defined benefit obligation-Long service awards	(2 489 000)	(2 776 000)
Non-current liabilities	(2 124 239)	(2 616 382)
Current liabilities	(364 761)	(159 618)
	(2 489 000)	**(2 776 000)**

[Provide a brief description of the link between the reimbursement right(s) and the related obligation]

The fair value of plan assets includes:

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

	2023	2022
Opening balance	2 776 000	2 832 000
Benefits paid	(317 206)	(336 000)
Net expense recognised in the statement of financial performance	35 000	280 000
	2 493 794	**2 776 000**

Net expense recognised in the statement of financial performance

	2023	2022
Current service cost	354 000	357 000
Interest cost	317 000	243 000
Actuarial (gains) losses	(636 000)	(320 000)
	35 000	**280 000**

Notes to the Annual Financial Statements

	2023	2022

14. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.57 %	11.73 %
CPI	5.92 %	6.96 %
Salary increase rate	6.92 %	7.96 %
Net Discount Rate	4.35 %	3.49 %

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 methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 7.84 years

At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 11.57% per annum, and the yield on inflation-linked bonds of a similar term was about 4.86% per annum. This implies an underlying expectation of inflation of 5.92% per annum ([1 + 11.57% - 0.5%] / [1 + 4.86%] - 1).

15. Finance lease obligation

Minimum lease payments due		
- within one year	878 953	1 026 609
- in second to fifth year inclusive	-	693 123
	878 953	1 719 732
less: future finance charges	(27 861)	(259 135)
Present value of minimum lease payments	**851 092**	**1 460 597**

Present value of minimum lease payments due		
- within one year	851 092	795 355
- in second to fifth year inclusive	-	665 262
	851 092	**1 460 617**

Non-current liabilities	-	590 185
Current liabilities	851 091	795 335
	851 091	**1 385 520**

The average lease term was 3 years and the average effective borrowing rate was 26.5% (2022: 26.5%).

Interest rates are fixed at the contract date. All leases escalate at 10 % p.a and no arrangements have been entered into for contingent rent.

Notes to the Annual Financial Statements

16. Payables from exchange transactions

	2023	2022
Trade payables	38 264 973	46 546 466
Payments received in advanced	327 642	967 633
Other payables	3 183 192	1 966 373
Accrued leave pay	6 001 078	5 568 792
Accrued bonus	1 481 026	1 314 984
Retentions	3 864 470	2 844 397
	53 122 381	**59 208 645**

17. Service charges

	2023	2022
Sale of electricity	11 587 175	11 334 994
Refuse removal	1 308 915	1 297 189
	12 896 090	**12 632 183**

18. Rental of facilities and equipment

	2023	2022
Premises		
Premises	1 198 464	1 120 916
Facilities and equipment		
Rental of facilities	112 250	182 464
	1 310 714	**1 303 380**

19. Interest on consumer debtors

	2023	2022
Interest from exchange and non-exchange transactions	1 974 383	1 760 734

20. Other income

	2023	2022
Burial fees	10 360	7 649
Connection fees	33 457	15 570
Housing plan	71 968	10 112
Library fees	13 913	3 026
Taxi and bus licences	13 474	14 789
Tender monies	233 566	25 450
Plan submission	-	2 148
Rates clearance certificates	658	10 396
Electricity meter upgrade	-	6 043
Advertising billboards	5 461	803
Learners Licences	97 008	110 320
PDP and Learners Licences renewals	203 344	225 094
	683 209	**431 400**

21. Interest received - investment and other

	2023	2022
Interest revenue		
Interest from current account	561 164	371 577
Interest on investment	622 767	955 051
	1 183 931	**1 326 628**

Notes to the Annual Financial Statements

	2023	2022

22. Property rates

Rates received

	2023	2022
Property rates	59 289 699	55 120 385
Less: Income forgone	(860 431)	(770 364)
	58 429 268	**54 350 021**

