Nkandla Local Municipality
(Registration Number KZN 286)
Trading as Nkandla Municipality
Annual Financial Statements
for the year ended 30 June 2024

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
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Constitution of the Republic of South Africa (Act 108 of 1996) Local Government: Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998)
Nature of business and principal activities	The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and supplying of services such as provision of electricity and refuse collection to the community. General Services - All types of services rendered by the municipality, excluding the supply of housing and water to the community. Waste Management Services - the collection and disposal of waste. Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers of the municipality in licensed areas.
Executive committee	
Mayor	Cllr 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
	Cllr B.B Ndima
	Cllr A.E Ngubane (Dismissed - 03/04/2024)
	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 (Deceased - 07/04/2024)
	Cllr V.S Ngonyama
	Cllr X.T Mdunge
	Cllr A.T Ntuli (Resigned - 13/06/2024)
	Cllr C.N Mbambo (Appointed - 01/08/2023)
	Cllr M.R Mazibuko (Appointed - 16/05/2024)

General Information

Grading of local authority	Grade 2
Chief Financial Officer (CFO)	Mr. M.E.O Mkhize
Accounting Officer	Ms N.P Dlamini
Registered office	Private Bag x 161 Nkandla 3855
Business address	Maree Road, Lot 292 Nkandla
Bankers	FNB Absa Nedbank
Auditors	Auditor General of South Africa

Index

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
mSCOA	Municipal Standard Chart of Accounts
LGSETA	Local Government Services Sector Education and Training Authority
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates 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 were given unrestricted access to all financial records and related data.

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

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

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

I have reviewed the Municipality’s cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, I am satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although I am primarily responsible for the financial affairs of the Municipality, this is supported by the Municipality's external auditors.

I would like to bring to your attention the following material matters to your attention.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 28 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The external auditors being the Auditor General of South Africa is 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 in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) set out on page 9 - 81, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024:

Ms N.P Dlamini
Accounting Officer

Accounting Officer's Report

1. Review of activities

The Municipality is engaged in local government activities, which include planning and promotion of an integrated development plan and supplying of services to the community which include water, sanitation, fire and environmental health services.

The Municipality has generated a net surplus of R32 980 417 (2023: Net surplus of R69 61 065) from its operating activities.

2. Going concern

I draw the attention to the fact that on 30 June 2024, the municipality had an accumulated surplus of R341 269 779 (2023: R308 287 366). The municipality's current assets of R30,906,350 (2023: R24,059,409) exceeded its current liabilities R29,107,854 (2023: R54,275,558) with an amount of R1,798,496 (2023: -R30,216,149) and that the municipality's total assets R377,545,013 (2023: R367,562,205) exceeded its total liabilities R36,277,234 (2023: R59,274,839) by R341,267,779 (2023:R308,287,366).

Description	**2024**	**(Norm)**	**2023**	**(Norm)**
Current ratio	1.06:1	1.5:1	0.44:1	1.5:1
Cash coverage ratio	1 Months	1-3 Months	0 Months	1-3 Months
Creditor payment period	45.1 Days	30 Days	78.3 Days	30 Days
Collection Rate	86%	95%	81%	95%

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

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

3. Subsequent events

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

4. Accounting Officers' interest in contracts

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

5. Accounting policies

The annual financial statements prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No56 of 2003).

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

6. Accounting Officer

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

Name: Ms Nomfundo Phumzile Dlamini

Accounting Officer's Report

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

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

Audit committee

The municipality has the functional Performance Audit Committee. The committee comprises of four members. During 2023/2024 financial year, the contract for the Performance Audit Committee came to an end in March 2024. The new committee was appointed and resumed their duties in the beginning of April 2024, as contemplated in Chapter 14, Section 166(2)(a) of the local government Municipal Finance Management Act, 2003 (Act No 56 of 2003). The period is for the period of three years.

The committee sits on a quarterly basis to consider the items that being set in the agenda and has the Independent Risk Chairperson who reports in the Performance Audit Committee on the progress of the mitigating of risks as identified in the risk register.

The Internal Audit Plan for 2023/2024 was approved by the Performance Audit Committee.

Internal Audit

The provision of Internal Audit is outsourced, and the new Internal Auditors were appointed in the 2023/2024 financial year. They presented the Internal Audit Plan and it was approved by Performance Audit Committee and is being used to perform their duties on a quarterly basis.

The progress report on the audit issues is being presented in the Performance Audit Committee with fees that have been claimed.

The municipality took an initiative in ensuring that there is a skills transfer happening from the Internal Auditors by creating the position of the Internal Audit Clerk so that in future there will be an establishment of the unit.

Accounting Officer's Report

8. Integrity Management and Consequence Management

Council and management of the municipality have a very strong attitude towards legislative compliance, specifically the supply chain management principles, and also the proper functioning of the Performance and Audit Committee (PAC), Risk Management Committee (RIMCO), Municipal Public Accounts Committee (MPAC) and the Financial Disciplinary Board (FDB).

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

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

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

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

Deterrence of fraud and corruption;

Prevention of fraud and corruption which cannot be deterred;

Detection of fraud and corruption;

Investigation of detected fraud and corruption;

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

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

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

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

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

Remunerated work outside of the municipality;

Consultancies and retainerships;

Sponsorship;

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

Land and property registered in their name;

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

Participation in elections.

9. Non-compliance with applicable legislation

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

Accounting Officer’s Report

. Non-compliance with applicable legislation (continued)

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

The Annual Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024

Ms N.P Dlamini
Accounting Officer

Statement of Financial Position as at 30 June 2024

	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	6	3 273 629	4 401 159
Receivables from non-exchange transactions	7	19 839 344	13 347 919
VAT receivable	9	2 694 082	5 359 468
Cash and cash equivalents	10	5 099 295	950 863
		30 906 350	**24 059 409**
Non-Current Assets			
Investment property	3	3 133 070	3 365 004
Property, plant and equipment	4	343 446 569	340 040 004
Intangible assets	5	80 103	112 232
		346 659 742	**343 517 240**
Total Assets		**377 566 092**	**367 576 649**
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	13	1 522 823	2 346 076
Employee benefit obligation	18	114 000	275 000
Finance lease obligation	15	808 872	851 091
Payables from exchange transactions	16	26 048 649	50 401 122
Other liabilities (INEP)	14	198 163	-
Provisions	17	415 343	402 269
		29 107 850	**54 275 558**
Non-Current Liabilities			
Provisions	17	3 063 238	2 785 281
Employee benefit obligation	18	2 918 000	2 214 000
Finance lease obligation	15	1 188 142	-
		7 169 380	**4 999 281**
Total Liabilities		**36 277 230**	**59 274 839**
Net Assets		**341 288 862**	**308 301 810**
Accumulated surplus		341 288 862	308 301 810
Total Net Assets		**341 288 862**	**308 301 810**

* See Note 41

Statement of Financial Performance for the Year ended 30 June 2024

	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	13 419 110	12 902 490
Rental of facilities and equipment	20	1 387 852	1 310 714
Interest on consumer debtors	21	2 038 394	1 974 383
Other income	22	757 611	683 209
Interest received - investment and other	23	2 157 529	1 183 931
Total revenue from exchange transactions		**19 760 496**	**18 054 727**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	62 730 620	58 429 268
Transfer revenue			
Government grants & subsidies	25	154 385 972	148 689 636
Commission - DoT	51	72 138	10 598
Public contributions and donations		-	60 400
Fines, Penalties and Forfeits	26	215 701	116 300
Contract revenue- INEP	12	8 000 000	5 771 406
Total revenue from non-exchange transactions		**225 404 431**	**213 077 608**
Contract revenue			
Contract revenue: INEP	11	6 801 837	8 964 170
Total revenue		**251 966 764**	**240 096 505**
Expenditure			
Employee related costs	27	(70 350 745)	(66 805 358)
Remuneration of councillors	28	(11 263 969)	(10 356 970)
Depreciation and amortisation	29	(19 546 704)	(18 881 878)
Finance costs	52	(698 453)	(2 163 280)
Lease rentals on operating lease	31	(3 268 222)	(5 115 726)
Debt Impairment	32	(11 614 424)	(17 865 028)
Bulk purchases	33	(21 056 388)	(18 769 552)
Contracted services	35	(31 307 381)	(45 454 621)
General Expenses	34	(41 525 076)	(49 423 240)
Total expenditure		**(210 631 362)**	**(234 835 653)**
Operating surplus		**41 335 402**	**5 260 852**
Surplus or (Loss) on disposal of assets		-	515 022
Long service award loss	18	(506 000)	-
Impairment loss	30	(4 592 863)	(18 258)
Assets written-off	4	(3 360 725)	(109 279)
Re-measurement of landfill site provision	17	111 238	1 319 805
		(8 348 350)	**1 707 290**
Surplus for the year		**32 987 052**	**6 968 142**

