



**AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2023**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 89, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of South Africa Act No.108 of 1996, read with the Remuneration of Public Officer Bearers Act No. 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

N J MDAKANE
MUNICIPAL MANAGER

Date

Annual Financial Statements

for

KWADUKUZA MUNICIPALITY

for the year ended	30 June 2023
Province:	KwaZulu Natal
AFS rounding:	R

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KWADUKUZA MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

General information

Members of the Council

O L Nhaca	Mayor
T V Ntuli	Deputy Mayor (01 July 2022 - 29 March 2023)
G Govender	Speaker
S L Cele	Member of the Executive Committee
T Colley	Member of the Executive Committee
M M Mthiyane	Member of the Executive Committee
C M Ntleko	Member of the Executive Committee
D H Mthembu	Member of the Executive Committee
M M Sibisi	Member of the Executive Committee
N C Mdletshe	Member of the Executive Committee
H Mbatha	Chief Whip
T T Mkhize	MPAC Chairperson
S K Shandu	Councillor
D N Ngema	Councillor
S O Nxele	Councillor
J M Banda	Councillor
A M Baardman	Councillor
B C Fakazi	Councillor
M E Ngidi	Councillor
N J Mpanza	Councillor
T T Dube	Councillor
S Sithole	Councillor
N Qwabe	Councillor
W N Mntambo	Councillor
B P Ndlovu	Councillor
S S Mthiyane	Councillor
C M Naicker	Councillor
S B Ntuli	Councillor
N S Bhengu	Councillor
N H Sithole	Councillor
V Mwandla	Councillor
S P Khuzwayo	Councillor
TC Nxele	Councillor
S G Mcineka	Councillor
V Govender	Councillor
K Naidoo	Councillor
B Mvulana	Councillor
M Vembali	Councillor
N A Singh	Councillor
R Pooran	Councillor
T N Mthethwa	Councillor
P Naidoo	Councillor
F Abrahams	Councillor
N J Mbonambi	Councillor
S Kheswa	Councillor
M M Madlala	Councillor
P S Shezi	Councillor
E M Kolia	Councillor
J F Magwaza	Councillor
P F Masuku	Councillor
S Zungu	Councillor
S C Mwandla	Councillor
A A Singh	Councillor
T T Sithole	Councillor
P L Zungu	Councillor
S C Pandaram	Councillor
S P Ashworth	Councillor
C P Dumakude	Councillor
N P Dube	Councillor
V Mathonsi	Traditional Leader
V S Mthembu	Traditional Leader

KWADUKUZA MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

General information (continued)

Municipal Manager

Mr N J Mdakane

Chief Financial Officer

Mr S M Rajcoomar

Grading of Local Authority

Category 4

Auditors

Auditor General South Africa (AGSA)

Primary Bankers

ABSA Bank

Registered Office:

KwaDukuza Municipality

Physical address:

14 Chief Albert Luthuli Street
KwaDukuza
4450

Postal address:

PO BOX 72
KwaDukuza
4450

Telephone number:

(032) 437 5000

E-mail address:

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**KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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KWADUKUZA MUNICIPALITY
AUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

	Note	2023 R	2022 - Restated R
ASSETS			
Current assets		2 319 563 373	1 258 900 266
Inventories	8	11 164 795	10 225 799
Receivables from exchange transactions	9	183 972 493	168 615 517
Receivables from non-exchange transactions	10	162 219 687	121 583 740
VAT receivable	11	72 639 619	7 579 913
Current portion of long-term receivables	7	45 712	31 479
Short term investments	12	84 239 862	78 426 597
Cash and cash equivalents	13	1 805 281 205	872 437 220
Non-current assets		3 168 336 588	2 545 556 042
Investment properties	2	187 816 000	192 670 000
Property, plant and equipment	3	2 963 429 683	2 351 398 154
Intangible assets	4	16 530 489	1 034 066
Heritage Assets	5	105 386	105 386
Long-term receivables	7	455 030	348 436
Total Assets		5 487 899 961	3 804 456 308
LIABILITIES			
Current liabilities		1 560 465 197	449 918 772
Leases	16	-	52 985
Employee benefit obligations	6	4 082 000	3 757 000
Trade and other payables	20	497 903 844	321 344 645
Unspent conditional grants, receipts and Public contributions	17	993 929 340	65 497 296
Current provisions	18	2 869 573	2 760 651
Consumer Deposits	21	43 728 074	39 877 832
Long service awards	6	4 264 000	4 035 000
Current portion of long term liabilities	19	13 688 366	12 593 362
Non-current liabilities		309 393 022	326 590 095
Leases	16	-	-
Employee benefit obligations	6	103 844 000	107 236 000
Non-current provisions	18	19 852 616	19 928 324
Long service awards	6	23 289 000	23 330 000
Long-term liabilities	19	162 407 406	176 095 771
Total Liabilities		1 869 858 219	776 508 867
Net Assets		3 618 041 742	3 027 947 440
NET ASSETS			
Reserves			
Revaluation reserve	14	18 313 137	18 313 137
Housing Operating Account	15	8 728 156	8 728 156
Accumulated surplus		3,591,000,449	3,000,906,150
Total Net Assets		3 618 041 742	3 027 947 440

KWADUKUZA MUNICIPALITY
AUDITED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 R	2022 - Restated R
REVENUE			
Revenue from exchange transactions			
Service charges	22	1 138 305 661	1 103 922 972
Rental of facilities and equipment		2 457 790	2 051 045
Interest earned - outstanding debtors		6 162 069	6 042 994
Other income	23	58 910 750	64 888 791
Gain on disposal of property, plant and equipment		124 550	165 489
Interest earned - investments	24	92 233 107	32 050 374
Housing development construction contract revenue	60	9 530 279	50 671 973
Total revenue from exchange transactions		1 307 724 205	1 259 793 638
Taxation revenue			
Property rates	25	613 317 383	545 078 244
Property rates - penalties imposed	25	18 739 192	13 470 630
Licences and permits (Non-exchange)	59	11 059 325	10 572 409
Transfer and other revenue			
Government grants, subsidies & Public Contributions	26 & 27	782 165 019	298 218 460
Donations	3	856 064	3 070 683
Fines	43	12 673 538	10 082 528
Employee and Long Services Gains	6	3 067 000	-
Total revenue from non-exchange transactions		1 441 877 521	880 492 955
Total Revenue		2 749 601 726	2 140 286 593
EXPENDITURE			
Employee related costs	28	503 521 657	462 204 606
Remuneration of councillors	29	32 811 634	22 210 348
Adjustments to Provisions	18	33 214	445 209
Depreciation and amortisation	30	93 471 115	86 959 920
Impairment loss	31	4 909 419	8 902 124
Finance costs	32	18 001 678	18 936 993
Debt Impairment and write offs	33	16 776 626	13 440 310
Bulk purchases	34	1 020 713 805	943 600 182
Contracted services	44	285 955 713	238 447 316
General Expenses	35	166 210 102	135 536 758
Employee and Long Services Benefits	6	188 000	13 513 000
Housing development construction contract expenditure	60	9 530 279	50 671 973
Total Expenditure		2 152 123 241	1 994 868 740
Operating Surplus		597 478 486	145 417 854
Loss on disposal of assets and liabilities	3	(15 130 186)	(6 031 215)
Fair value adjustments	36	7 746 000	21 045 000
		(7 384 186)	15 013 785
SURPLUS FOR THE YEAR		590 094 299	160 431 638

KWADUKUZA MUNICIPALITY
 AUDITED STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2023

	<u>Revaluation Reserve</u> R	<u>Housing Operating Account</u>	<u>Total Reserves</u>	<u>Accumulated Surplus</u> R	<u>Total Net Assets</u> R
Balance at 30 June 2020	18,313,137	8,728,156	27,041,293	2,609,258,242	2,636,299,532
Surplus for the year 2020/2021	-	-	-	242,435,530	242,435,530
Adjusting for prior year electricity back billing prior 2021/2022				25,661,689	25,661,689
Adjusting for derecognition of Land prior 2021/2022				(34,728,556)	(34,728,556)
Adjusting for derecognition of Community Assets (Recreational Ground) prior 2021/2022				(1,130,725)	(1,130,725)
Adjusting for derecognition of Community Assets (Recreational Ground) prior 2021/2022 - Depreciation prior 2021/2022				574,590	574,590
Adjusting for Land cemetery feasibility study prior 2021/2022				(1,596,259)	(1,596,259)
Balance at 30 June 2021	18,313,137	8,728,156	27,041,293	2,840,474,512	2,867,515,802
Surplus for the year 2021/2022 (Note 41)	-	-	-	160,431,638	160,431,638
Balance at 30 June 2022	18,313,137	8,728,156	27,041,293	3,000,906,150	3,027,947,440
Surplus for the year 2022/2023	-	-	-	590,094,299	590,094,299
Balance at 30 June 2023	18,313,137	8,728,156	27,041,293	3,591,000,449	3,618,041,742
Note(s)	14	15			
Note 41 provides further details of adjustments pertaining to the 2020/2021 and 2021/2022 financials years.					