Valuations

	2023	2022
Agriculture	193 368 791	193 368 791
Business	143 930 000	141 050 000
Place of worship	4 040 000	4 040 000
Residential	182 000 000	182 000 000
Public benefit organisations	420 000	420 000
State owned properties	1 111 100 000	1 111 100 000
Vacant land	19 828 000	19 918 000
Protected area	7 000 000	7 000 000
Unauthorised use	43 139 000	43 139 000
Municipality owned	53 250 000	56 040 000
Public service infrastructure	5 000	5 000
	1 758 080 791	**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	: 0.0028 in the Rand
Business	: 0.0341 in the Rand
Place of worship	: 0.0000 in the Rand
Residential	: 0.0114 in the Rand
State owned properties	: 0.0445 in the Rand
Vacant Land	: 0.0273 in the Rand
Protected area	: 0.0000 in the Rand
Public service infrastructure	: 0.0000 in the Rand
Public Benefit Organisation	: 0.0028 in the Rand
Unauthorised use	: 0.0445 in the Rand
Municipality owned	: 0.0000 in the Rand

The following rebate rates are applied:
100% of market value residential properties less than R105 000
100% of market value of worshipping properties

Interest is levied at 18.00% per annum (2022: 18.00%) on all outstanding amounts

Notes to the Annual Financial Statements

	2023	2022

23. Government grants & subsidies

Operating grants		
Equitable share	114 409 000	105 809 000
Expanded Public Works Programme Grant	3 626 000	3 552 000
Financial Management Grant	2 650 000	2 650 000
Cyber Cadet Grant	254 000	242 000
Library Grant	1 696 000	1 617 000
Local Government SETA Grant- Unconditional	125 597	67 565
Waste management	-	600 000
Local Government SETA Grant- Conditional	229 210	-
Single land use scheme	120 829	-
	123 110 636	**114 537 565**

Capital grants		
Municipal Infrastructure Grant	25 579 000	29 929 000
	148 689 636	**144 466 565**

Equitable Share

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

All registered indigents receive a monthly subsidy of R114 409 000 (2022: R105 809 000), which is funded from the grant.

Local Government SETA Grant

Current year receipts- Unconditional	125 597	67 565
Current year receipts- Conditional	917 600	-
Conditions met- transferred revenue	(354 807)	-
	688 390	**-**

Single land use scheme

Balance unspent at beginning of year	330 839	330 839
Conditions met - transferred to revenue	(120 829)	-
	210 010	**330 839**

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

Expanded Public Works Programme Grant

Current-year receipts	3 626 000	3 552 000
Conditions met - transferred to revenue	(3 626 000)	(3 552 000)
	-	-

Waste management

Balance unspent at beginning of year	-	600 000
Conditions met - transferred to revenue	-	(600 000)
	-	-

Notes to the Annual Financial Statements

	2023	2022

23. Government grants & subsidies (continued)

Financial Management Grant

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

Cyber Cadet Grant

Current-year receipts	254 000	242 000
Conditions met - transferred to revenue	(254 000)	(242 000)
	-	-

Library Grant

Current-year receipts	1 696 000	1 617 000
Conditions met - transferred to revenue	(1 696 000)	(1 617 000)
	-	-

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 Infrastructure Grant

Current-year receipts	25 579 000	29 929 000
Conditions met - transferred to revenue	(25 579 000)	(29 929 000)
	-	-

24. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	116 300	434 748

Notes to the Annual Financial Statements

25. Employee related costs

	2023	2022
Basic	42 713 851	45 381 975
Bonus	3 344 797	3 141 404
Medical aid - company contributions	2 515 512	2 466 723
UIF	335 616	364 540
SDL	608 806	651 769
Leave pay provision charge	1 628 527	732 017
Standby allowance	1 206 255	807 390
Pension contributions	5 608 793	5 204 571
Travel, motor car, accommodation, subsistence and other allowances	6 127 246	7 523 857
Overtime payments	1 411 391	1 386 527
Long-service awards	35 069	100 656
Acting allowances	611 332	152 846
Housing benefits and allowances	112 306	82 947
Industrial council	18 544	17 520
Cellphone allowance	22 800	24 000
Group life insurance	504 513	486 819
	66 805 358	**68 525 561**

Remuneration of municipal manager

	2023	2022
Annual Remuneration	798 082	757 173
Car Allowance	324 009	324 503
Acting allowance	-	39 165
Travel Claim	22 044	1 188
	1 144 135	**1 122 029**

Remuneration of chief finance officer

	2023	2022
Annual Remuneration	270 048	616 111
Car Allowance	36 012	144 048
Structured saving bonus	30 000	120 000
Leave pay	172 214	-
Other	-	6 133
Acting allowance	139 864	-
	648 138	**886 292**

Remuneration of Director of Community Services

	2023	2022
Annual Remuneration	660 847	616 111
Car Allowance	266 028	264 048
Other	-	3 185
	926 875	**883 344**