* See Note 41

Statement of Changes in Net Assets for the Year ended 30 June 2024

	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	296 846 375	296 846 375
Adjustments		
Correction of errors 41	4 487 293	4 487 293
Balance at 01 July 2022 as restated*	**301 333 668**	**301 333 668**
Changes in net assets		
Surplus for the year	6 968 142	6 968 142
Total changes	6 968 142	6 968 142
Restated* Balance at 01 July 2023	**308 301 810**	**308 301 810**
Changes in net assets		
Surplus for the year	32 987 052	32 987 052
Total changes	32 987 052	32 987 052
Balance at 30 June 2024	**341 288 862**	**341 288 862**

Note(s)

* See Note 41

Cash Flow Statement for the Year ended 30 June 2024

	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		63 952 976	58 344 537
Grants		153 233 000	149 257 197
Interest received- investment and other		2 157 529	1 183 931
Traffic fines receipts		19 850	51 700
Construction revenue		15 000 000	14 736 000
		234 363 355	223 573 365
Payments			
Employee costs		(70 350 745)	(66 825 358)
Councillors remuneration		(11 263 969)	(10 356 970)
Finance costs		-	-
Suppliers		(118 822 151)	(118 953 456)
Interest paid		(129 226)	(289 025)
		(200 566 091)	(196 424 809)
Net cash flows from operating activities	36	**33 797 264**	**27 148 556**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(30 642 794)	(28 661 232)
Proceeds from sale of property, plant and equipment	4	-	678 522
Net cash flows from investing activities		**(30 642 794)**	**(27 982 710)**
Cash flows from financing activities			
Net movement on finance lease		993 932	(773 102)
Net increase/(decrease) in cash and cash equivalents		**4 148 402**	**(1 607 256)**
Cash and cash equivalents at the beginning of the year		950 863	2 558 119
Cash and cash equivalents at the end of the year	10	**5 099 265**	**950 863**

* See Note 41

Statement of Comparison of Budget and Actual Amounts for the Year ended 30 June 2024

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	17 031 000	435 000	**17 466 000**	13 419 110	**(4 046 890)**	Note 49
Rental of facilities and equipment	1 336 000	-	**1 336 000**	1 387 852	**51 852**	
Interest on consumer debtors	976 000	-	**976 000**	2 038 394	**1 062 394**	Note 49
Other income	744 000	142 000	**886 000**	757 611	**(128 389)**	Note 49
Interest received - investment	3 001 000	-	**3 001 000**	2 157 529	**(843 471)**	Note 49
Total revenue from exchange transactions	**23 088 000**	**577 000**	**23 665 000**	**19 760 496**	**(3 904 504)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	62 672 000	59 000	**62 731 000**	62 730 620	**(380)**	
Transfer revenue						
Government grants & subsidies	179 926 000	(20 777 000)	**159 149 000**	154 385 972	**(4 763 028)**	Note 49
Levies	-	-	**-**	72 138	**72 138**	
Fines, Penalties and Forfeits	73 000	-	**73 000**	215 701	**142 701**	Note 49
Surcharges and Taxes	14 050 000	-	**14 050 000**	-	**(14 050 000)**	
Construction revenue from non exchange	-	8 000 000	**8 000 000**	8 000 000	**-**	
Construction revenue	-	7 000 000	**7 000 000**	6 801 837	**(198 163)**	
Total revenue from non-exchange transactions	**256 721 000**	**(5 718 000)**	**251 003 000**	**232 206 268**	**(18 796 732)**	
Total revenue	**279 809 000**	**(5 141 000)**	**274 668 000**	**251 966 764**	**(22 701 236)**	
Expenditure						
Employee costs	(75 951 000)	5 600 260	**(70 350 740)**	(70 350 745)	**(5)**	
Remuneration of councillors	(10 470 000)	(950 000)	**(11 420 000)**	(11 263 969)	**156 031**	
Depreciation and amortisation	(17 812 000)	(2 081 342)	**(19 893 342)**	(19 546 704)	**346 638**	
Impairment loss/ Reversal of impairments	-	-	**-**	(4 592 863)	**(4 592 863)**	Note 49
Finance costs	-	-	**-**	(698 453)	**(698 453)**	
Operating lease	(3 268 222)	-	**(3 268 222)**	(3 268 222)	**-**	
Bad debts written off and Debt impairment	(4 353 000)	-	**(4 353 000)**	(11 614 424)	**(7 261 424)**	Note 49
Bulk purchases	(18 042 000)	(3 257 628)	**(21 299 628)**	(21 056 388)	**243 240**	
Contracted services	(53 379 000)	19 063 579	**(34 315 421)**	(31 307 381)	**3 008 040**	
General Expenses	(57 274 000)	14 360 382	**(42 913 618)**	(41 525 076)	**1 388 542**	
Total expenditure	**(240 549 222)**	**32 735 251**	**(207 813 971)**	**(215 224 225)**	**(7 410 254)**	
Operating surplus	**39 259 778**	**27 594 251**	**66 854 029**	**36 742 539**	**(30 111 490)**	
Actuarial gains/losses	-	-	**-**	(506 000)	**(506 000)**	
Assets written-off	-	-	**-**	(3 360 725)	**(3 360 725)**	

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
Gains from transfer of functions between entities not under common control	-	-	-	111 238	**111 238**	
	-	**-**	**-**	**(3 755 487)**	**(3 755 487)**	
Surplus before taxation	**39 259 778**	**27 594 251**	**66 854 029**	**32 987 052**	**(33 866 977)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**39 259 778**	**27 594 251**	**66 854 029**	**32 987 052**	**(33 866 977)**	

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						
Receivables from non-exchange transactions	35 143 000	9 000	**35 152 000**	19 839 344	**(15 312 656)**	
VAT receivable	26 955 000	5 393 000	**32 348 000**	2 694 082	**(29 653 918)**	
Receivables from exchange transaction	12 099 000	65 000	**12 164 000**	3 273 629	**(8 890 371)**	
Inventory	100 000	(100 000)	**-**	-	**-**	
Cash and cash equivalents	1 259 000	20 618 000	**21 877 000**	5 099 295	**(16 777 705)**	
	75 556 000	**25 985 000**	**101 541 000**	**30 906 350**	**(70 634 650)**	
Non-Current Assets						
Investment property	3 828 000	-	**3 828 000**	3 133 070	**(694 930)**	
Property, plant and equipment	345 001 000	(9 275 000)	**335 726 000**	343 446 569	**7 720 569**	
Intangible assets	1 967 000	681 000	**2 648 000**	80 103	**(2 567 897)**	
	350 796 000	**(8 594 000)**	**342 202 000**	**346 659 742**	**4 457 742**	
Total Assets	**426 352 000**	**17 391 000**	**443 743 000**	**377 566 092**	**(66 176 908)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	808 872	**808 872**	
Payables from exchange transactions	23 307 000	1 665 000	**24 972 000**	26 048 649	**1 076 649**	
Taxes and transfers payable (non-exchange)	-	-	**-**	198 163	**198 163**	
VAT payable	2 823 000	-	**2 823 000**	-	**(2 823 000)**	
Employee benefit obligation	-	-	**-**	114 000	**114 000**	
Unspent conditional grants and receipts	-	-	**-**	1 522 823	**1 522 823**	
Provisions	-	-	**-**	415 343	**415 343**	
	26 130 000	**1 665 000**	**27 795 000**	**29 107 850**	**1 312 850**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	1 188 142	**1 188 142**	
Employee benefit obligation	-	-	**-**	2 918 000	**2 918 000**	
Provisions	11 858 000	-	**11 858 000**	3 063 238	**(8 794 762)**	
	11 858 000	**-**	**11 858 000**	**7 169 380**	**(4 688 620)**	
Total Liabilities	**37 988 000**	**1 665 000**	**39 653 000**	**36 277 230**	**(3 375 770)**	
Net Assets	**388 364 000**	**15 726 000**	**404 090 000**	**341 288 862**	**(62 801 138)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	388 364 000	15 726 000	**404 090 000**	341 288 862	**(62 801 138)**	