KWADUKUZA MUNICIPALITY
AUDITED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 R	2022 - Restated R
Cash flows from operating activities			
Receipts			
Interest income		92 233 107	32 050 374
Cash received		3 445 348 547	2 037 443 813
		3 537 581 653	2 069 494 187
Payments			
Finance costs		(18 001 678)	(18 936 993)
Cash paid		(1845 692 680)	(1838 397 771)
		(1863 694 358)	(1857 334 764)
Net cash flows from operating activities	42	1 673 887 295	212 159 424
Cash flows from investing activities			
Purchase of Property, Plant & Equipment	3	(713 263 760)	(239 339 828)
Proceeds from sale of property, plant and equipment	3	2 480 084	1 855 083
Purchase of other intangible assets	4	(15 650 265)	-
Movement in short term investments		(5 813 265)	72 145 783
Net cash flows from investing activities		(732 247 205)	(165 338 961)
Cash flows from financing activities			
Consumer deposits		3 850 242	2 886 623
Movement in long term liabilities		(12 593 362)	(11 637 428)
Finance lease payments		(52 985)	(871 776)
Net cash flows from financing activities		(8 796 106)	(9 622 581)
Net increase/(decrease) in cash and cash equivalents		932 843 984	37 197 882
Cash and cash equivalents at the beginning of the year		872 437 220	835 239 337
Cash and cash equivalents at the end of the year	13	1 805 281 205	872 437 220

KWADUKUZA MUNICIPALITY
 AUDITED STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
 FOR THE YEAR ENDED 30 JUNE 2023

	Approved Budget	Adjustments	Adjustments Budget	30 June 2023 Final Budget	Actual amounts as per restated Budget	Actual amounts as per AFS	Reconciliation explained in Note 58	Difference between final budget and actual	Percentage Variance	Note Reference
Statement of Financial Performance										
Revenue										
Revenue from Exchange Transactions:										
Service Charges	1,139,310,000	16,133,000	1,155,443,000	1,155,443,144	1,138,233,445	1,138,305,661	72,216	(17 137 483)	-1%	
Rental of facilities & Equipment	3,003,000	20,000	3,023,000	3,023,408	2,457,790	2,457,790	-	(565 618)	-19%	58.1
Interest earned outstanding debtors	9,250,000	-	9,250,000	9,249,996	6,162,069	6,162,069	-	(3 087 927)	-33%	58.2
Other Income	54,165,000	7,222,000	61,387,000	61,386,856	60,224,605	58,910,750	(1 313 855)	(2 476 106)	-4%	
	-	-	-	-	154,550	124,550	(30 000)	124,550	100%	
Interest received - investments	24,935,000	41,258,000	66,193,000	66,193,386	92,233,107	92,233,107	-	26,039,721	39%	58.3
Housing development construction contract revenue	-	-	-	-	-	9,530,279	9,530,279	9,530,279	100%	60
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS	1,230,663,000	64,633,000	1,295,296,000	1,295,296,790	1,299,465,565	1,307,724,205	8,258,640	12,427,415		
Revenue from Non-Exchange Transactions:										
Taxation Revenue										
Property rates	604,725,000	39,075,000	643,800,000	643,799,627	619,961,096	613,317,383	(6 643 713)	(30 482 244)	-5%	
Property rates - penalties imposed	-	-	-	-	-	18,739,192	18,739,192	18,739,192	100%	58.4
Licences & permits (including agency fees)	13,934,000	100,000	14,034,000	14,033,608	11,059,325	11,059,325	-	(2 974 283)	-21%	58.5
Transfer and Other Revenue										
Government grants and subsidies	254,652,000	2,403,000	257,055,000	257,055,148	248,865,970	248,865,970	-	(8 189 178)	-3%	
Public contributions and donations	-	-	-	-	856,064	856,064	856,064	856,064	100%	58.6
Employee and Long Services Gains	-	-	-	-	3,067,000	3,067,000	-	3,067,000	100%	
Fines	30,695,000	1,020,000	31,715,000	31,714,848	33,429,993	12,673,538	(20 756 455)	(19 041 310)	-60%	58.7
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS:	904,006,000	42,598,000	946,604,000	946,603,231	916,383,383	908,578,472	(7 804 911)	(38 024 759)		
Total Revenue	2,134,669,000	107,231,000	2,241,900,000	2,241,900,021	2,215,848,948	2,216,302,677	453,729	(25 597 344)		
Expenditure										
Employee Related Costs	545,009,000	(27 359 000)	517,650,000	517,781,902	504,174,449	503,521,657	-652,792	(14 260 246)	-3%	
Remuneration of Councillors	27,116,000	1,579,000	28,695,000	28,695,167	32,811,634	32,811,634	-	4 116 467	14%	
Depreciation, amortisation and impairment / reversal of impairment	100,622,000	16,629,000	117,251,000	117,251,149	97,351,887	98,380,533	1,028,646	(18 870 616)	-16%	58.8
Finance Costs	25,101,000	-	25,101,000	25,100,772	18,001,678	18,001,678	-	(7 099 094)	-28%	58.9
Debt Impairment and write offs	23,200,000	6,000,000	29,200,000	29,199,996	16,470,246	16,776,626	306 380	(12 423 370)	-43%	58.10
Bulk purchases	916,693,000	69,221,000	985,914,000	985,763,918	1,020,839,395	1,020,713,805	(125 590)	34 949 887	4%	
Contracted services	304,080,000	38,860,000	342,940,000	344,532,779	311,905,279	285,955,713	(25 949 566)	(58 577 066)	-17%	58.11
Other Expenditure	160,809,000	(2 029 000)	158,780,000	157,423,560	130,972,224	166,431,316	35,459,092	9 007 756	6%	
Losses on disposal of assets	19,766,000	4,400,000	24,166,000	24,165,994	16,526,833	15,130,186	(1 396 647)	(9 035 808)	-37%	58.12
Transfers and subsidies	14,112,000	1,156,000	15,268,000	15,049,596	19,404,930	-	(19 404 930)	(15 049 596)	-100%	58.13
Housing development construction contract expenditure	-	-	-	-	-	9,530,279	9,530,279	9 530 279	100%	60
Total Expenditure	2,136,508,000	108,457,000	2,244,965,000	2,244,964,833	2,168,458,554	2,167,253,427	-1,205,127	(77 711 406)		

Operating Surplus										
Transfers recognised - capital	175,074,000	618,065,000	793,139,000	793,139,499	533,299,049	533,299,049	0	(259,840,450)	-33%	58.14
Contributions recognised - capital		-	-	-	856,064	-	(856,064)	-	0%	
Fair Value Adjustments	3,065,000	-	3,065,000	3,064,812	7,896,000	7,746,000	(150,000)	4,681,188		
	178,139,000	618,065,000	796,204,000	796,204,311	542,051,113	541,045,049	-1,006,064	-255,159,262		
Surplus before taxation	176,300,000	616,839,000	793,139,000	793,139,499	589,441,507	590,094,300	-	-203,045,199		
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement										
Surplus for the year	176,300,000	616,839,000	793,139,000	793,139,499	589,441,507	590,094,300	-	-203,045,199		
Funding of Capital										
Non-Current Assets										
Transfers recognised - capital	184,735,000	537,674,000	722,409,000	722,409,000	533,299,049	533,299,049		-189,109,951		
Internally generated funds	315,530,000	(14,825,000)	300,705,000	300,705,000	194,758,976	179,964,710		-120,740,290		
Public Contributions and Donations	-	-	-	-	856,064	856,064		856,064		
Borrowings	10,000,000	(10,000,000)	-	-	-	-		-		
Total Sources of capital funds	510,265,000	512,849,000	1,023,114,000	1,023,114,000	728,914,089	714,119,824		-308,994,176		
Cash Flow Statement										
Cash flows from operating activities										
Payments										
Net cash from/(used) - Operating activities	405,010,000	1,215,234,000	1,620,244,000	1,620,244,000		1,673,887,295		53,643,295		
Cash flows from investing activities										
Net cash from/(used) - Investing activities	(507,367,000)	(506,779,000)	(1,014,146,000)	(1,014,146,000)		(732,247,205)		281,898,795		
Net increase/(decrease) in cash and cash equivalents	827,614,000	123,250,000	950,864,000	950,864,000		932,843,984		-18,020,016		
Net cash from/(used) - Financing activities	(1,526,000)	(10,000,000)	(11,526,000)	(11,526,000)		(8,796,106)		2,729,894		
Cash/cash equivalents at the year end	723,731,000	821,705,000	1,545,436,000	1,545,436,000		1,805,281,205		259,845,205		

**KWADUKUZA MUNICIPALITY
AUDITED REPORTABLE SEGMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

For management purposes, the municipality is organised and operates in nine key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance.
Revenues and expenditures relating to these business units are allocated at a transactional level.