Remuneration of Director of Technical Services

	2023	2022
Annual Remuneration	660 877	616 111
Car Allowance	203 954	202 437
Structured saving bonus	62 073	61 611
Travel claim	30 478	-
Other	-	8 497
	957 382	**888 656**

Notes to the Annual Financial Statements

	2023	2022

25. Employee related costs (continued)

Remuneration of Director of Corporate Services

	2023	2022
Annual Remuneration	52 113	535 695
Car Allowance	22 334	229 584
Acting allowance	123 625	80 859
Other	-	5 995
	198 072	**852 133**

26. Remuneration of councillors

	2023	2022
Mayor	938 598	873 111
Deputy Mayor	441 624	426 114
Speaker	760 577	614 729
Councillors	6 464 151	6 319 559
MPAC Chairperson	502 584	392 303
Executive Committee	1 249 436	1 208 633
	10 356 970	**9 834 449**

In-kind benefits

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

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost.

The Mayor and the Deputy Mayor each have the use of separate 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.

27. Depreciation and amortisation

	2023	2022
Property, plant and equipment	18 424 471	22 111 147
Investment property	231 301	231 301
Intangible assets	32 129	35 254
	18 687 901	**22 377 702**

28. Impairment loss

	2023	2022
Impairments		
Property, plant and equipment	7 602	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Impairments		
Property, plant and equipment	10 656	48 750
Total impairment losses (recognised) reversed	**18 258**	**48 750**

Notes to the Annual Financial Statements

	2023	2022

29. Lease rentals on operating lease

Lease rentals on operating lease - Other

Contractual amounts	4 973 707	4 404 184

30. Debt impairment

Debt impairment	17 436 870	18 323 850
Bad debts written off	428 158	195 828
	17 865 028	**18 519 678**

31. Bulk purchases

Electricity - Eskom	18 769 552	18 094 664

Electricity losses

Units purchased	10 676 881	12 228 207
Units sold	(3 698 495)	(3 842 103)
Total loss	**6 978 386**	**8 386 104**

Electricity losses in Rands comprises of:		
Electricity losses	7 723 591	6 977 970

Percentage Loss:		
Electricity losses	35.85 %	34.60 %

Notes to the Annual Financial Statements

32. General expenses

	2023	2022
Admin fees	327 009	146 971
Advertising	7 852 376	9 089 128
Auditors remuneration	1 904 656	1 446 896
Bank charges	489 569	211 942
Cleaning	3 877 204	3 661 752
Consulting and professional fees	10 531 882	11 434 172
Electricity expense	1 403 781	1 637 803
Sport & recreation	4 217 499	2 871 798
Fines and penalties	14 931	53 673
Indigent burial	262 150	482 050
Personal protective equipment	515 441	2 143 310
Plant Hire-Road and maintenance	3 661 460	9 705 441
Insurance	1 855 860	1 733 913
Community development	6 457 395	11 353 200
Bursaries	2 004 096	1 058 592
Interest expenditure	1 574 761	758 117
IT Government and network	479 930	999 983
Repairs and maintenance - Electricity Infrastructure	2 532 761	4 342 011
Internal audit fees	1 072 772	1 722 994
Contracted services - repairs and maintenance	1 435 039	902 875
Material - repairs and maintenance	3 334 432	5 078 143
Packaging	316 733	305 486
Fuel and oil	2 625 895	3 139 247
Printing and stationery	1 306 917	753 280
Legal claim	38 242	-
Security services	9 996 334	10 395 415
Software expenses	1 585 795	398 843
Staff welfare	111 341	347 723
Subscriptions and membership fees	-	1 399 773
Telephone and fax	1 052 473	347 891
Training	570 179	252 859
Title deed search fees	-	65 217
Water	541 791	1 223 444
Sewerage and waste disposal	84 859	809 217
Uniforms	706 600	370 568
Travelling and accommodation	1 265 508	1 275 368
Youth development	453 057	2 165 317
Free basic electricity	-	1 183 647
Local economic development	3 357 644	7 990 439
Ward committee stipends	1 722 000	834 472
Disaster relief	4 001 703	4 944 166
Traffic unit	128 743	690 139
Strategic planning	130 920	407 037
Construction contracts	7 794 930	5 240 870
	93 596 668	**115 375 182**