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	89 539 000	575 000	**90 114 000**	63 952 976	**(26 161 024)**	
Grants	179 926 000	(5 777 000)	**174 149 000**	153 233 000	**(20 916 000)**	
Interest income	3 001 000	-	**3 001 000**	2 157 529	**(843 471)**	
	272 466 000	**(5 202 000)**	**267 264 000**	**219 343 505**	**(47 920 495)**	
Payments						
Employee costs	(75 951 000)	5 600 000	**(70 351 000)**	(70 350 745)	**255**	
Councillors remuneration	(10 470 000)	(950 000)	**(11 420 000)**	(11 263 969)	**156 031**	
Suppliers	(144 307 000)	24 774 000	**(119 533 000)**	(118 822 151)	**710 849**	
Interest paid	(60 000)	(234 000)	**(294 000)**	(129 226)	**164 774**	
Other cash item	(1 320 000)	(6 000)	**(1 326 000)**	-	**1 326 000**	
	(232 108 000)	**29 184 000**	**(202 924 000)**	**(200 566 091)**	**2 357 909**	
Net cash flows from operating activities	**40 358 000**	**23 982 000**	**64 340 000**	**18 777 414**	**(45 562 586)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(49 990 000)	6 577 000	**(43 413 000)**	(30 642 794)	**12 770 206**	
Cash flows from financing activities						
Finance lease payments	-	-	**-**	993 932	**993 932**	
Net increase/(decrease) in cash and cash equivalents	(9 632 000)	30 559 000	**20 927 000**	(10 871 448)	**(31 798 448)**	
Cash and cash equivalents at the beginning of the year	9 563 000	(8 613 000)	**950 000**	950 863	**863**	
Cash and cash equivalents at the end of the year	**(69 000)**	**21 946 000**	**21 877 000**	**(9 920 585)**	**(31 797 585)**	

Accounting Policies

	Note(s)	2024	2023

1. Significant account policies

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

1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These Annual Financial Statements are presented in South African Rands, which is the functional currency of the Municipality.The amounts reflected are rounded to the nearest Rand.

1.3 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Significant judgements and sources of estimation uncertainty

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - 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 17 - 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).

1.5 Investment property (continued)

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the Annual Financial Statements (see note 3).

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment 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.

1.6 Property, plant and equipment (continued)

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:

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

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

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

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

Accounting Policies

1.8 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Accounting Policies

1.8 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transaction	Financial asset measured at amortised cost
Receivables from non-exchange transaction	Financial asset measured at amortised cost

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

Class	Category
Consumer deposit	Financial liability measured at amortised cost
Payables from exchange transaction	Financial liability measured at amortised cost

Initial recognition

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

The Municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

1.8 Financial instruments (continued)

Reclassification

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

Gains and losses

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

Impairment and uncollectability of financial assets

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

1.8 Financial instruments (continued)

Financial assets

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

The contractual rights to the cash flows from the financial asset expire, are settled or waived;

The Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

The Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality

Derecognise the asset; and

Recognise separately any rights and obligations created or retained in the transfer. The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

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

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

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

1.8 Financial instruments (continued)

Financial liabilities

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

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

Presentation

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

1.9 Statutory receivables

Identification

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

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

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

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

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

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

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

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

Recognition

The Municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

1.9 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The Municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Impairment losses

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

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

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

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

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

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

Derecognition

The Municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

Accounting Policies

1.9 Statutory receivables (continued)

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

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

1.10 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

Accounting Policies

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Accounting Policies

1.13 Employee benefits

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

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

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered services to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another standard requires or permits the inclusion of the contribution in the cost of an asset.

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

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

1.14 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus .

Contingencies are disclosed in note 37.

1.14 Provisions and contingencies (continued)

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.

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

1.15 Commitments

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

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.16 Revenue from exchange transactions

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

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

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

Rendering of services

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

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

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

Service charges

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality, and
- The amount of the revenue can be measured reliably.

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

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

Contract revenue

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

1.16 Revenue from exchange transactions (continued)

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

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

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

Rates, including collection charges and penalties interest

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

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

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

1.17 Revenue from non-exchange transactions (continued)

Government grants

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

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

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

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

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

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

1.18 Construction contracts and receivables

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

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

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

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

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

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

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear the estimated total contract costs.

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The Municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Accounting Policies

1.22 Comparative figures

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

1.23 Unauthorised expenditure

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

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

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level. All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not written-off by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Additional disclosure for fruitless and wasteful expenditure is disclosed in note 46.

1.25 Irregular expenditure

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

Accounting Policies

1.25 Irregular expenditure (continued)

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. Irregular expenditure that was incurred and identified during the current financial and which was written-off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements. Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements. Where irregular expenditure was incurred in the previous financial year and is only written-off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written-off. Irregular expenditure that was incurred and identified during the current financial year and which was not written-off by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been written-off and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.26 Segment information

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

Measurement

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

1.27 Related parties

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

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

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

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

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

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

Accounting Policies

1.27 Related parties (continued)

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

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

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

1.28 Events after reporting date

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

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

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

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

1.29 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar. General purpose of financial reporting by a municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30. The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Comparative information is not required. In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material. All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following: the approved and final amounts; actual amounts and final budget amounts.

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

Accounting Policies

1.30 Grant expenditure

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

1.31 Bulk purchase

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

Notes to the Annual Financial Statements

	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The Municipality has not applied the following standards and interpretations, which have been published and are mandatory for the Municipality's accounting periods beginning on or after 01 July 2024 or later periods:

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

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 955 451	(3 822 381)	3 133 070	6 955 451	(3 590 447)	3 365 004

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	3 365 004	(231 934)	3 133 070

Reconciliation of investment property - 2023

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

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

	2024	2023

3. Investment property (continued)

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 341 462	1 198 464

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 2023/24 financial year.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2024			2023		
	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	61 490 440	-	61 490 440
Furniture and office equipment	4 462 895	(2 991 737)	1 471 158	4 210 806	(2 699 045)	1 511 761
Computer equipment	6 210 848	(4 174 394)	2 036 454	5 649 192	(3 418 465)	2 230 727
Community Assets	165 541 854	(47 604 948)	117 936 906	167 353 592	(45 738 696)	121 614 896
Electrical infrastructure	33 974 201	(8 477 037)	25 497 164	27 375 777	(8 055 520)	19 320 257
Machinery and equipment	9 802 369	(5 721 104)	4 081 265	9 980 138	(4 778 119)	5 202 019
Transport assets	7 425 353	(3 913 998)	3 511 355	5 086 014	(2 948 275)	2 137 739
Solid Waste Infrastructure	3 043 323	(2 163 033)	880 290	3 058 404	(2 145 467)	912 937
Road infrastructure	208 738 894	(98 890 881)	109 848 013	194 966 206	(87 038 719)	107 927 487
Operational buildings	27 952 233	(11 258 709)	16 693 524	27 977 546	(10 285 805)	17 691 741
Total	**528 642 410**	**(185 195 841)**	**343 446 569**	**507 148 115**	**(167 108 111)**	**340 040 004**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers in	Transfers out	Write-offs	Depreciation	Impairment loss	Impairment reversal	Total
Land	61 490 440	-	-	-	-	-	-	-	61 490 440
Furniture and Office Equipment	1 511 761	324 066	-	-	(6 030)	(348 352)	(10 287)	-	1 471 158
Computer equipment	2 230 727	643 379	-	-	(9 019)	(726 628)	(102 005)	-	2 036 454
Community Assets	121 614 896	6 184 955	12 241 806	(12 241 806)	(2 970 039)	(5 340 993)	(1 551 913)	-	117 936 906
Electrical Infrastructure	19 320 257	6 956 522	-	-	(131 292)	(648 323)	-	-	25 497 164
Machinery and Equipment	5 202 019	-	-	-	(9 897)	(832 548)	(278 309)	-	4 081 265
Transport Assets	2 137 739	2 467 019	-	-	(925)	(1 092 478)	-	-	3 511 355
Solid Waste Infrastructure	912 937	-	-	-	(42)	(32 605)	-	-	880 290
Road Infrastructure	107 927 487	14 066 853	12 222 061	(12 222 061)	(229 299)	(9 266 519)	(2 650 509)	-	109 848 013
Operational buildings	17 691 741	-	-	-	(4 182)	(994 195)	-	160	16 693 524
	340 040 004	**30 642 794**	**24 463 867**	**(24 463 867)**	**(3 360 725)**	**(19 282 641)**	**(4 593 023)**	**160**	**343 446 569**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers in	Transfers out	Revaluations	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	114 055 366	12 961 852	-	21 155 140	(21 155 140)	(109 279)	(5 282 387)	(10 656)	121 614 896
Electrical infrastructure	14 948 206	5 018 613	-	-	-	-	(646 562)	-	19 320 257
Machinery and equipment	6 028 478	-	-	-	-	-	(826 459)	-	5 202 019
Transport assets	3 006 675	-	-	-	-	-	(868 936)	-	2 137 739
Solid Waste Infrastructure	945 542	-	-	-	-	-	(32 605)	-	912 937
Road infrastructure	106 899 856	9 980 306	-	11 856 874	(11 856 874)	-	(8 952 675)	-	107 927 487
Operational buildings	18 404 027	302 359	-	302 359	(302 359)	-	(1 014 645)	-	17 691 741
	330 288 258	**28 661 232**	**(163 500)**	**33 314 373**	**(33 314 373)**	**(109 279)**	**(18 618 448)**	**(18 259)**	**340 040 004**