	Corporate Services	Youth Development	Chief Operations Officer	Community Services & Public amenities	Community Safety	Finance	Economic Development & Planning	Civil Engineering & Human Settlements	Electrical Engineering Services	Total
	R	R	R	R	R	R	R	R	R	R
Segment Revenue										
External revenue from non- exchange transactions	77,868,184	6,855,924	11,395,964	84,584,970	27,732,022	627,094,474	28,707,983	543,131,548	42,252,452	1,449,623,521
External revenue from exchange transactions	1,886,286	-	-	93,081,413	467,818	23,833,473	15,827,739	10,544,749	1,069,725,071	1,215,366,548
Revenue from transactions with other segments	-	-	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	91,038,207	-	1,194,900	-	92,233,107
Gain on disposal of property, plant and equipment	509	-	-	294	-	64,764	-	-	58,984	124,550
Segment Expenses										
Total segment expenses	(118 987 753)	(9 740 870)	(60 534 886)	(269 880 820)	(171 272 211)	(94 846 094)	(63 526 635)	(103 331 220)	(1163 660 146)	(2055 780 630)
Depreciation and amortisation	(3 047 984)	(106 165)	(249 181)	(20 620 363)	(2 133 959)	(735 417)	(1 260 630)	(35 796 646)	(29 520 768)	(93 471 115)
Interest expense	-	-	-	-	-	-	-	-6,303,304	-11,698,374	(18 001 678)
Internal charges	(3 121 111)	-	(4 300)	(4 037 069)	(857 967)	(505 379)	(118 753)	(362 568)	9,007,146	-
Surplus / deficit for the year	(45 401 870)	(2 991 112)	(49 392 403)	(116 871 574)	(146 064 297)	645 944 028	(20 370 296)	409 077 459	(83 835 635)	590 094 304
Other Information										
Segment assets	370 210 430	36 670 892	(30 411 273)	143 548 401	67 409 153	1 128 291 276	159 056 263	2 023 557 589	1 589 567 230	5 487 899 961
Segment liabilities	(55 394 614)	747 875	2 638 481	(6 320 763)	(3 457 363)	(586 923 348)	(6 206 505)	(1 090 816 565)	(124 125 416)	(1 869 858 219)
Additions to non-current assets	18 764 424	-	122 357	56 182 064	6 368 553	109 260	15 714 575	528 164 946	103 487 845	728 914 025
Non-cash revenue (included above)	7 896 509	-	3 067 000	856 358	-	(85 236)	-	-	58 984	11 793 615
Non-cash expense (included above)	1 240 151	106 165	3 323 917	24 266 495	2 506 021	29 999 459	1 261 742	36 712 664	31 091 946	130 508 560
Cash flows from operating activities	(40 107 129)	46 913 223	(94 710 662)	(119 780 541)	(191 569 583)	662 258 166	(16 675 565)	1 570 362 389	(142 802 938)	1 673 887 360
Cash flows for investing activities	(18 764 424)	-	(122 357)	(56 182 064)	(6 368 553)	(3 442 441)	(15 714 575)	(528 164 946)	(103 487 845)	(732 247 206)
Cash flows from financing activities	(47 903)	-	(1 276)	(36 663)	-	4 638 270	(6 209)	(3 829 255)	(9 513 069)	(8 796 105)

REPORTABLE SEGMENTS - 30 JUNE 2022

	Corporate Services R	Youth Development R	Chief Operations Officer R	Community Services & Public amenities R	Community Safety R	Finance R	Economic Development & Planning R	Civil Engineering & Human Settlements R	Electrical Engineering Services R	Total R
Segment Revenue										
External revenue from non- exchange transactions	62,624,259	5,957,664	10,447,344	73,743,228	23,748,938	579,472,453	27,837,678	80,575,808	37,130,583	901,537,956
External revenue from exchange transactions	1,182,828	-	-	79,767,001	25,252	29,040,746	16,823,847	51,891,666	1,048,846,435	1,227,577,776
Revenue from transactions with other segments										-
Interest revenue						31,513,626		536,749		32,050,374
Gain on disposal of property, plant and equipment	6,503			47,374		111,612				165,489
Segment Expenses										
Total segment expenses	(100 087 232)	(6 902 218)	(63 206 806)	(225 706 638)	(157 134 623)	(71 862 949)	(48 361 742)	(142 437 355)	(1080 079 934)	(1895 779 502)
Depreciation and amortisation	(2 760 298)	(102 481)	(152 318)	(19 406 519)	(2 352 328)	(963 684)	(1 118 961)	(32 701 326)	(26 625 547)	(86 183 462)
Interest expense								(6 651 583)	(12 285 410)	(18 936 993)
Internal charges	(2 849 267)	-	(4 300)	(616 546)	(382 623)	(463 056)	(120 686)	(341 842)	4 778 320	-
Surplus / deficit for the year	(41 883 207)	(1 047 035)	(52 916 079)	(92 172 101)	(136 095 384)	566 848 748	(4 939 864)	(49 127 883)	(28 235 552)	160,431,638
Other Information										
Segment assets	362 009 046	35 003 588	(17 104 209)	158 265 040	(14 630 861)	991 106 612	138 284 939	670 235 886	1 481 286 269	3 804 456 309
Segment liabilities	(53 017 461)	584 270	(42 472 479)	(13 956 094)	(4 439 642)	(420 663 264)	(6 404 050)	(119 002 672)	(117 137 473)	(776 508 865)
Additions to non-current assets	6 662 586	999 650	500 492	26 921 955	3 219 177	221 078	14 674 719	105 053 806	81 086 365	239 339 828
Non-cash revenue (included above)	3 077 187	-	-	47 374	-	21 156 612	-	-	-	24 281 172
Non-cash expense (included above)	14 475 902	102 834	928 776	20 709 333	2 649 484	15 415 246	1 118 961	40 727 273	33 163 970	129 291 778
Cash flows from operating activities	(25 600 329)	(1 756 744)	(46 537 620)	(66 114 436)	(142 846 735)	529 032 827	(7 597 372)	752 631	(27 172 798)	212 159 424
Cash flows for investing activities	(6 662 586)	(999 650)	(500 492)	(26 921 955)	(3 219 177)	73 779 789	(14 674 719)	(105 053 806)	(81 086 365)	(165 338 961)
Cash flows from financing activities	(41 285)	-	-	(36 466)	-	1 389 228	-	(3 480 976)	(7 453 082)	(9 622 581)

KWADUKUZA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2 Investment Properties

	2023			2022		
	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE
INVESTMENT PROPERTY	187,816,000	-	187,816,000	192,670,000	-	192,670,000
	187,816,000	-	187,816,000	192,670,000	-	192,670,000

RECONCILIATION OF INVESTMENT PROPERTY - 2023

	OPENING BALANCE	FAIR VALUE ADJUSTMENTS	TRANSFERS/DISPOSALS	CLOSING BALANCE
INVESTMENT PROPERTY	192,670,000	7,746,000	(12,600,000)	187,816,000
	192,670,000	7,746,000	(12,600,000)	187,816,000

The last effective date of the fair value adjustment was June 2023. The valuations were performed by a Professional Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of evaluation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category of investment property valued with the necessary qualifications.

Rent income received on the above investment properties during 2022/2023 financial year is R1 653 242

There is no expenditure relating to repairs and maintenance in the investment properties.

RECONCILIATION OF INVESTMENT PROPERTY - 2022

	OPENING BALANCE	FAIR VALUE ADJUSTMENTS	TRANSFERS/DISPOSALS	CLOSING BALANCE
INVESTMENT PROPERTY	171,625,000	21,045,000	-	192,670,000
	171,625,000	21,045,000	-	192,670,000

Rent income received on the above investment properties during 2021/2022 financial year is R1 738 275.84

There is no expenditure relating to repairs and maintenance in the investment properties.

3 Property, Plant and equipment

	2023			2022 - restated		
	COST	ACCUMULATED DEPRECIATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED DEPRECIATION AND IMPAIRMENT	CARRYING VALUE
COMMUNITY ASSETS	461,238,937	(159,322,353)	301,916,584	391,009,049	(138,317,218)	252,691,830
SOLID WASTE	6,437,135	(1,881,347)	4,555,788	7,051,127	(2,858,378)	4,192,749
VEHICLES	114,680,688	(57,870,922)	56,809,766	97,684,679	(55,749,372)	41,935,307
INFRASTRUCTURE ROADS AND STORMWATER	1,941,074,215	(449,345,299)	1,491,728,977	1,420,912,541	(411,745,570)	1,009,166,970
INFRASTRUCTURE ELECTRICAL	1,066,029,389	(337,592,182)	728,437,208	983,819,583	(314,845,765)	668,973,818
FURNITURE & FITTINGS	88,938,906	(61,855,740)	27,083,166	78,329,786	(57,993,978)	20,335,808
LAND	352,410,618	-	352,410,618	353,370,618	-	353,370,618
LEASED ASSETS	3,898,102	(3,410,525)	487,577	3,898,102	(3,167,046)	731,056
	4,034,707,990	(1,071,278,367)	2,963,429,683	3,336,075,484	(984,677,327)	2,351,398,154

KWADUKUZA MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2023

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT-2023

	OPENING BALANCE	ADDITIONS	RECLASSIFICATION OF CAPITALISED AUC	DONATIONS	RECOGNITION OF EXPENSED ITEMS	DERECOGNITION OF ASSETS	ASSETS WRITTEN OFF	DEPRECIATION	IMPAIRMENT LOSS	IMPAIRMENT REVERSAL	CLOSING BALANCE
Community Assets	252,691,830	77,119,508	(6,889,619)			-		(18,360,190)	(2,644,944)		301,916,584
Solid Waste	4,192,749	1,771,797.09				(994,072)		(414,686)			4,555,788
Vehicles	41,935,307	22,840,968				(1,196,024)	(210,493)	(6,559,856)	(136)		56,809,766
Infrastructure Roads & Stormwater	1,009,166,968	523,234,143	(3,072,469)			-		(37,178,751)	(420,983)		1,491,728,977
Infrastructure Electrical	668,973,818	64,475,517	9,901,088		10,698,826	(1,216,574)		(23,603,012)	(792,455)		728,437,208
Furniture & Fittings	20,335,808	10,157,208	61,000	856,064	2,965,794	(277,694)	(35,461)	(6,957,298.36)	(22,255)		27,083,166
Land	353,370,618	-				(960,000)					352,410,618
Leased Assets	731,056	-						(243,479)			487,577
	2,351,398,154	699,599,140	-	856,064	13,664,620	(4,644,364)	(245,955)	(93,317,273)	(3,880,773)	-	2,963,429,683