Notes to the Annual Financial Statements

	2023	2022

33. Auditors' remuneration

Fees	1 904 656	1 446 896

34. Cash generated from operations

Surplus (deficit)	9 411 807	(34 791 928)
Adjustments for:		
Depreciation and amortisation	18 687 901	22 377 702
Surplus or (loss) on disposal of assets	(515 022)	(159 703)
Impairment deficit	18 258	48 750
Debt impairment	17 865 028	18 519 678
Movements in retirement benefit assets and liabilities	(287 000)	(56 000)
Movements in provisions	316 733	247 687
Assets Written Off	109 279	504 120
Other non-cash items	-	-
Changes in working capital:		
Consumer debtors	(20 255 248)	(13 459 971)
Other receivables from non-exchange transactions	3 162 518	11 843 352
Payables from exchange transactions	(6 086 267)	8 927 906
VAT	3 761 162	(3 416 898)
Unspent conditional grants and receipts	567 561	(600 000)
	26 756 710	**9 984 695**

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure assets	6 030 713	5 366 415
Total capital commitments		
Already contracted for but not provided for	6 030 713	5 366 415

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	1 273 475	2 067 094
- in second to fifth year inclusive	1 204 958	147 233
	2 478 433	**2 214 327**

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.

36. Contingencies

Nompumelelo Agrieneth Shezi vs Nkandla Municipality.
The Municipality is a defendant in this Civil matter. The Municipality being sued the plaintiff for damages to her car due to poorly maintained roads. The possible liability possible liability is R 131 782.92. The matter is in the pleading stage.

37. Related parties

Relationships	
Management remuneration	Refer to employee related costs note 25
Council remuneration	Refer to remuneration of councillors note 26

38. Change in estimate

Property, plant and equipment

During the review of property, plant and equipment, the remaing useful lives were reassessed. The effect

2023	**Depreciation previously reported**	**Revised depreciation**	**Change in accounting estimate**	**Impact on future periods**
Furniture and Office Equipment	421 240	(341 807)	(79 433)	79 433
Computer and equipment	760 335	(652 372)	(107 963)	107 963
	1 181 575	**(994 179)**	**(187 396)**	**187 396**

39. Prior period errors

PROPERTY PLANT & EQUIPMENT

COMMUNITY ASSETS
During the review of assets records, management discovered that certain community assets were not included on the municipal assets register. These assets were constructed by the then Uthungulu Regional Council and subsequently transferred to Nkandla Municipality during the reconfiguration and establishment of local government. Through enquiry with King Cetshwayo District Municipality (formerly known as Uthungulu Regional Council), it was confirmed that such assets are not in their assets register. The omission resulted to understatement of property plant and equipment and depreciation in the prior years. The error constitutes prior period error in terms of GRAP and impact on Community Assets, Depreciation and retained income. The Municipality has processed necessary correcting entries in order to ensure fair presentation

WIP
During the 2023 financial year Municipality received an invoice for professional civil engineering services rendered at Ngwengwezi Gravel Road during the 2022 financial year. The project was certified as complete and subsequently capitalised during 2022 financial year. The invoice was not submitted on time by the service provider and resulted to understatement of cost price of asset and depreciation.

CASH & CASH EQUIVALENT

Through detailed review and reconciliation of Petty Cash account balance and supporting schedule as at 30 June 2022, management noted discrepancies between Petty Cash Register/recon and Petty cash balance per the general ledger and audited annual financial year. The discrepancy was mostly attributable to the incorrect petty cash closing balance carried forward from 2021 financial year and other petty cash transaction that were either misclassified or not recognised on the general ledger. The error constitute prior period error in terms of GRAP and impact on Cash & Cash equivalent, Account payable and retained income. The Municipality has processed necessary correcting entries in order to ensure fair presentation.

TRADE & OTHER PAYABLES

RETENTION
Through detailed review of Retention account balances and supporting schedule/records as 30 June 2022 financial year, management noted that Retention payment of R205 902 was incorrectly accounted as addition into Work in Progress instead of reduction in Retention liability. The errors resulted to overstatement of Retention liability account balance and Work in Progress account balance. The error constitute prior period error in terms of GRAP. The Municipality has processed necessary correcting entries in order to ensure fair presentation.

Through detailed review and reconciliation of Rental deposit account balance and supporting schedule as at 30 June 2020, management noted discrepancies between Rental deposits schedule and actual lease agreements. The discrepancies are attributable to incorrect accounting treatment for the refund of the rental deposits. The error constitute prior period error in terms of GRAP. The Municipality has processed necessary correcting entries in order to ensure fair presentation.