Notes to the Annual Financial Statements

	2024	2023

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)

	2024	2023
Plant and machinery	2 467 109	1 517 949

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)

	2024	2023
Contracted Services	2 881 202	4 928 988
Materials	2 831 235	3 334 432
Electrical Infrastructure	1 160 336	4 659 025
Employee Cost	5 291 432	6 059 086
	12 164 205	**18 981 531**

Reconciliation of Work-in-Progress 2024

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

Reconciliation of Work-in-Progress 2023

	Included within Road Infrastructure	Included within Community	Included within Electrical Infrastructure	Total
Opening balance	3 450 590	14 250 139	-	17 700 729
Additions/capital expenditure	10 165 484	12 961 852	5 018 613	28 145 949
Transferred to completed items	(11 853 303)	(21 155 140)	-	(33 008 443)
	1 762 771	**6 056 851**	**5 018 613**	**12 838 235**

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

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 225 797	(2 145 694)	80 103	2 225 797	(2 113 565)	112 232

Reconciliation of intangible assets - 2024

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

Reconciliation of intangible assets - 2023

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

Pledged as security

There are no intangible assets pledged as security

Notes to the Annual Financial Statements

6. Receivables from exchange transactions

	2024	2023
Gross balances		
Electricity	5 306 895	6 447 730
Sundry	628 232	2 686 564
Refuse	5 354 222	6 531 834
Other	2 903 609	2 903 609
Payment of creditors in advance	-	333
Insurance debtor	571 672	571 672
	14 764 630	**19 141 742**
Less: Allowance for impairment		
Electricity	(4 082 851)	(4 539 492)
Insurance debtor	(571 672)	(571 672)
Sundry	(483 330)	(2 480 683)
Refuse	(4 119 262)	(5 550 716)
Other	(2 233 886)	(1 598 020)
	(11 491 001)	**(14 740 583)**
Net balance		
Electricity	1 224 044	1 908 238
Insurance debtor	(571 672)	(571 672)
Sundry	144 902	205 881
Refuse	1 234 960	981 118
Other	669 723	1 305 589
Payment of creditors in advance	-	333
Insurance debtor	571 672	571 672
	3 273 629	**4 401 159**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(14 740 583)	(13 848 576)
Contributions to allowance	(2 897 219)	(320 335)
Insurance debt Impairment	-	(571 672)
Debtors written off againts credit impairment	6 146 801	-
	(11 491 001)	**(14 740 583)**

Receivables from exchange transactions pledged as security

There were no Receivables from exchange transactions pledged as security.

	2024	2023

7. Receivables from non-exchange transactions

Gross balances

	2024	2023
Add back: Credit balance in debtors	104 852	141 748
Statutory debtors - property rates	60 957 594	53 517 517
Statutory debtors - traffic fines	833 125	678 225
Statutory debtors - Sundry debtor	13 050	-
Sundry debtor DoT	13 921	10 598
Statutory debtors- VAT receivable cash basis	5 436 512	1 849 013
	67 359 054	**56 197 101**

Less: Allowance for impairment

	2024	2023
Statutory debtors - property rates	(46 897 623)	(42 297 939)
Statutory debtors - traffic fines	(622 087)	(551 243)
	(47 519 710)	**(42 849 182)**

	2024	2023
Net balance	-	-
Statutory sundry debtor	13 050	-
Statutory debtors- VAT receivable cash basis	5 436 512	1 849 013
Sundry debtor DoT	13 921	10 598
Add back: Credit balance in debtors	104 852	141 748
Statutory debtors - property rates	14 059 971	11 219 578
Statutory debtors - traffic fines	211 038	126 982
	19 839 344	**13 347 919**

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

	2024	2023
Statutory debtors - property rates	60 957 594	53 517 517
Statutory debtors - traffic fines	833 125	678 225
Statutory debtors - VAT receivables cash basis	5 436 512	1 849 013
	67 227 231	**56 044 755**

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

	2024	2023
Opening balance	(42 849 182)	(26 281 670)
Statutory debtors - property rates	(8 618 961)	(16 282 754)
Statutory debtors - traffic fines	(70 844)	(262 108)
Write off - traffic fines	(27 400)	(22 650)
Debtors written off againts credit impairment	4 046 677	-
	(47 519 710)	**(42 849 182)**

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.

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

7. Receivables from non-exchange transactions (continued)

Determination of transaction amount

Transaction amounts are determined as follows

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

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

Interest or other charges levied/charged

Property rates – interest at a fixed rate of 1.5% per month (2023: 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

Notes to the Annual Financial Statements

8. Consumer debtors disclosure

	2024	2023
Residencial		
Current (0 -30 days)	427 478	520 638
31 - 60 days	410 378	386 824
61 - 90 days	405 227	382 278
91 - 120 days	22 751 304	18 716 241
	23 994 387	**20 005 981**
Business		
Current (0 -30 days)	1 334 099	1 177 231
31 - 60 days	475 017	248 473
61 - 90 days	261 455	147 724
91 - 120 days	4 052 803	5 983 500
	6 123 374	**7 556 928**
State owned		
Current (0 -30 days)	1 222 613	1 193 273
31 - 60 days	1 176 518	1 266 083
61 - 90 days	1 045 149	1 032 878
91 - 120 days	32 034 190	25 946 682
	35 478 470	**29 438 916**
Other		
Current (0 -30 days)	185 169	233 951
31 - 60 days	156 929	177 506
61 - 90 days	148 627	179 142
91 - 120 days	9 063 597	14 077 656
	9 554 322	**14 668 255**
Total		
Current (0 - 30 days)	3 169 359	3 125 093
31 - 60 days	2 218 842	2 078 886
61 - 90 days	1 860 458	1 742 022
91 - 180 + days	67 901 894	64 724 079
Add back: Credit balance in debtors	104 852	141 748
Traffic fines	833 125	678 225
Sundry debtor	13 050	-
Payment of creditors in advance	-	333
Insurance debtors	571 672	571 672
Less: Allowance for impairment	(59 010 711)	(57 589 765)
Sundry debtor DoT	13 921	10 598
Statutory debtors - VAT receivable cash basis	5 436 512	1 849 013
	23 112 974	**17 331 904**

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 2024, 6 509 305 (2023: 5 305 237) were past due but not impaired.

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

Notes to the Annual Financial Statements

	2024	2023
8. Consumer debtors disclosure (continued)		
1 month past due	2 213 823	2 015 379
2 months past due	1 854 262	1 675 523
3 months past due	2 441 220	1 614 335

9. VAT receivable

	2024	2023
Accrual basis	2 694 082	5 359 468

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Cash on hand	284	217
Bank and cash	712 481	222 952
Short-term deposits	4 386 530	727 694
	5 099 295	**950 863**

The Municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB Primary Bank Account - 62720610717	698 230	222 955	1 239 064	712 480	222 955	1 239 064
ABSA - Account 4053858355	161 140	533 761	296 354	161 140	533 761	296 354
Nedbank LTD Call Account - 037881151609	208 703	193 933	990 970	210 075	193 933	990 970
Nedbank LTD MIG - 037881181923	1 390 734	-	-	1 413 695	-	-
Nedbank LTD EPW - 037881181907	70 099	-	-	87 723	-	-
Nedbank LTD Emergence CA - 037881181885	942 668	-	-	967 934	-	-
Nedbank LTD FMG - 037881181931	613 920	-	-	630 943	-	-
Nedbank Library Grant - 37881181893	1 357	-	-	7 165	-	-
Nedbank INEG - 037881181915	900 073	-	-	907 856	-	-
Petty Cash	-	-	-	284	217	250
Cashiers Collection	-	-	-	-	17 707	5 326
Total	**4 986 924**	**950 649**	**2 526 388**	**5 099 295**	**968 573**	**2 531 964**

Notes to the Annual Financial Statements

	2024	2023

11. Construction contracts - Revenue

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

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

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

Construction contract revenue (GRAP 11) is currently disclosed under revenue from exchange transaction(GRAP 9). The Municipality could not disclose construction contract revenue separately due to lack of technical expertise for caseware.