Classification of Assets Under Construction 2022/2023:

	COST	ACCUMULATED IMPAIRMENT	OPENING BALANCE	ADDITIONS	TRANSFERRED OUT OF AUC	IMPAIRMENT	CLOSING BALANCE
Community Assets	56,322,052	(5,545,348)	50,776,703.68	63,673,515	(28,716,933)	-	85,733,285
Infrastructure Electrical	70,754,095		70,754,095.44	64,475,517	(90,513,527)		44,716,085
Furniture & Fittings	1,644,487		1,644,486.68	-			1,644,487
Solid Waste	-		-	1,295,797			1,295,797
Roads & Stormwater	75,079,032	(23,453,140)	51,625,892.33	523,098,712	(413,609,315)		161,115,288
							-
TOTAL	203,799,666	(28,998,488)	174,801,178	652,543,540	(532,839,776)	-	294,504,942

Disclosure of Slow Moving Assets under Construction

Project	Value	Reason for Delay
Vlakspruit Cemetery	1,160,618	Technical specifications for the project has been completed. Project is awaiting funding availability to proceed.

Loss on disposal as reflected on the Statement of Financial Performance consists of :

2022/2023	
Derecognition of Assets	12,505,805
Assets Written Off	615,955
Auction Assets	2,008,427
	<u>15,130,186</u>

Gain on disposal as reflected on the Statement of Financial Performance consists of :

2022/2023	
Derecognition of Assets	-
Assets Written Off	-
Auction Assets	124,550
	<u>124,550</u>

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT-2022 - RESTATED

	OPENING BALANCE	ADDITIONS	RECLASSIFICATION OF CAPITALISED AUC	DONATIONS	RECOGNITION OF EXPENSED ITEMS	DERECOGNITION OF ASSETS	ASSETS WRITTEN OFF	DEPRECIATION	IMPAIRMENT LOSS	IMPAIRMENT REVERSAL	CLOSING BALANCE
Community Assets	232,793,861	43,336,270	(5,656,808)					(17,599,243)	(182,251)		252,691,830
Solid Waste	4,740,464	585,369.60				(688,245)		(444,841)			4,192,749
Vehicles	37,668,531	11,095,951				(852,103)		(5,977,071)			41,935,307
Infrastructure Roads & Stormwater	961,807,058	98,026,414	(6,634,631)			(2,860,528)		(34,020,685)	(7,150,659)		1,009,166,968
Infrastructure Electrical	603,845,372	65,041,131	12,130,524		11,181,335	(1,568,162)		(21,625,870)	(30,513)		668,973,818
Furniture & Fittings	16,362,866	10,073,357	160,915		320,683	(459,215)	(28,758)	(6,063,611.56)	(30,429)		20,335,808
Land	351,884,418			2,750,000		(1,263,800)					353,370,618
Leased Assets	1,427,847							(696,791)			731,056
	<u>2,210,530,445</u>	<u>228,158,493</u>	<u>(1)</u>	<u>3,070,683</u>	<u>11,181,335</u>	<u>(7,692,052)</u>	<u>(28,758)</u>	<u>(86,428,112)</u>	<u>(7,393,851)</u>	<u>-</u>	<u>2,351,398,154</u>

Classification of Assets Under Construction 2021/2022:

	OPENING BALANCE	ACCUMULATED IMPAIRMENT	ADDITIONS	TRANSFERRED OUT OF AUC	IMPAIRMENT	CLOSING BALANCE
Community Assets	43,382,982	(5,545,348)		39,674,437	(26,735,367)	50,776,704
Infrastructure Electrical	45,422,703			65,041,131	(39,709,738)	70,754,095
Furniture & Fittings				1,644,487		1,644,487
Roads & Stormwater	107,239,308	(23,453,140)		97,951,375	(130,111,651)	51,625,892
TOTAL	<u>196,044,993</u>	<u>(28,998,488)</u>	<u>204,311,429</u>	<u>(196,556,756)</u>	<u>-</u>	<u>174,801,178</u>

Disclosure of Slow Moving Assets under Construction

Project	Value	Reason for Delay
Nonoti Beach Node Development	5,313,660	The physical ground work could only commence after obtaining the environmental authorization and completion of other intricate legislative prerequisites.
Computer Software and Applications: Tools & Systems Project	572,119	Due to the complex requirements of the project , extended planning processes were required to ensure a successful project roll-out.

Loss on disposal as reflected on the Statement of Financial Performance consists of :

2021/2022	
Derecognition of Assets	3,921,348
Assets Written Off	-
Auction Assets	2,109,868
	<u>6,031,215</u>

Gain on disposal as reflected on the Statement of Financial Performance consists of :

2021/2022	
Derecognition of Assets	16,100
Assets Written Off	-
Auction Assets	149,389
	<u>165,489</u>

4 Intangible Assets

	2023			2022		
	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE
Intangible Assets	21,008,960	(20,700,854)	308,105	21,008,960	(20,547,013)	461,947
Intangible Assets - Under Development	16,577,202	(354,818)	16,222,384	926,937	(354,818)	572,119
	37,586,162	(21,055,672)	16,530,489	21,935,897	(20,901,831)	1,034,066

Reconciliation of Intangible Assets - 2023

	OPENING BALANCE	ADDITIONS	ASSET UNDER CONSTRUCTION BROUGHT INTO USE	ASSETS WRITTEN OFF	AMORTISATION	IMPAIRMENT LOSS	CLOSING BALANCE
Intangible Assets	461,947				(153,842)	-	308,105
Intangible Assets - Under Development	572,119	15,650,265					16,222,384
	1,034,066	15,650,265	-	-	(153,842)	-	16,530,489

Reconciliation of Intangible Assets - 2022

	OPENING BALANCE	ADDITIONS	ASSET UNDER CONSTRUCTION BROUGHT INTO USE	ASSETS WRITTEN OFF	AMORTISATION	IMPAIRMENT LOSS	CLOSING BALANCE
Intangible Assets	993,754				(531,807)	-	461,947
Intangible Assets - Under Development	572,119						572,119
	1,565,873	-	-	-	(531,807)	-	1,034,066

5 Heritage Assets

	2023			2022		
	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE
Historical Monuments	105,386	-	105,386	105,386	-	105,386
	105,386	-	105,386	105,386	-	105,386

6 EMPLOYEE BENEFIT OBLIGATIONS

6.1 Pension benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. Below is a synopsis of the most recent pension fund reports.

Superannuation

The interim valuation carried out on the Superannuation Fund as at 31 March 2022 reflected:

- The valuation reveals that the fund is 108.9% funded on the "best estimate" Funding basis as at the valuation date, and is also fully funded on the alternative basis as set out in PF Notice No. 2 of 2016.
- Asset composition on valuation date appropriate to nature of the liabilities.
- Investment strategy suitable for the Fund.
- The view of the valuator is that the fund is in a sound financial position as at the valuation date.

Provident Fund

The interim valuation carried out on the Provident Fund as at 31 March 2022 reflected:

- The Fund is financially sound at valuation date
- The valuation reveals that the Fund is 100.2% funded as at the valuation date

The contribution rate allocated towards risk benefits and expenses in the year following the valuation date is expected to exceed the actual cost leaving an excess of some 1.56% of pensionable salaries.

- Asset composition appropriate to the nature of the liabilities
- Investment strategy suitable for Fund
- The fund self-insures its death benefits and disability benefits

Retirement Fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2022 reflected:

The Fund is financially sound at valuation date
The fund is 107.1% funded on the "best estimate" Funding basis as at the valuation date, and it is not fully funded on the alternative bases as set out in PF Notice No. 2 of 2016.

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2023 **2022 - Restated**
R **R**

Asset composition appropriate to the nature of the liabilities
Investment strategy suitable for the Fund
Fund's self insures its risk benefits

6.2 Post-employment medical benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Key Health, LA Health, Samwumed and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, Arch Actuarial Consulting, carry out a statutory valuation on an annual basis as at 30 June 2023.

The principal actuarial assumptions used were as follows:

In estimating the liability for post-employment medical aid benefits a number of assumptions are required as per GRAP 25. APN 30 states that the assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	12.51%	13.14%
Health care cost inflation rate	8.12%	10.00%
Net effective discount rate	4.06%	2.39%
Average retirement age	62	62
Proportion continuing membership at retirement	75%	75%
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA (90)	PA (90)
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		

Percentage of in-service members withdrawing before retirement:	Males	Females	Males	Females
Age 20 - 24	9%	9%	9%	9%
Age 25 - 29	8%	8%	8%	8%
Age 30 - 34	6%	6%	6%	6%
Age 35 - 39	5%	5%	5%	5%
Age 40 - 44	5%	5%	5%	5%
Age 45 - 49	4%	4%	4%	4%
Age 50 - 54	3%	3%	3%	3%
Age 55 - 59	0%	0%	0%	0%
Age 60+	0%	0%	0%	0%

Discount Rate:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Consequently, a discount rate of 12.51% per annum has been used. The corresponding index linked yield at this term is 5.06%. These rates do not reflect any adjustments for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30th June 2023.