ACCRUED LIABILITIES - SHANTIS
Judgment of default was granted by the Court in favour of Shantis Electrical for amount of R22 469 422 that was owed by the Municipality in relation to household electrification work that was rendered during 2021 financial year. The Municipality did not recognise such expenditure in the respective period due to non-submission of such invoices by Shantis to the Municipality and non-submission of these invoices resulted to understatement of accounts payable, VAT and household electrification expenditure. The error constitute prior period error in terms of GRAP and impact on Trade & Other Payable, VAT receivable and electrification expenditure.

ACCRUED LIABILITIES - BROCKWELL
Through detailed review and reconciliation of accrued liability balance and supporting schedule as at 30 June 2022, management noted that some unpaid invoices from Brockwell relating to finance lease transaction were also raised as liability under trade and other payables balance resulting to duplicate liability and overstatement of operating lease expenditure and VAT receivable. The error constitute prior period error in terms of GRAP and impact on Trade & Other Payable, VAT receivable and operating lease expenditure.

39. Prior period errors (continued)

ACCRUED LIABILITIES - COIDA
In terms of Compensation for Occupation Injuries and Disease Act, Department of Labour raised the assessment of R2 458 242.35 on the municipal account for the 2008 to 2021 financial years. The Municipality did not make annual submission as required resulting to understatement of expenditure and liability for those financial years. The error constitute prior period error in terms of GRAP and impact on Trade & Other Payable and retained income. The Municipality has processed necessary correcting entries in order to ensure fair presentation.

ACCRUED LIABILITIES - OTHER
Through detailed review and reconciliation of Accrual account balance and supporting schedule as at 30 June 2022, management noted numerous errors on the accrual schedule and the subsequent invoices/statement and payments made during 2023. Such errors results to misstatement of accrual account balance as at 30 June 2022. The error constitute prior period error in terms of GRAP and impact on Trade & Other Payable, VAT receivable and various expenditure. The Municipality has processed necessary correcting entries in order to ensure fair presentation.

ELECTRICITY CONSUMPTION
Through review of billing module records and assessment of meter readings for one consumer account, management discovered an instance where electricity meter was faulty and resulted to incorrect meter readings. As a result of incorrect readings the consumer was billed incorrectly from the prior year period and thus resulting to prior period correction. Correcting journals were processed in order to reverse incorrect billing and the error resulted to decrease in revenue and receivables from exchange transactions.

REFUSE REMOVAL
Through review of billing module records, management discovered an instance where refuse removal was incorrectly billed while service was not rendered. Correcting journals were processed in order to reverse incorrect billing and the error resulted to decrease in revenue and receivables from exchange transactions

INEP
National Treasurer issued guidelines for accounting treatment for INEP transactions as construction transaction instead on an agent accounting treatment. As result the municipality amended accounting treatment of INEP in line with the guideline and treated agent accounting as incorrect interpretation of applicable GRAP standard and therefore resulted to prior period error. The prior period comparatives have been restated and resulted to Construction Revenue and Construction Expenditure being disclosed on the statement of financial performance.

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

Statement of financial position	**2022**	**2021**
VAT	3 542 335	2 919 532
Property, Plant and Equipment	4 027 504	4 549 191
Cash and cash equivalents	(1 885)	(2 406)
Payables from exchange transactions `	(23 501 526)	(24 841 329)
Finance lease obligation	75 078	-
Receivables from exchange transactions	(83 216)	-
Opening Accumulated Surplus or Deficit	15 941 710	17 375 012

Statement of financial performance	**2022**	
General expenses	(4 224 996)	
Lease rentals on operating lease	81 457	
Depreciation and amortisation	(377 799)	
Government grants & subsidies	6 027 000	
Service charge	(72 360)	-

VAT	
Audited amount	7 746 722
Correction of prior year error - Petty cash	170
Correction of prior year error - WIP	5 275
Correction of prior year error - Finance lease	(12 219)
Correction of prior year error - Retentions	(26 857)

Notes to the Annual Financial Statements

	2023	2022

39. Prior period errors (continued)

Correction of prior year error - Accruals		343 668
Correction of prior year error - Electrification	-	2 930 794
Correction of prior year error - INEP		786 130
Correction of prior year error - Refuse	-	2 082
Correction of prior year error- Electricity consumption	-	8 772
Correction of prior year error- General expenditure	-	(495 480)
		11 289 057