Contracts in progress at statement of financial position date

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

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

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

Construction contract- expenditure incurred (VAT exclusive)	5 914 641	7 794 930
VAT	887 196	1 169 240
	6 801 837	**8 964 170**

12. Construction contract revenue from non-exchange transaction

Electrification project- expenditure incurred (VAT exclusive)	6 956 522	5 018 614
VAT	1 043 478	752 792
	8 000 000	**5 771 406**

Notes to the Annual Financial Statements

	2024	2023

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Local Government SETA Grant	62 219	688 390
Single land use scheme	12 928	210 010
Integrated National Electrification Programme	-	-
Qedisimo Grant	1 447 676	1 447 676
	1 522 823	**2 346 076**

Movement during the year

Balance at the beginning of the year	2 346 076	1 778 515
Additions during the year	153 233 000	148 059 883
Income recognition during the year	(154 056 253)	(147 492 322)
	1 522 823	**2 346 076**

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

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

See note 25 for reconciliation of grants from National/Provincial Government.

14. Other liabilities (INEP)

INEP -unspent	198 163	-

15. Finance lease obligation

Minimum lease payments due		
- within one year	938 009	878 953
- Between two years to three years	1 188 142	-
	2 126 151	878 953
less: future finance charges	(129 137)	(27 861)
Present value of minimum lease payments	**1 997 014**	**851 092**

Present value of minimum lease payments due		
- within one year	808 872	851 092

Non-current liabilities	1 188 142	-
Current liabilities	808 872	851 091
	1 997 014	**851 091**

The average lease term was 3 years and the average effective borrowing rate was 8.0% (2023: 26.5%).

Interest rates are fixed at the contract date. All leases escalate at 0 % p.a and no arrangements have been entered into for contingent rent.

Notes to the Annual Financial Statements

	2024	2023

16. Payables from exchange transactions

	2024	2023
Trade payables	12 934 544	35 272 191
Payments received in advanced	420 798	323 012
Other payables	720 349	3 283 197
Accrued leave pay	6 585 552	6 001 078
Accrued bonus	1 671 033	1 481 026
Retentions	3 716 373	4 040 618
	26 048 649	**50 401 122**

17. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Gains for the year	Interest Cost/Finance Charges	Total
Environmental rehabilitation	3 187 550	(111 238)	402 269	3 478 581

Reconciliation of provisions - 2023

	Opening Balance	Gains for the year	Interest Cost/Finance Charges	Total
Environmental rehabilitation	4 058 852	(1 319 805)	448 503	3 187 550

	2024	2023
Non-current liabilities	3 063 238	2 785 281
Current liabilities	415 343	402 269
	3 478 581	**3 187 550**

Environmental rehabilitation provision

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

Key financial assumptions used in this calculation were as follows:

CPI	6.51%
Discount rate	11.94%
Nett effective discount rate	5.10%

The 2024 amount of the discounted landfill disclosure provision of R3 478 581 (2023: R3 187 550) represent an increase. Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment of amounts charged. The amount for 2024 is discounted based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2024. The size of the landfill site used up until now, and estimated remaining useful life are as follows:

Approximate size	85.1 m3
Remaining useful life	28.55 years

Notes to the Annual Financial Statements

	2024	2023

18. Employee benefit obligations

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

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

Non-current liabilities	(2 918 000)	(2 214 000)
Current liabilities	(114 000)	(275 000)
	(3 032 000)	**(2 489 000)**

The fair value of plan assets includes:

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

Opening balance	2 489 000	2 776 000
Benefits paid	(558 000)	(322 000)
Net expense recognised in the statement of financial performance	1 101 000	35 000
	3 032 000	**2 489 000**

Net expense recognised in the statement of financial performance

Current service cost	323 000	354 000
Interest cost	272 000	317 000
Actuarial (gains) losses	506 000	(636 000)
	1 101 000	**35 000**

Notes to the Annual Financial Statements

	2024	2023

18. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.20 %	11.57 %
Expected rate of return on assets	5.36 %	5.92 %
Expected rate of return on reimbursement rights	6.36 %	6.92 %
Actual return on reimbursement rights	4.56 %	4.35 %

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 currecncy and estimated term of the obligation.

The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2023 the duration of liabilities was 7.41 years

At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 11.20% 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 5.36% per annum ([1 + 11.20% - 0.5%] / [1 + 5.08%] - 1).

19. Service charges

Sale of electricity	11 622 871	11 593 575
Refuse removal	1 796 239	1 308 915
	13 419 110	**12 902 490**

20. Rental of facilities and equipment

Premises		
Premises	1 341 462	1 198 464
Facilities and equipment		
Rental of facilities	46 390	112 250
	1 387 852	**1 310 714**

21. Interest on consumer debtors

Interest from exchange and non-exchange transactions	2 038 394	1 974 383

Notes to the Annual Financial Statements

	2024	2023

22. Other income

Burial fees	10 581	10 360
Connection fees	39 661	33 457
Staff recoveries	142 507	-
Housing plan	43 866	71 968
Library fees	12 435	13 913
Illegal connection fees	11 961	-
Taxi and bus licences	10 631	13 474
Tender monies	76 583	233 566
Rates clearance certificates	1 800	658
Electricity meter upgrade	30 957	-
Advertising billboards	5 387	5 461
Learners Licences	129 480	97 008
PDP and Learners Licences renewals	241 762	203 344
	757 611	**683 209**

23. Interest received - investment and other

Interest revenue		
Interest from current account	439 561	561 164
Interest on investment	1 717 968	622 767
	2 157 529	**1 183 931**

Notes to the Annual Financial Statements

	2024	2023

24. Property rates

Rates received

Property rates	63 635 369	59 289 699
Less: Income forgone	(904 749)	(860 431)
	62 730 620	**58 429 268**

Valuations

Agriculture	193 368 791	193 368 791
Business	141 050 000	143 930 000
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	19 918 000	19 828 000
Protected area	7 000 000	7 000 000
Unauthorised use	43 139 000	43 139 000
Municipality owned	56 040 000	53 250 000
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	: 0.003 in the Rand
Business	: 0.0359 in the Rand
Place of worship	: 0.0000 in the Rand
Residential	: 0.0120 in the Rand
State owned properties	: 0.0479 in the Rand
Vacant Land	: 0.0287 in the Rand
Protected area	: 0.0000 in the Rand
Public service infrastructure	: 0.0000 in the Rand
Public Benefit Organisation	: 0.003 in the Rand
Unauthorised use	: 0.0479 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
Business & Commercial Property - The first R100 000 of the market value is not rateable

Interest is levied at 18.00% per annum (2023: 18.00%) on all outstanding amounts

	2024	2023

25. Government grants & subsidies

Operating grants		
Equitable share	120 197 000	114 409 000
Expanded Public Works Programme Grant	3 651 000	3 626 000
Financial Management Grant	2 650 000	2 650 000
Cyber Cadet Grant	254 000	254 000
Library Grant	1 696 000	1 696 000
Local Government SETA Grant- Unconditional	-	125 597
Local Government SETA Grant- Conditional	955 890	229 210
Single land use scheme	197 082	120 829
	129 600 972	**123 110 636**

Capital grants		
Municipal Infrastructure Grant	24 785 000	25 579 000
	154 385 972	**148 689 636**

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 actually receive a monthly subsidy, which is funded by the Equitable Share of R120 197 000 (2023: R114 409 000).