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	2023 R	2022 - Restated R
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:	<u>107 926 000</u>	<u>110 993 000</u>
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	110 993 000	99 970 000
Current service cost	3 980 000	3 808 000
Interest cost	11 337 000	10 032 000
Benefit payments	(3 757 000)	(3 551 000)
Actuarial (gains)/losses	(14 627 000)	734 000
Balance at end of year	<u>107,926,000</u>	<u>110,993,000</u>
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	3 980 000	3 808 000
Interest cost	11 337 000	10 032 000
Benefit payments	(3 757 000)	(3 551 000)
Actuarial (gains)/losses	(14 627 000)	734 000
TOTAL	<u>(3 067 000)</u>	<u>11 023 000</u>

SENSITIVITY RESULTS

In order to illustrate the sensitivity of the results to changes in certain key variables, the liability has been recalculated using the following assumptions:

- (1) A 1% increase / decrease in the assumed rate of health care cost inflation;
- (2) A 1% increase / decrease in the discount rate.
- (3) A one-year age increase and decrease in the assumed rates of post-employment mortality.
- (4) A one-year decrease in the assumed average retirement age
- (5) a decrease of 10% in the assumed proportion of in-service members that remain members at retirement.

Table 1: Sensitivity Analysis on the Accrued Liability (R Millions)

2023
R

2022 - Restated
R

Assumption	Change	Eligible Employees	Continuation Members	Total	% Change
Central assumptions		63.019	44.907	107.926	
Health care inflation rate	+1%	68.854	46.933	115.787	7%
	-1%	55.760	42.516	98.276	-9%
Discount rate	+1%	53.239	41.439	94.678	-12%
	-1%	75.410	48.953	124.363	15%
Post-employment mortality	+1 yr	61.731	43.713	105.444	-2%
	-1 yr	64.269	46.086	110.355	2%
Average retirement age	-1 yr	66.978	44.907	111.885	4%
Membership continuation	-10%	55.168	44.907	100.075	-7%

Note to Table 1: The post-employment mortality adjustment “-1 yr”, for example, assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

Table 2: Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2023

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% Change
Central assumptions		3,980,000	11,337,000	15,317,000	
Health care inflation rate	+1%	4,694,000	12,602,000	17,296,000	13%
	-1%	3,260,000	10,033,000	13,293,000	-13%
Mortality rates	x1.2	3,653,000	10,520,000	14,173,000	-7%
	x0.8	4,372,000	12,326,000	16,698,000	9%

6.3 Long service awards and retirement gifts

The independent valuers, Arch Actuarial Consulting, carry out a statutory valuation on an annual basis as at 30 June 2023.

The principal actuarial assumptions used were as follows:

In estimating the liability for long service leave benefits, a number of assumptions are required as per GRAP 25. These assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	11.38%	10.80%
General Salary Inflation (long term)	6.62%	8.47%
Net effective discount rate	4.47%	2.15%

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2023
R **2022 - Restated**
R

Examples of mortality rates used were as follows:

Average retirement age	62 years	62 years
Mortality during employment	SA85-90	SA85-90

Members withdrawn from service:

	Males	Females	Males	Females
Age 20 - 24	9%	9%	9%	9%
Age 25 - 29	8%	8%	8%	8%
Age 30 - 34	6%	6%	6%	6%
Age 35 - 39	5%	5%	5%	5%
Age 40 - 44	5%	5%	5%	5%
Age 45 - 49	4%	4%	4%	4%
Age 50 - 54	3%	3%	3%	3%
Age 55 - 59	0%	0%	0%	0%
Age 60+	0%	0%	0%	0%

Discount Rate:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Consequently, a discount rate of 11.38% per annum has been used. The corresponding index linked yield at this term is 4.98%. These rates do not reflect any adjustments for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30th June 2023.

The amounts recognised in the Statement of Financial Position were determined as follows:

Liability in the Statement of Financial Position	27 553 000	27 365 000
--	-------------------	-------------------

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	27 365 000	24 875 000
Current service cost	2 530 000	2 418 000
Interest cost	3 242 000	2 228 000
Actuarial (Gain)/losses	(1 549 000)	451 000
Benefit payments	(4 035 000)	(2 607 000)
Balance at end of year	27 553 000	27 365 000

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	2 530 000	2 418 000
Interest cost	3 242 000	2 228 000
Actuarial (Gain)/losses	(1 549 000)	451 000
Benefit payments	(4 035 000)	(2 607 000)
TOTAL	188 000	2 490 000

**KWADUKUZA MUNICIPALITY
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2023
R **2022 - Restated**
R

Summary:

Statement of Financial Position obligation for:		
Post-employment medical benefits	107 926 000	110 993 000
Current Portion	4 082 000	3 757 000
Non- Current Portion	103 844 000	107 236 000
Long Service Award	27 553 000	27 365 000
Current Portion	4 264 000	4 035 000
Non- Current Portion	23 289 000	23 330 000
	135 479 000	138 358 000
Statement of Financial Performance obligation for:		
Post-employment medical benefits	(3 067 000)	11 023 000
Long Service Award loss	188 000	2 490 000
	(2 879 000)	13 513 000

SENSITIVITY ANALYSIS

In order to illustrate the sensitivity of our results to changes in certain key variables, the liabilities were recalculated using the following assumptions: -

- (1) 1% increase/decrease in the assumed general earnings inflation rate.
- (2) 1% increase/decrease in the discount rate.
- (3) 2 year increase/decrease in the assumed average retirement age of eligible employees.
- (4) A two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

SENSITIVITY RESULTS

Table 1: Sensitivity Analysis on the Unfunded Accrued Liability

Tables 1 illustrates, for example, that if earnings inflation is 1% greater than long term assumption made, the liability will be 6% higher than the accrued liability.

Assumption	Change	Liability	% Change
Central assumptions		27,553,000	
General earnings inflation rate	+1%	29,161,000	6%
	-1%	26,090,000	-5%
Discount rate	+1%	25,991,000	-6%
	-1%	29,296,000	6%
Average retirement age	+2 yrs.	28,879,000	5%
	-2 yrs.	26,077,000	-5%
Withdrawal rates	x2	22,759,000	-17%
	x0.5	30,754,000	12%

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Table 2: Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2023

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% Change
Central assumptions		2,530,000	3,242,000	5,772,000	
General earnings	+1%	2,718,000	3,452,000	6,170,000	7%
inflation rate	-1%	2,362,000	3,051,000	5,413,000	-6%
Withdrawal rates	x1.2	2,396,000	3,106,000	5,502,000	-5%
	x0.8	2,677,000	3,390,000	6,067,000	5%

Impact of COVID - 19

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

7 LONG-TERM RECEIVABLES

Housing selling scheme loans	2 715 848	3 108 574
Less: Allowance for impairment and future housing discounts	(2 215 105)	(2 728 659)
Total	<u>500 742</u>	<u>379 915</u>
Transfer to Current Portion		
Less: Current portion transferred to current receivables	(45 712)	(31 479)
Total Receivables	<u>455 030</u>	<u>348 436</u>
Written - off during the year	<u>441 690</u>	<u>663 669</u>

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing' s programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

8 INVENTORIES

Housing Inventory	135,227	142,490
Consumable stores	2,479,221	1,191,177
Mechanical spares	33,893	10,627
Electrical maintenance spares	8,516,453	8,881,505
Total Inventories	<u>11 164 795</u>	<u>10 225 799</u>

Periodically, physical stock counts are carried out.

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	2023	2022 - Restated
	R	R
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	177 158 289	163 000 462
Estate	98 356	93 568
Refuse	24 790 674	22 451 197
VAT on Consumer debtors	32 591 148	30 387 821
Legal Fees	7 601 457	6 320 249
Encroachment and plot clearing	530 309	543 703
Sundry Adjustments	182 248	130 521
Interest	13 193 151	11 242 187
Add back credits included above	1 314 450	358 385
Less: Allowance for impairment	(73 487 589)	(65 912 575)
	<u>183 972 493</u>	<u>168 615 517</u>
Electricity		
Current (0 – 30 days)	146 558 220	111 108 691
31 - 60 Days	6 383 672	4 228 872
61 - 90 Days	2 713 710	2 260 449
91 - 120 Days	1 258 734	1 608 927
Greater than 120 days	20 243 953	43 793 522
Total	<u>177 158 289</u>	<u>163 000 462</u>
Estate		
Current (0 – 30 days)	1 869	1 692
31 - 60 Days	1 413	1 086
61 - 90 Days	1 179	1 086
91 - 120 Days	1 086	1 086
Greater than 120 days	92 809	88 619
Total	<u>98 356</u>	<u>93 568</u>
Refuse		
Current (0 – 30 days)	4 905 141	5 301 788
31 - 60 Days	1 515 664	1 103 721
61 - 90 Days	1 085 097	841 034
91 - 120 Days	1 029 559	787 485
Greater than 120 days	16 255 213	14 417 169
Total	<u>24 790 674</u>	<u>22 451 197</u>