Property, Plant and Equipment

Audited amount		321 761 855
Correction of prior year error - WIP		35 158
Correction of prior year error - Retentions		(179 046)
Correction of prior year error - Community Assets		4 171 392
		325 789 359

Cash and cash equivalents

Audited amount		2 560 004
Correction of prior year error - Petty cash		(1 885)
		2 558 119

Payables from exchange transactions

Audited amount		(35 707 119)
Correction of prior year error - WIP		(40 432)
Correction of prior year error - Petty cash		(3 000)
Correction of prior year error - Finance lease		93 676
Correction of prior year error - Retentions		205 903
Correction of prior year error - Accruals		(2 700 518)
Correction of prior year error - Electrification	-	(22 469 422)
Correction of prior year error - COIDA		(2 458 247)
Correction of prior year error- General expenses	-	3 870 514
		(59 208 645)

Finance lease obligation

Audited amount		(665 262)
Correction of prior year error - Finance lease		75 078
		(590 184)

Opening Accumulated Surplus or Deficit

Audited amount		(303 834 906)
Property, Plant and Equipment		(4 027 504)
Cash and cash equivalents		1 885
Payables from exchange transactions		23 501 526
Finance lease obligation		(75 078)
VAT		(3 542 335)
Receivables from exchange transactions		83 216
		(287 893 196)

General expenses

Audited amount		(111 151 460)
Correction of prior year error - Petty cash		(2 309)
Correction of prior year error - Accruals		(2 356 850)

Notes to the Annual Financial Statements

	2023	2022

39. Prior period errors (continued)

Correction of prior year error - INEP	-	(5 240 870)
Correction of prior year error- Operation calost	-	(125 279)
Correction of prior year - Constracted cost	-	3 536 872
Correction of prior year- Employee related cost	-	(35 286)
		(115 375 182)

Lease rentals on operating lease

Audited amount		(4 485 641)
Correction of prior year error - Finance lease		81 457
		(4 404 184)

Depreciation and amortisation

Audited amount		(21 999 903)
Correction of prior year error - Community Assets		(377 799)
		(22 377 702)

Construction contract

Correction of prior year error - INEP		6 027 000

Receivables from exchange transactions

Audited amount	-	2 001 549
Correction of prior year error - Refuse	-	(15 960)
Correction of prior year error- Electricity consumption	-	(67 256)
	-	**1 918 333**

Service charge

Audited amount	-	12 704 544
Correction of prior year error - Refuse	-	(13 878)
Correction of prior year error- Electricity consumption	-	(58 483)
	-	**12 632 183**

40. 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 their carrying balances as the impact of discounting is not significant.

Current liabilities

Trade and other payables from exchange transactions	53 122 381	59 208 645
Unspent conditional grants	2 346 076	1 778 515
Finance lease obligation	851 091	795 335
	56 319 548	**61 782 495**

Notes to the Annual Financial Statements

	2023	2022

40. Risk management (continued)

Credit risk

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

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	2023	2022
Trade and other receivables from exchange transactions	4 308 559	1 918 333
Trade and other receivables from non-exchange transactions	11 182 435	14 344 953
Cash and cash equivalents/bank balances	950 863	2 558 119
VAT	7 527 895	11 289 057

Market risk

41. Going concern

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.

We draw attention to the fact that at 30 June 2023, the Municipality had an accumulated surplus of 297 305 004 and that the Municipality's total assets exceed its liabilities by 323 408 696.

42. Events after the reporting date

There were no events after the reporting date

43. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	46 675 106	-
Current year movement-Actual expenditure exceeds budget	22 284 577	46 675 106
Closing balance	**68 959 683**	**46 675 106**

44. Fruitless and wasteful expenditure

	2023	2022
Opening balance as previously reported	508 081	151 098
Add: Penalty and interest charged on SARS PAYE Account - Current year	-	279 021
Add: Interest charged on Eskom account - Current year	95 579	77 962
Add: Interest charged on Shantis account - Current year	1 241 473	-
Add: Interest charged on King Cetshwayo	353	-
Less: Amount written off - current	(377 372)	-
Less: Expenditure removed	(78 856)	-
Closing balance	**1 389 258**	**508 081**