Local Government SETA Grant

Balance unspent at beginning of year	688 390	-
Current year receipts - Conditional	329 718	917 600
Conditions met- transferred revenue	(955 889)	(229 210)
	62 219	**688 390**

Single land use scheme

Balance unspent at beginning of year	210 010	330 839
Conditions met - transferred to revenue	(197 082)	(120 829)
	12 928	**210 010**

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

Expanded Public Works Programme Grant

Current-year receipts	3 651 000	3 626 000
Conditions met - transferred to revenue	(3 651 000)	(3 626 000)
	-	-

Notes to the Annual Financial Statements

	2024	2023

25. 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	254 000
Conditions met - transferred to revenue	(254 000)	(254 000)
	-	-

Library Grant

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

Qedisimo Projects

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

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

Municipal Infrastructure Grant

Current-year receipts	24 785 000	25 579 000
Conditions met - transferred to revenue	(24 785 000)	(25 579 000)
	-	-

26. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	215 701	116 300

Notes to the Annual Financial Statements

27. Employee Related Costs

	2024	2023
Basic	46 199 323	42 713 851
Bonus	3 482 391	3 344 797
Medical aid - company contributions	2 641 054	2 515 512
UIF	345 040	335 616
SDL	606 549	608 806
Leave pay provision charge	1 221 021	1 628 527
Standby allowance	1 301 298	1 206 255
Pension contributions	6 171 064	5 608 793
Travel, motor car, accommodation, subsistence and other allowances	6 275 656	6 127 246
Overtime payments	840 845	1 411 391
Long-service awards	595 323	35 069
Acting allowances	-	611 332
Housing benefits and allowances	102 376	112 306
Industrial council	19 873	18 544
Cellphone allowance	10 000	22 800
Group life insurance	538 932	504 513
	70 350 745	**66 805 358**

Remuneration of Municipal Manager

	2024	2023
Annual Remuneration	837 480	798 082
Car Allowance	336 213	324 009
Other	5 948	22 044
	1 179 641	**1 144 135**

Remuneration of Chief Finance Officer

	2024	2023
Annual Remuneration	924 091	270 048
Car Allowance	-	36 012
Structured saving bonus	-	30 000
Leave pay	-	172 214
Acting allowance	-	139 864
	924 091	**648 138**

Remuneration of Director of Community Services

	2024	2023
Annual Remuneration	637 579	660 847
Car Allowance	253 045	266 028
Other	4 950	-
	895 574	**926 875**

Remuneration of Director of Technical Services

	2024	2023
Annual Remuneration	691 254	660 877
Car Allowance	259 946	203 954
Performance Bonuses	97 059	62 073
Travel Claim	17 358	30 478
Leave Pay	177 381	-
	1 242 998	**957 382**

Notes to the Annual Financial Statements

	2024	2023

27. Employee Related Costs (continued)

Remuneration of Director of Corporate Services

Annual Remuneration	648 042	52 113
Car Allowance	230 041	22 334
Performance Bonuses	72 008	123 625
	950 091	**198 072**

28. Remuneration of Councillors

Mayor	1 000 542	938 598
Deputy Mayor	475 736	441 624
Speaker	811 077	760 577
Councillors	6 885 076	6 464 151
MPAC Chairperson	742 788	502 584
Executive Committee	1 348 750	1 249 436
	11 263 969	**10 356 970**

In-kind benefits

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

The Mayor 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.

29. Depreciation and Amortisation

Property, plant and equipment	19 282 641	18 618 448
Investment property	231 934	231 301
Intangible assets	32 129	32 129
	19 546 704	**18 881 878**

30. Impairment loss

Impairments		
Property, plant and equipment	4 592 863	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
Total impairment losses (recognised) reversed	**4 592 863**	**18 258**

31. Lease rentals on operating lease

Lease rentals on operating lease - Other		
Contractual amounts	3 268 222	5 115 726

Notes to the Annual Financial Statements

	2024	2023

32. Debt impairment

Debt impairment	11 587 024	17 436 870
Bad debts written off	27 400	428 158
	11 614 424	**17 865 028**

33. Bulk purchases

Electricity - Eskom	21 056 388	18 769 552

Electricity losses

Units purchased	10 863 780	10 676 881
Units sold	(3 323 751)	(3 698 495)
Total loss	**7 540 029**	**6 978 386**

Electricity losses in Rands comprises of:		
Electricity losses	10 673 869	8 161 917

Percentage Loss:		
Electricity losses	69.00 %	65.00 %

The municipality is required to report on electricity losses in terms of MFMA Circular 71 issued by National Treasury and has reported accordingly. The municipality is of the view that the calculations guideline or formula as per Circular 71 is over simplified, and it does not consider various elements that are relevant such as technical losses and guidelines followed by NERSA and NT in approval of bulk purchase versus the approval of municipal tariffs. The main contributing factors to the high % of losses were unmetered and illegal connections. However, the municipality during the year under review have implemented measures such as meter audit, disconnections and TID rollout. This is an ongoing process to deal with high electricity losses.

Notes to the Annual Financial Statements

	2024	2023

34. General expenses

Admin fees	61 173	327 009
Advertising	6 353 770	7 844 739
Bank charges	499 136	489 569
Cleaning	1 337 051	3 876 204
Electricity expense	202 186	115 809
Sport & recreation	2 803 780	4 157 503
Fines and penalties	63 183	14 931
Indigent burial	613 180	262 150
Personal protective equipment	639 543	487 451
Insurance	498 727	1 862 423
Community development	965 561	6 445 882
Bursaries	739 286	2 004 096
IT Government and network	1 647 253	479 930
Fuel and oil	3 656 750	2 625 895
Printing and stationery	625 623	1 306 917
Legal claim	57 000	38 242
Software expenses	1 549 370	1 585 795
Staff welfare	417 087	111 341
Subscriptions and membership fees	889 496	199 260
Telephone and fax	1 755 371	1 067 749
Training	505 421	570 179
Water	417 638	538 742
Sewerage and waste disposal	2 170 663	84 859
Uniforms	171 780	706 600
Travelling and accommodation	3 025 640	1 313 796
Youth development	2 804 303	453 057
Free basic electricity	1 124 148	1 104 784
Local economic development	2 546 877	3 358 228
Ward committee stipends	1 629 000	1 722 000
Disaster relief	1 552 754	4 001 703
Traffic unit	22 326	128 743
Strategic planning	180 000	137 654
	41 525 076	**49 423 240**

35. Contracted services

Outsourced Services		
Distribution of Electricity by Others	621 165	-
Consultants and Professional Services		
Consulting and professional fees	3 727 121	11 748 233
Internal audit fees	1 636 189	1 072 772
Auditors remuneration	2 156 714	1 919 907
Contractors		
Construction contracts- INEP	5 914 641	7 794 930
First Aid	9 900	-
Material- repairs and maintainance	2 831 235	3 334 432
Contracted services- repairs and maintenance	6 729	1 435 039
Repairs and maintenance- electricity infrastructure	1 160 336	4 659 025
Plant hire road mainatenance	2 874 473	3 493 949
Relief Drivers	67 028	-
Security sevices	10 301 850	9 996 334
	31 307 381	**45 454 621**

Notes to the Annual Financial Statements

	2024	2023

36. Cash generated from operations

	2024	2023
Surplus	32 987 052	6 968 142
Adjustments for:		
Depreciation and amortisation	19 546 704	18 881 878
Surplus or (loss) on disposal of assets	-	(515 022)
Finance costs - Finance leases	151 991	231 273
Impairment deficit	4 592 863	18 258
Debt impairment	11 614 424	17 865 028
Movements in retirement benefit assets and liabilities	543 000	(287 000)
Movements in provisions	291 031	(871 302)
Assets Written Off	3 360 725	109 279
Other non-cash items	-	-
Changes in working capital:		
Consumer debtors	(10 486 925)	(20 236 551)
Other receivables from non-exchange transactions	(6 491 425)	12 410 008
Payables from exchange transactions	(24 352 472)	(1 985 279)
VAT	2 665 386	(6 007 717)
Other liabilities(INEP)	198 163	-
Unspent conditional grants and receipts	(823 253)	567 561
	33 797 264	**27 148 556**

37. Contingencies

Nompumelelo Agrieneth Shezi vs Nkandla Municipality.
The Nkandla Local Municipality is a defendant in a civil matter between Nkandla LM and Nompumelelo Agrieneth Shezi. The municipality is being sued by the plaintiff for damages to her vehicle that occurred in the provincial road named P50. The plaintiff is claiming for damages caused by poor road infrastructure. The possible liability is about R131,782.92. The municipality has received the notice of intention, but have not received summons.