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9. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

VAT on Consumer Debtors - Statutory Receivables

Current (0 – 30 days)	24 466 390	17 237 323
31 - 60 Days	1 214 794	864 189
61 - 90 Days	630 661	492 093
91 - 120 Days	356 682	365 417
Greater than 120 days	5 922 622	11 428 800
Total	32 591 148	30 387 821

Legal Fees

Current (0 – 30 days)	784 562	2 286 216
31 - 60 Days	160 895	98 426
61 - 90 Days	432 349	191 187
91 - 120 Days	1 961	103 344
Greater than 120 days	6 221 690	3 641 075
Total	7 601 457	6 320 249

Encroachment and plot clearing

Current (0 – 30 days)	43 616	36 185
31 - 60 Days	-	101 866
61 - 90 Days	-	23 816
91 - 120 Days	-	-
Greater than 120 days	486 694	381 836
Total	530 309	543 703

Sundry Adjustments

Current (0 – 30 days)	447 918	135 297
31 - 60 Days	(49 322)	9 329
61 - 90 Days	(117 831)	7 115
91 - 120 Days	(29 325)	(5 651)
Greater than 120 days	(69 193)	(15 569)
Total	182 248	130 521

Interest

Current (0 – 30 days)	617 443	469 617
31 - 60 Days	452 005	365 118
61 - 90 Days	378 323	333 265
91 - 120 Days	322 101	306 765
Greater than 120 days	11 423 280	9 767 422
Total	13 193 151	11 242 187

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	2023 R	2022 - Restated R
Net Credits included above		
Total	<u>1 314 450</u>	<u>358 385</u>
Statutory receivables included in receivables from Exchange transactions are as follows;		
Gross Debtors:		
VAT on Consumer Debtors	<u>32 591 148</u>	<u>30 387 821</u>
	<u>32 591 148</u>	<u>30 387 821</u>
Impairment:		
VAT on Consumer Debtors impairment	<u>(6 383 106)</u>	<u>(5 460 276)</u>
	<u>(6 383 106)</u>	<u>(5 460 276)</u>
Net Debtors:		
VAT on Consumer Debtors	<u>26 208 042</u>	<u>24 927 544</u>
Reconciliation of the Allowance for Impairment		
Balance at beginning of the year		
Receivables from exchange transactions	65 912 575	69 670 460
Long term receivables	2 728 659	3 084 565
Receivables from non-exchange transactions	223 415 851	212 556 294
Total balance at beginning of the year	<u>292 057 084</u>	<u>285 311 320</u>
(Release from) / Contribution to provision		
Receivables from exchange transactions	7 575 015	(3 757 885)
Long term receivables	(513 554)	(355 907)
Receivables from non-exchange transactions	6 105 933	10 859 556
Total (Release from) / Contribution to provision	<u>13 167 393</u>	<u>6 745 764</u>

**KWADUKUZA MUNICIPALITY
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	2023 R	2022 - Restated R
Balance at end of year		
Receivables from exchange transactions	73 487 589	65 912 575
Long term receivables	2 215 105	2 728 659
Receivables from non-exchange transactions	229 521 783	223 415 851
Total Balance at end of year	305 224 478	292 057 084
Bad debts written off		
Bad debts written off - Exchange Transactions	864 382	863 528
Bad debts written off - Non - Exchange Transactions	2 303 160	5 167 348
Total Bad debts written off	3 167 542	6 030 876
10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates - Statutory Receivables	204 447 864	171 510 911
Other debtors	186 017 918	171 952 797
Department of Housing - RDP projects	251 934	251 934
Operating leases	1 023 754	1 283 948
less: Allowance for impairment	(229 521 783)	(223 415 851)
	162 219 687	121 583 740
Rates		
Current (0 – 30 days)	32 865 406	35 031 513
31 - 60 Days	12 408 247	11 481 181
61 - 90 Days	9 981 435	8 089 585
91 - 120 Days	7 842 465	6 020 407
Greater than 120 days	141 350 311	110 888 225
Total	204 447 864	171 510 911
Other Debtors:		
Included in Other Debtors are:		
Traffic Fines Debtor - Statutory Receivables	132 166 256	121 426 432
Accrued Income	14 221 977	3 044 817
Ilembe water deposits	56 491	56 491
Sundry Debtors - R&G	36 196 361	35 479 032
Prepaid expenditure	2 599 502	10 332 903
Housing bridge financing and medical aid	162 656	146 104
Over payment of contractors	224 052	1 101 613
Department of Transport (DOT) - Motor vehicle licensing commission	390 623	365 404
	186 017 918	171 952 797
Statutory receivables included in receivables from non-exchange transactions are as follows;		
Gross Debtors:		
Traffic Fines	132 166 256	121 426 432
Property Rates	204 447 864	171 510 911
	336 614 120	292 937 343

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Impairment:

Traffic Fines impairment	(88 729 720)	(88 357 657)
Property Rates impairment	<u>(132 615 008)</u>	<u>(126 686 915)</u>
	<u><u>(221 344 728)</u></u>	<u><u>(215 044 573)</u></u>

Net Debtors:

Traffic Fines	43 436 536	33 068 775
Property Rates	<u>71 832 856</u>	<u>44 823 996</u>
	<u><u>115 269 392</u></u>	<u><u>77 892 770</u></u>

Traffic fines constitute both spot fines and summonses. They are issued in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. Revenue from traffic fines is initially measured on the value stipulated on the notice, summons or equivalent document. The revenue from traffic fines is subject to further judicial process which is outside the municipality's control. These reductions are not considered in measuring the revenue and receivable on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process. Once this separated process has been concluded, any reductions are accounted for as a change in estimated revenue and in accordance with IGRAP1.

Property rates is levied in terms of the Municipal Properties Rates Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates and charges against the valuation of the individual properties within the municipal jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable. Interest and admin charges are applied on outstanding debt as per council's approved tariff of charges.

The basis of impairment takes into account the following:

1. The estimate was determined in accordance with the Credit Control Policy of the municipality, and the impairment methodology.
2. In assessing whether statutory receivables are impaired, management considered both individual receivables that may be impaired as well as groups of similar receivables that may be impaired.
3. The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment (indigent, in liquidation, accounts not paid for 3 months or longer, handed-over and deemed not recoverable and handed over accounts that have not been paid in the last 3 months and longer - 100%)

11 VAT Receivable

VAT	<u>72 639 619</u>	<u>7 579 913</u>
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VAT is recognised / (accounted for) on a payments basis. Once payment is received from debtors VAT is paid over to SARS.

These amounts are receivable by the municipality as a result of transaction attracting value added tax (VAT) as legislated under the Value Added Tax Act 89 of 1991 from the South African Revenue Services.
VAT is deemed as Statutory Receivables

No impairments against the VAT receivables.

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12 Short term investments

The municipality has the following short term investments

ABSA Bank Account - Stanger Branch Account Number 2079270909	32,512,741	30,241,597
ABSA Bank Account - Stanger Branch Account Number 2080460797	25,829,730	24,000,000
Standard Bank Account - Durban Branch Account Number 058756442-095	-	9,185,000
Nedbank Bank Account - Treasury Branch Account Number 03/7881022337/000169/000171	15,897,390	15,000,000
Nedbank Bank Account - Treasury Branch Account Number 03/7881022337/170	10,000,000	-
	84 239 862	78 426 597

**KWADUKUZA MUNICIPALITY
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13 Cash and cash equivalents

Cash and cash equivalents consist of:

	Bank statement balances		Cash book balances	
	2023	2022	2023	2022
Bank Balances and short term deposits	1,790,899,695	864,085,490	1,805,281,205	872,437,220

The municipality had the following Investment and Bank accounts

Account number / description	Bank statement balances		Cash book balances	
	2023	2022	2023	2022
First National Bank Account - Stanger Branch Account Number 62288308672	708,710	674,084	708,710	674,084
First National Bank Account - Stanger Branch Account Number 62288306147	353,606	336,330	353,606	336,330
First National Bank Account - Stanger Branch Account Number 62363519251	18,784,858	17,846,815	18,784,858	17,846,815
ABSA Account - Durban Branch Account Number 93 1800 0892	74,687,597	70,190,916	74,687,597	70,190,916
ABSA Bank Account - Stanger Branch Account Number 9330098057	39,139,697	36,838,166	39,139,697	36,838,166
ABSA Bank Account - Stanger Branch Account Number 932 12992298	877,758	827,377	877,758	827,377
ABSA Bank Account - Stanger Branch Account Number 932 1890676	263,302	248,189	263,302	248,189
ABSA Bank Account - Stanger Branch Account Number 932 1890529	974,278	918,357	974,278	918,357
ABSA Bank Account - Stanger Branch Account Number 932 1063433	3,339,387	3,147,716	3,339,387	3,147,716
ABSA Bank Account - Stanger Branch Account Number 932 1889635	4,445,101	4,189,965	4,445,101	4,189,965
ABSA Bank Account - Stanger Branch Account Number 932 1890113	302,924	285,537	302,924	285,537
ABSA Bank Account - Stanger Branch Account 932 3556707	14,112,882	13,289,612	14,112,882	13,289,612
ABSA Bank Account - Stanger Branch Account Number 932 6885911	6,867,028	6,472,880	6,867,028	6,472,880
First National Bank Account - Stanger Branch Account Number 53730256310: Cheque Account	-	5,140,595	1,329,289	5,140,595