Notes to the Annual Financial Statements

45. Irregular expenditure

	2023	2022
Opening balance as restated	**20 984 943**	**9 397 515**
Add: Irregular Expenditure - current	964 310	11 587 428
Add: Irregular Expenditure - prior period	8 410 724	-
Less: Amount recoverable - prior period	(2 724 986)	-
Less: Amount written off - current	(18 384 099)	-
Closing balance	**9 250 892**	**20 984 943**

Irregular expenditure is presented inclusive of VAT

The reported Irregular Expenditure resulted from

- non-compliance with local content reporting requirements, and
- non-compliance with SCM Regulation 36(2)

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2023	2022
Current year subscription / fee	199 260	739 995
Amount paid - current year	-	(739 995)
	199 260	**-**

Audit fees

	2023	2022
Opening balance	8 454	-
Current year subscription / fee	1 896 202	1 673 202
Amount paid - current year	(1 904 656)	(1 664 748)
	-	**8 454**

PAYE and UIF

	2023	2022
Opening balance	18	(2)
Current year subscription / fee	11 124 379	10 148 342
Amount paid - current year	(10 155 887)	(10 148 322)
	968 510	**18**

Pension and Medical Aid Deductions

	2023	2022
Opening balance	1 093 908	(2)
Current year subscription / fee	14 129 149	16 014 652
Amount paid - current year	(14 022 586)	(14 920 742)
	1 200 471	**1 093 908**

VAT

	2023	2022
VAT receivable	7 527 895	11 289 057

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

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

Notes to the Annual Financial Statements

	2023	2022

47. Actual operating expenditure versus budgeted operating expenditure

Sevice charges
Revenue derived from electricity and refuse removal. Variance is mainly attributable to electricity as its sales were negatively affected by load shedding levels experienced during the year, there was also an anticipated collections of waste from clinics outside of town however that did not materialized hence amount billed on refuse removal was affected.

Rental of facilities and equipment
Rental of facilities and equipment income is derived from tractor hire and office/shop space rental and Sportfield. Tractor hire, rental of Sportfield and hire of facilities depends on consumer requiremens, increase in consumer demand resulted into a positive variance.

Interest on consumer debtors
This is interest charged on overdue accounts, Actual amount exceeded budget amount due to high balance of outstanding debtors.

Licenses and permits
This is Revenue earned from issuing learners, drivers and business permits. This depends on number of applications received during the year, there were more applications received than it had been anticipated.

Other income
Other income is derived from sale of Tender Documents, Building plans, land and vat refunds. Actual amount was affected by reclassification of vat refunds to control account that were initially budgeted for on this line item.

Interest received- investment
Income earned on call deposits and Investment accounts, low levels of cash invested resulted in to lower returns.

Remuneration of councillors
Actual expenditure for basic salary and Travel allowance of ordinary councillors exceeded budgtet due to conversion of positions from part time to fulll time, budget was also affected by measures implemented to address the municipality unfunded budget position.

Bad debts written off and debt impairment
Bad debts written off and Debt impairment was underestimated during the adjustment.

Bulk purchases
Expenditure for electricity bulk purchase from eskom exceeded anticipated amount due to unexpected bulk purchase tariff increase and energy losses.

48. Deviation from supply chain management regulations

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

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

Emergency	1 469 277	1 890 434
Sole service provider	42 211	14 443
	1 511 488	**1 904 877**

49. Segment information

Segment surplus or deficit, assets and liabilities

2023

Notes to the Annual Financial Statements

Figures in Rand

49. Segment information (continued)

	Waste Management	Electricity	Trafic	Total
External revenue from exchange transactions	11 528 691	1 294 728	-	12 823 419
Service charges			416 402	416 402
Licences or Permits - Non-exchange Revenue				
Total segment revenue	**11 528 691**	**1 294 728**	**416 402**	**13 239 821**
Other unallocated revenue				
Entity's revenue				**13 239 821**
Expenditure	19 506 992	-	-	19 506 992
Bulk Purchases	640 062	-	-	640 062
Depreciation and Amortisation	4 232 861	2 214 605	3 968 012	10 415 478
Employee Related Cost	2 577 614	-	-	2 577 614
Debt impairment	2 534 681	-	-	2 534 681
General expenses				
Total segment expenditure	**29 492 210**	**2 214 605**	**3 968 012**	**35 674 827**
Total segmental surplus/(deficit)	**(17 963 519)**	**(919 877)**	**(3 551 610)**	**(22 435 006)**