Notes to the Annual Financial Statements

	2024	2023

38. Commitments

Authorised capital expenditure

	2024	2023
Already contracted for but not provided for		
• Property, plant and equipment	48 219 096	6 030 713
Total capital commitments		
Already contracted for but not provided for	48 219 096	6 030 713

Total commitments

	2024	2023
Total commitments		
Authorised capital expenditure	48 219 096	6 030 713

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)

	2024	2023
Minimum lease payments due		
- within one year	1 466 310	1 273 475
- in second to fifth year inclusive	108 897	1 204 958
	1 575 207	**2 478 433**

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.

39. Related parties

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

40. Change in estimate

Property, plant and equipment

During physical verification and review of the fixed asset register on movable assets, management identified assets which had useful life approaching nil as at 30 June 2024. The assets were still in use and also expected to be use in the following financial year. In line with GRAP 17 management used professional judgement to re-assess the useful lives of these assets based on assets conditions.

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

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**

	2024	2023

41. Prior period errors

Property Plant and Equipment
Community and roads infrastructure assets
During the review of assets records and annual assets physical verification, management discovered that certain community and road infrastructure assets were not included on the municipal fixed 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 and road infrastructure assets, depreciation and retained income. The management has processed necessary correcting entries in order to ensure fair presentation

Waste infrastructure
Through detailed calculation of the landfill site provision, management discovered that the provion for landfill site was calculated on 15 years useful live instead of 30 years. This resulted to incorrect calculation of depreciation and carrying amount. Such errors resulted to misstatement of waste infrastructure as at 30 June 2023. The management has processed necessary correcting entries in order to ensure fair presentation

Work In progress (WIP)
During the review of work in progress records, management discovered that an invoice amount of R341 921.23 for Mdlelanga Gravel Road Phase two was incorrectly capitalised to Mdlelanga Gravel Road Phase one. The errors resulted to understatement of work in progress account balance and overstatement of roads infrastructure account balance. The error constitute prior period error in terms of GRAP. The management has processed necessary correcting entries in order to ensure fair presentation
.
Trade and Other Payables
Retentions
Through detailed review of Retention account balances and supporting schedule/records as at 30 June 2023 financial year, management noted that Retention amount of R153 174.03 was incorrectly accounted as addition when capitalising Mdlelanga Gravel Road phase one. The errors resulted to understatement of Retention liability account balance and roads infrastructure balance. The error constitute prior period error in terms of GRAP. The management 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 2023, 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 2023. The error constitute prior period error in terms of GRAP and impact on Trade & Other Payable, VAT receivable and various expenditure. The management has processed necessary correcting entries in order to ensure fair presentation

Trade payables
Through review and reconciliation of creditors' age analysis and supporting creditors statements as at June 2023, management noted that there were transactions that were incorrectly processed. Such error resulted to mistatement of trade and other payable account balance and various other expense line item as at June 2024. The error resulted in the overstatement of creditors. The error constitutes prior period error in terms of GRAP and impact on Trade & Other Payable, VAT receivable and operating lease expenditure.

Trade and Other Receivables.
Through detail review and reconciliation of trade and other receivables and supporting schedules as at 30 June 2023, management discovered numerous errors on allocations of take-on balances for trade and other receivables. Such errors results to misstatement of trade and other receivables balance as at 30 June 2023. The error constitute prior period error in terms of GRAP and impact on VAT receivable and various billing services. The management has processed necessary correcting entries in order to ensure fair presentation.

Provision

Through detailed calculation of the landfill site provision, management discovered that the provion for landfill site was calculated on 15 years useful live instead of 30 years. Further the interest rate that was applied did not take into account the time value of money. Such errors resulted to misstatement of landfill site provision as at 30 June 2023. The management has processed necessary correcting entries in order to ensure fair presentation.

Notes to the Annual Financial Statements

	2024	2023

41. Prior period errors (continued)

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

	2023	2022
Statement of financial position	-	-
Property, plant and equipment	4 458 094	4 331 632
VAT	487 324	43 946
Receivables from exchange transactions	111 301	104 901
Receivables from non-exchange transactions	305 873	305 873
Payables from exchange transactions	(3 742 274)	(299 059)
Provision	(6 274 395)	-
Opening Accumulated Surplus or Deficit	4 654 077	(4 487 293)
Statement of financial performance		
Service charges	6 400	-
Depreciation	(193 977)	-
Contracted services	(2 984 310)	-
General Expenditure	(2 902 879)	-
VAT		
Audited amount	4 872 144	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	22 975	(26 857)
Correction of prior year error - Refuse	-	2 082
Correction of prior year error - Contracted services	486 716	343 668
Correction of prior year error - Electrification	-	2 930 794
Correction of prior year error - INEP	-	786 130
Correction of prior year error- Electricity consumption	-	8 772
Correction of prior year error - General expenditure	(22 367)	(1 363 225)
	5 359 468	**10 421 312**
Property, plant and equipment		
Audited amount	335 581 910	321 761 855
Correction of prior year error - WIP	341 921	35 158
Correction of prior year error - Retentions	153 172	(179 046)
Correction of prior year error - Community Assets	3 593 544	4 171 392
Correction of prior year error - Operational buildings	29 881	-
Correction of prior year error - Electrical Infrastructure	211 436	-
Correction of prior year error - Roads Infrastructure	34 040	-
Correction of prior year error - Landfill site	94 100	-
	340 040 004	**325 789 359**
Receivables from exchange transactions		
Audited amount	4 289 858	2 001 549
Correction of prior year error - Refuse	111 301	(15 960)
Correction of prior year error- Electricity consumption	-	(67 256)
	4 401 159	**1 918 333**

Notes to the Annual Financial Statements

41. Prior period errors (continued)

	2024	2023
Receivables from non-exchange transactions		
Audited amount	13 042 046	-
Correction of prior year error - Rates	305 873	-
	13 347 919	**-**
Payables from exchange transactions		
Audited amount	(46 658 848)	(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	(1 590 733)	(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 - Creditors	(1 968 177)	10 985 410
Correction of prior year error - Other	(183 364)	-
	(50 401 122)	**(52 093 749)**
Opening Accumulated Surplus or Deficit		
Audited amount	(300 407 097)	(303 834 906)
Receivables from exchange transactions	(111 301)	83 216
Receivables from non exchange transactions	(305 873)	-
Property plant and equipment	(4 458 094)	(4 027 504)
VAT	(487 324)	(2 674 590)
Payables from exchange transactions	3 742 274	16 386 630
Cash and cash equivalents	-	1 885
Finance lease obligation	-	(75 078)
Provision	-	(1 813 875)
Provision for landfill site	(6 274 395)	-
	(308 301 810)	**(295 954 222)**
Service charges		
Audited amount	12 896 090	12 704 544
Correction of prior year error - Electricity	6 400	(13 878)
	-	(58 483)
	12 902 490	**12 632 183**
Depreciation		
Audited amount	(18 687 901)	(21 999 903)
Correction of prior year error - Community Assets	(229 655)	(377 799)
Correction of prior year error - Operational Buildings	(3 851)	-
Correction of prior year error - Electrical Infrastructure	(6 501)	-
Correction of prior year error - Roads Infrastructure	(729)	-
Correction of prior year error - Landfill site	46 759	-
	(18 881 878)	**(22 377 702)**
Contracted services		
Audited amount	(42 470 311)	-
Correction of prior year error - Accruals	(1 103 628)	-
Correction of prior year error - Creditors	(1 880 682)	-
	(45 454 621)	**-**

Notes to the Annual Financial Statements

	2024	2023

41. Prior period errors (continued)

General Expenditure		
Audited amount	52 326 119	-
Correction of prior year error- Operation cost	(138 645)	-
Correction of prior year error- Landfill site(Interest)	(1 049 458)	-
Correction of prior year error- Interest on finance lease	(231 273)	-
Correction of prior year error- Other interest	(1 483 503)	-
	49 423 240	**-**

Provision		
Audited amount	9 461 945	-
Landfill site	(6 274 395)	-
	3 187 550	**-**

	2024	2023

42. 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	26 048 649	50 401 122
Unspent conditional grants	1 522 823	2 346 076
Finance lease obligation	808 872	851 091
	28 380 344	**53 598 289**

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	2024	2023
Trade and other receivables from exchange transactions	3 273 629	4 401 159
Trade and other receivables from non-exchange transactions	19 839 344	13 347 919
Cash and cash equivalents/bank balances	5 099 295	950 863

Market risk

Interest rate risk

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

Notes to the Annual Financial Statements

	2024	2023

43. Going concern financial sustainability

We draw attention to the fact that at 30 June 2024, the Municipality had an accumulated surplus of R341 288 862 and that the Municipality's total assets exceed its liabilities by R341 288 862, however the current assets exceeds it current liabilities by R 1 798 496. The annual financial statements have been prepared based on accounting policies applicable to a going concern as referenced in Accounting Policy 1.3 of the Annual Financial Statements. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. All impairments were measured and judged in line with past performances.