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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13 Cash and cash equivalents (Continued)

Account number / description	Bank statement balances		Cash book balances	
	2023	2022	2023	2022
Primary Bank Account ABSA Bank Stanger Branch Account Number 4087 627126	30,410,721	70,446,596	43,188,883	73,952,854
Fines Bank Account First National Bank Account - Stanger Branch Account Number 62079758268: Cheque Account	-	1,423,043	-	1,423,043
Grants Bank Account (2) ABSA- Stanger Branch Account Number 408 8893526: Cheque Account	65,781,284	62,596,581	65,781,284	62,596,581
ABSA Bank - Stanger Branch Account Number 408 8890536	2,879,445	42,240	2,879,445	4,450,344
ABSA Bank - Stanger Branch Account Number 408 8890196	4,148,020	5,184,876	4,148,020	5,184,876
ABSA Bank - Stanger Branch Account Number 408 889105	12,647,823	14,312,255	12,647,823	14,312,255
ABSA Bank - Stanger Branch Account Number 408 8891427	38,875	38,778	38,875	38,778
ABSA Bank - Stanger Branch Account Number 408 8892732	54,382	53,534	54,382	53,534
ABSA Bank - Stanger Branch Account Number 408 8893047	149,651	64,725	149,651	64,725
ABSA Bank - Stanger Branch Account Number 408 8893306	30,744	31,036	30,744	31,036
ABSA Bank - Stanger Branch Account Number 93 5527 2791	9,171,945	8,850,423	9,171,945	8,850,423
ABSA Bank - Stanger Branch Account Number 9357410284	16,154,881	15,724,920	16,154,881	15,724,920
ABSA Bank Account - Stanger Branch Account Number 93 3046 2759	2,813,692	2,652,194	2,813,692	2,652,194
ABSA Bank Account - Stanger Branch Account Number 93 3924 6273	15,372,692	14,475,931	15,372,692	14,475,931
ABSA Bank Account - Stanger Branch Account Number 93 3252 2727	6,621,068	6,241,037	6,621,068	6,241,037
AUDITED STATEMENT OF CHANGES IN NET ASSETS Account Number 40 9577 4472	111,835,203	295,465,596	111,835,203	295,465,596
Standard Bank Account - Durban Branch Account Number 058756442-092	46,731,729	43,623,256	46,731,729	43,623,256
Standard Bank Account - Durban Branch Account Number 058756442-094	54,789,046	51,144,622	54,789,046	51,144,622
Nedbank Account - Stanger Branch Account Number 03/7881022337/166	69,392,406	65,211,668	69,392,406	65,211,668
Investec Bank Account - Durban Branch Account Number 1100-482666-620	46,595,151	43,297,209	46,595,151	43,297,209
ABSA Bank Account - Stanger Branch Account Number 4100653842	2,973,959	2,795,920	2,973,959	2,795,920
Nedbank Bank Account - Treasury Branch Account Number 03/7881022337/163	2,670	2,509	2,670	2,509
Petty Cash & Cash on hand	-	-	274,059	437,369
ABSA Bank Account - Stanger Branch Account Number 93 7782 6059 (Disaster R&R Grant)	1,059,700,030	-	1,059,700,030	-
ABSA Bank Account - Stanger Branch Account Number 93 734 01425 (Disaster R Grant)	67,747,149	-	67,747,149	-
	1,790,899,695	864,085,490	1,805,281,205	872,437,220

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14 Revaluation reserve

Opening balance	18,313,137	18,313,137
Movement for the year	-	-
Closing balance	18,313,137	18,313,137

15 HOUSING OPERATING ACCOUNT

The Housing Operating Account is represented by the following assets and liabilities:

Fixed Assets	3 030 015	1 125 885
Housing Inventory	135 227	142 490
Debtors	474 581	458 006
Debtors: Department of Human Settlements	251 934	251 934
Accumulations	5 020 371	6 885 830
Prepaid debtors	(183 972)	(135 989)
	8 728 156	8 728 156

16 LEASES

Minimum Finance lease payments due:

Within one year	-	53,466
Later than 1 year and no later than 5 years	-	-
	-	53,466
less: Future finance charges	-	(481)
Present value of minimum lease payments	-	52,985

Present value of minimum Finance lease payments due:

Within one year	-	52,985
Later than 1 year and no later than 5 years	-	-
	-	52,985

The municipality had entered into lease agreement with Motswako Office Solutions for the use of photocopy machines, effective 01 January 2019. The lease ran for a period of 3 years.

The municipality had entered into lease agreement with Vodacom for the use of tablets effective 01 September 2020. The lease ran for a period of 2 years.

OPERATING LEASES - RECEIVABLES (Municipality as a Lessor)

The future minimum lease payments receivable under operating leases for the actual receivables are as follows:

No later than 1 year	823 309	784 104
Later than 1 year and no later than 5 years	1 772 173	2 595 482
Later than 5 years	-	-
	2 595 482	3 379 586

Salient leases

The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Rental income escalates at 5% per annum.

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OPERATING LEASES - PAYABLES (Municipality as a Lessee)

The future minimum lease payments payable under operating leases for the actual payables are as follows:

No later than 1 year	-	424 153
Later than 1 year and no later than 5 years	-	-
Later than 5 years	-	-
	-	-
	-	424 153

The municipality has entered into lease agreement with Shann Investments (Pty) Ltd for the occupation of premises. The lease runs for a period of 3 years, which terminated on the 31 August 2018, with an option to extend for a further 2 years. Rental expense escalates at 8% per annum. The lease is currently month to month.

17 Unspent conditional grants, receipts and Public contributions

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts:

Municipal Infrastructure Grant	148,777	-
Department of Minerals and Energy DME (INEP)	1,145,832	-
New library	508,000	-
Housing Accreditation	2,475,484	6,550,354
Ballito Junction Road	9,873,612	9,873,612
IFA Hullelts Sports Facility	97,810	97,810
IFA Hullelts Beach Node Development	20,725	20,725
KZN EDTEA	1,000,000	-
Title Deeds Restoration Grant	2,688,225	2,688,225
Natural Resource Management Project Grant (EDTEA)	192,437	1,700,000
Housing Grant (DOHS)	48,249,726	44,566,570
Municipal Disaster Response Grant	26,823,089	-
Municipal Disaster Recovery Grant (R&R)	899,719,693	-
CETA Candidacy grant	985,932	-
	993,929,340	65,497,296

Further details of amounts recognised in Revenue - refer to Note 26

18 Provisions

Reconciliation of Current provision

Reimbursement of Developers Contribution

Opening balance	-	-
Transfer to current provisions	-	-
Utilised during the year	-	-
Total	-	-

Rehabilitation of Landfill Site

Opening balance	2,760,651	1,941,467
Additions /(Decrease) to provisions	108,922	819,184
Total	2,869,573	2,760,651

Total Current Provision: **2,869,573** **2,760,651**

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	2023 R	2022 - Restated R
Reconciliation of Non - Current provision		
1. Rehabilitation of Landfill Site		
Opening balance	11,344,069	11,718,044
Additions / (Decrease) to provisions	(75,708)	(373,975)
Total	<u>11,268,362</u>	<u>11,344,069</u>
2. Developers Contribution		
Opening balance	5,775,147	5,720,051
Additions / (Decrease) to provisions	(270,716)	55,096
Utilised during the year	-	-
Total	<u>5,504,431</u>	<u>5,775,147</u>
3. Deferred Interest		
Opening balance	2,809,107	2,864,203
Additions / (Decrease) to provisions	270,716	(55,096)
Utilised during the year	-	-
Total	<u>3,079,823</u>	<u>2,809,107</u>
Total Non - Current Provision:	<u><u>19,852,616</u></u>	<u><u>19,928,324</u></u>
Total Current Provision:	2,869,573	2,760,651
Total Non - Current Provision	19,852,616	19,928,324
Total Provisions:	<u><u>22,722,189</u></u>	<u><u>22,688,975</u></u>
Net adjustments to Provisions	33,214	445,209

The provision created for the rehabilitation of the landfill site is based on a professional study conducted by Ecological and Environmental Services of the rehabilitation costs of the Shakaville dumpsite.

The provision reflects a total of R14 137 934 as the present value.

The provision created for the Developers Contribution is based on potential reimbursement of bulk infrastructure development undertaken by the respective developers. These are in terms of agreements signed between the municipality and the relevant developers and reimbursements will only occur when various conditions have been met.

19 Long term Liabilities

Loans - Bank Loans

Bear interest at 9.73% to 10.83% and is redeemed in bi-annual instalments, including interest, over varying periods until 2032.

Please refer to Appendix A for further details.