Description	2024	(Norm)	2023	(Norm)
Current ratio	1.06:1	1.5:1	0.44:1	1.5:1
Cash coverage ratio	1 Months	1-3 Months	0 Months	1-3 Months
Creditor payment period	45.1 Days	30 Days	78.3 Days	30 Days
Collection Rate	86%	95%	81%	95%

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

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

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

44. Events after the reporting date

There were no events after the reporting date

45. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	55 160 133	49 902 106
Add: Unauthorised expenditure - current	7 416 889	23 626 358
Less: Write off	(55 160 133)	(18 368 331)
Closing balance	**7 416 889**	**55 160 133**

During the year under the review the municipality appointed the Disciplinary Financial Misconduct Board from the 1st April 2024, and it was inducted with the assistance of the office of National Treasury. The purpose was to deal with cases of Financial Misconduct. And during the year under review, the transactions pertaining to the UIFW expenditure was reported to Council on the regular basis, and it was referred to MPAC for investigation in which the MPAC used the competencies of the Internal Audit to investigate those matters. After determination it was than written-off, and some of the expenditure was referred to Disciplinary Financial Misconduct Board by Council/MPAC for further investigation and consequence management.

46. Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	1 389 258	508 081
Add: Interest charged on Eskom account - Current year	-	95 579
Add: Interest charged on Shantis account - Current year	-	1 241 473
Add: Interest charged current	144 194	-
Add: Over payment on suppliers	19 509	-
Less: Amount recovered - prior period	-	353
Less: Amount written off - current	(1 496 852)	(377 372)
Less: Expenditure removed	-	(78 856)
Closing balance	**56 109**	**1 389 258**

Notes to the Annual Financial Statements

	2024	2023

46. Fruitless and wasteful expenditure (continued)

During the year under the review the municipality appointed the Disciplinary Financial Misconduct Board from the 1st April 2024, and it was inducted with the assistance of the office of National Treasury. The purpose was to deal with cases of Financial Misconduct. And during the year under review, the transactions pertaining to the UIFW expenditure was reported to Council on the regular basis, and it was referred to MPAC for investigation in which the MPAC used the competencies of the Internal Audit to investigate those matters. After determination it was than written-off, and some of the expenditure was referred to Disciplinary Financial Misconduct Board by Council/MPAC for further investigation and consequence management.

47. Irregular expenditure

	2024	2023
Opening balance as previously reported	13 052 421	20 984 943
Add: Irregular expenditure - current	3 255 055	964 310
Add: Irregular expenditure - prior period	-	11 314 026
Less: Amount reversal - current	(157 593)	-
Less: Amount recovered - prior period	-	(2 724 986)
Less: Amount written off - current	(15 591 298)	(17 485 872)
Closing balance	**558 585**	**13 052 421**

During the year under the review the municipality appointed the Disciplinary Financial Misconduct Board from the 1st April 2024, and it was inducted with the assistance of the office of National Treasury. The purpose was to deal with cases of Financial Misconduct. And during the year under review, the transactions pertaining to the UIFW expenditure was reported to Council on the regular basis, and it was referred to MPAC for investigation in which the MPAC used the competencies of the Internal Audit to investigate those matters. After determination it was than written-off, and some of the expenditure was referred to Disciplinary Financial Misconduct Board by Council/MPAC for further investigation and consequence management.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2024	2023
Current year subscription / fee	881 791	199 260
Amount paid - current year	(652 776)	-
	229 015	**199 260**

Audit fees

	2024	2023
Opening balance	8 454	8 454
Current year subscription / fee	2 498 794	1 904 656
Amount paid - current year	(2 507 248)	(1 904 656)
	-	**8 454**

PAYE and UIF

	2024	2023
Opening balance	968 510	18
Current year subscription / fee	9 600 291	11 124 379
Amount paid - current year	(10 569 112)	(10 155 887)
	(311)	**968 510**

Notes to the Annual Financial Statements

	2024	2023

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	1 200 471	1 093 908
Current year subscription / fee	14 221 520	14 129 149
Amount paid - current year	(15 421 991)	(14 022 586)
	-	**1 200 471**

VAT

VAT receivable	2 694 082	5 359 468

VAT receivables are shown in note 9.

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

49. Actual operating expenditure versus budgeted operating expenditure

Revenue -Exchange

Major contributor to the variance is electricity.Elctricity sales were affected by factors like load shedding,meter tempering & distribution losses.The municipality embarked on a meter audit and verification to reduce the variance. Variance is not considered to be material since it is less than 10%. Interest on service charges was underestimated during budgeting process. Variance is not considered to be material since it is less than 10%. The municipality had anticipated higer levels of investment which was not acheived due to cashflow constraints.

Revenue - Non -Exchange

Government grants & subsidies variance is considered to be material since it is more than 10%. The provincial of budget relates to INEP which shows separently as contract revenue. Fines were underestimated during budgeting process. Surcharges budget relates to VAT refunds, actual income has been reclassified to VAT control accounts. Budget of R15 000 000 is included within Government grants & subsidies.

Expenditure
Bad debts written off and Debt impairment was underestimated during the adjustment. Council resolution to write-off bad debts that are long overdue and cannot be traced.

Other income
Other income is derived from sale of Tender Documents, Building plans.

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

Notes to the Annual Financial Statements

	2024	2023

50. Deviation from supply chain management regulations

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

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

	2024	2023
Exceptional case	365 782	1 469 277
Sole service provider	21 417	42 211
Emergency	249 000	-
	636 199	**1 511 488**

The deviation from the Supply Chain Management Regulations in terms of Regulation 36 of the Municipal Finance Management Act 56 of 2003 regulates deviations and the municipality deviated from the SCM processes for the following reasons:

SCM Reg 36(1)(a)(v) – the reason for the deviation is an exceptional case where it is impractical to follow the SCM process as Bell Equipment Sales SA is the only manufacturer that fits engines for the TLB as the TLB was under warrant, and the payment for insurance access was also an exceptional case as the insures has already appointed and paid the panel beaters.
SCM Reg 36(1)(a)(ii) – The MSCOA Training was only offered by CIGFARO.
SCM Reg 36(1)(a)(v) – The municipality had to fix electricity supply breakdown at the hospital. The reason for the deviation is due to an emergency

Notes to the Annual Financial Statements

	2024	2023

51. Accounting by principals and agents

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

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

KwaZulu-Natal Department of transport
The municipality entered into an agreement with KwaZulu-Natal Department of Transport to facilitate the motor vehicle registration, licensing and driving licence testing function in accordance with national and provincial road traffic legislation.

Obligation of the municipality:
1. The municipality shall report at all times to the Head of Department or his designee.
2.The municipality shall, in terms of applicable national and provincial road traffic legislation, be responsible for the following motor vehicle registration and licensing functions:
- Vehicle search
- Change of person particular

- Renewal of vehicle licensing.
- Licensing of a vehicle in a private's or legally recognised entity's name.
- Licensing of a finaced vehicle, in a private person's or legally recognised entity's name.
- Referral of all motor vehicle licensing queries, complaints and disputes to the Departmental employee.
- any other transaction reasonably requested by the Department.

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

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

4. The municipality shall, in terms of applicable national and provincial road traffic legislation be responsible for the following driving licence functions:
- applicatiom for renewal of driving licence.
- issue of credit card format driving licence card, including eye test and fingerprints.
- issue of duplication credit card format driving licence card, where required.
- renewal of credit card format driving licence card, including eye test and fingerprints

- issue of temporary driving licence.
- applicable for renewal of professional driving permit.
- issue of prof ssional driving permit, including eye test and fingerprints.
- issue of duplicate professional driving permit, where required.
- substitution of foreign driving licence and issue of credit card format driving licence card, including eye and fingerprints.
- verification of driving licence particulars and
- referral of all queries to the Department employee specified by RTI contact person within 2 working days.

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

	2024	2023
Commission %	72 138	10 598

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Notes to the Annual Financial Statements

	2024	2023

51. Accounting by principals and agents (continued)

Fee paid

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

52. Finance costs

	2024	2023
Interest on environmental rehabilitation	402 269	448 504
Finance leases	151 991	231 273
Other interest paid	144 193	1 483 503
	698 453	**2 163 280**