Loans	176,095,772	188,689,134
Current portion transferred to Current Liabilities	(13,688,366)	(12,593,362)
Total Long Term Liabilities	<u><u>162,407,406</u></u>	<u><u>176,095,771</u></u>

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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2023
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2022 - Restated
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20 TRADE & OTHER PAYABLES

Trade payables	352 849 611	203 020 931
Payments received in advance	36 931 890	33 108 597
Other creditors	21 274 225	15 843 778
Housing Agency Creditor - Department of Human Settlements	819 425	-
Expenditure captured on Cash Book but not released	4,762,803	1 012 421
Deposits - other	3 704 696	3 656 437
Staff leave	28 792 044	23 952 490
Staff bonus	12 185 648	11 783 632
Retentions	36 583 502	28 966 359
	497 903 844	321 344 645

Payments in advance includes prepaid electricity accruals

21 Consumer Deposits

Consumer Deposits in respect of: Electricity	43 728 074	39 877 832
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22 Service charges

Sale of electricity	1,047,114,304	1,026,249,335
Refuse removal	91,191,356	77,673,637
	1,138,305,661	1,103,922,972

23 Other Income

Contributions demand based	20,204,845	19,972,232
Building plan fees	9,373,236	10,265,589
Sundries	791,783	8,969,314
Admin charges	1,941,187	1,846,008
Miscellaneous income	7,410,393	6,301,383
Special Rating Areas Income	13,205,814	11,892,770
Advertising	4,069,722	3,140,213
Road Master Plans	1,045,452	1,436,483
Burial Fees	868,318	1,064,799
	58 910 750	64 888 791

24 Investment revenue

Interest revenue Interest Earned on Investments & Bank Accounts	92 233 107	32 050 374
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**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 - Restated R
25 PROPERTY RATES		
Residential	337 780 830	303 618 100
Business and Commercial	131 103 955	123 000 923
Industrial	32 361 331	29 861 535
Mining	192 708	183 528
Education and State	11 324 787	10 758 755
Agriculture	1 534 309	3 245 378
Vacant	92 439 976	71 972 277
Public Service Infrastructure	17 387	14 747
Illegal Use/Unauthorised Use	6 562 101	2 423 000
Total Actual Assessment Rates	<u>613 317 383</u>	<u>545 078 244</u>
Property rates - penalties imposed	18 739 192	13 470 630
Assessment rates including Penalties	<u>632 056 575</u>	<u>558 548 874</u>
Property Valuations		
Residential	61 625 157 586	59 180 897 586
Commercial	8 818 763 000	8 498 323 000
Education and State	564 379 000	562 770 000
Municipal	1 461 117 000	1 423 421 000
Agriculture	4 280 007 000	4 355 902 000
Vacant	4 973 752 600	4 030 112 100
Land reform	1 252 242 000	1 290 282 000
Monuments	2 620 000	2 620 000
Public Service Infrastructure	1 607 352 000	1 605 352 000
Worship / Public Benefit Organisations	236 190 000	221 490 000
Illegal Use/Unauthorised Use	243 260 000	48 460 000
Total Property Valuations	<u>85 064 840 186</u>	<u>81 219 629 686</u>

The last general valuation came into effect on 01 July 2021

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 (MPRA) with effect from 01 July 2007

Adjustments to the valuation roll in terms of Section 78 of the MPRA (as amended) are effected on an on-going basis. The adjustments take into account consolidations and subdivisions as well as property category changes.

Assessment rates: Cents in the rand on market valuation as follows:

Residential, informal settlements, land reform, monuments	0.865	0.824
Residential for commercial purposes	0.948	0.903
Agricultural	0.217	0.207
Industrial, business and commercial, vacant, public infrastructure, Municipal owned and worship	2.676	2.549
Properties used by an organ of state and used for public service purposes	2.676	2.549
Guest houses	2.422	2.307
Public service infrastructure	0.217	0.207
Illegal Use/Unauthorised Use	0.050	0.050

The first R100 000 of the valuation of residential properties are exempt from the calculation of rates

The first 30% of the valuation of public service infrastructure properties are exempt from the calculation of rates

**KWADUKUZA MUNICIPALITY
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	2023 R	2022 - Restated R
Rebates:		
Land reform, worship, state land, PBO's, monuments, informal settlements and municipal owned property	100%	100%
Additional rebates applicable:		
Excluded services	15%	15%
All Pensioners		
Pensioners under 65 years	25%	25%
Pensioners between 65 & 75 years	30%	30%
Pensioners older than 75 years	35%	35%
Industrial incentives including:		
In the first and second year, thereafter phased out by 10% per annum	100%	100%
Residential Developers incentives		
In first & second year thereafter phased out by 10% per annum	100%	100%
Bonafide Agricultural properties	50%	50%

Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2022/2023 financial year:

On an annual basis, by application, and the final date of payment being: 30 September 2022 30 September 2021
On a monthly basis, and the final dates of payment being the last working day of the month from August 2022 to June 2023.

Interest is levied on outstanding rates per annum at : 10% per annum 10% per annum

Plus administration charges two months after the final date of payment in respect of annual rate payers and 01 July in respect of monthly rate payers. 10% 10%

26 GOVERNMENT GRANTS AND SUBSIDIES

Operating grants

Equitable Share	228 012 000	198 138 243
Municipal Infrastructure Grant	68 722 222	61 549 000
Financial Management Grant	1 750 000	1 750 000
Department of Minerals and Energy	14 272 168	3 080 000
New Library Grant	762 000	742 678
Library Subsidy	5 890 000	5 610 000
Museum	235 000	8 644 725
Energy Efficiency & Demand Side Management Grant	-	3 999 999
Expanded Public Works Programme	1 868 000	1 732 000
Housing Accreditation	5 533 779	5 642 364
Title Deeds Restoration Grant	-	32 775
Dept. Trade & Industry Grant (DTI)	-	6 986 917
Natural Resource Management Project Grant (EDTEA)	1 507 563	-
Municipal Disaster Response Grant	82 219 911	-
Municipal Disaster Recovery Grant (R&R)	371 378 307	-
CETA Candidacy grants	14 068	-
	782 165 019	297 908 700

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

2023
R **2022 - Restated**
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Equitable Share

Balance unspent at the beginning of year	-	-
Current year receipts	228 012 000	198 138 243
Conditions met – transferred to revenue	<u>(228 012 000)</u>	<u>(198 138 243)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

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

Municipal Infrastructure Grant

Balance unspent at beginning of year		4 940 243
Current year receipts	68 871 000	61 549 000
Conditions met - transferred to revenue	(68 722 245)	(61 549 000)
Paid back to the National Revenue Fund	-	(4 940 243)
Conditions still to be met - remain liabilities (see note 17)	<u>148 755</u>	<u>-</u>

This grant was used for municipal infrastructure.

Financial Management Grant

Current year receipts	1 750 000	1 750 000
Conditions met - transferred to revenue	<u>(1 750 000)</u>	<u>(1 750 000)</u>
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>-</u>

This grant is used to assist the municipality to implement financial reforms required by the MFMA.

Department of Minerals and Energy Grant

Balance unspent at beginning of year	-	-
Current year receipts	15 418 000	3 080 000
Conditions met - transferred to revenue	<u>(14 272 168)</u>	<u>(3 080 000)</u>
Conditions still to be met - remain liabilities (see note 17)	<u>1 145 832</u>	<u>-</u>

This grant is used for electrification projects as part of upgrading of informal settlement areas.

Community Library services grant

Balance unspent at beginning of year	-	16 678
Current year receipts	1 270 000	726 000
Conditions met - transferred to revenue	<u>(762 000)</u>	<u>(742 678)</u>
Conditions still to be met - remain liabilities (see note 17)	<u>508,000</u>	<u>-</u>

This Grant is used for the payment of the cyber cadets at the Shakaskraal, Stanger Manor and KwaDukuza libraries.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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2023
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Museum

Balance unspent at beginning of year	-	6 419 725
Current year receipts	235 000	2 225 000
Conditions met - transferred to revenue	(235 000)	(8 644 725)
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>-</u>

This grant is for the Museum expenditure incurred.

Energy Efficiency & Demand Side Management

Balance unspent at beginning of year	-	-
Current year receipts	-	4 000 000
Conditions met - transferred to revenue	-	(3 999 999)
Paid back to the National Revenue Fund	-	-
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>1</u>

This grant is for community upliftment

Expanded Public Works Program

Balance unspent at beginning of year	-	-
Current year receipts	1 868 000	1 732 000
Conditions met - transferred to revenue	(1 868 000)	(1 732 000)
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>-</u>

EPWP grant funding is used to expand job creation efforts in specific focus areas where labour intensive delivery methods can be measured.

26 Government grants and subsidies

Library Subsidy

Balance unspent at beginning of year	-	-
Current year receipts	5 890 000	5 610 000
Conditions met - transferred to revenue	(5 890 000)	(5 610 000)
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>-</u>

This grant is used to fund operational expenditure within the various libraries in KwaDukuza.

Housing Accreditation Grant

Balance unspent at beginning of year	6 550 354	10 161 422
Current year receipts	1 458 909	2 031 297
Conditions met - transferred to revenue	(5 533 779)	(5 642 364)
Conditions still to be met - remain liabilities (see note 17)	<u>2 475 484</u>	<u>6 550 354</u>

This grant is for community upliftment

Neighbourhood Development Partnership Grant (SCADA)

Balance unspent at beginning of year	-	4 724 568
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Paid back to the National Revenue Fund	-	(4 724 568)
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>-</u>

This grant is for Electricity Network Management.

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Neighbourhood Development Partnership Grant (Ease of Business)

Balance unspent at beginning of year	-	3 567 500
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Paid back to the National Revenue Fund	-	(3 567 500)
Conditions still to be met - remain liabilities (see note 17)	-	-
	<u> </u>	<u> </u>

This grant is for Economic Development and Planning.

Title Deeds Restoration Grant

Balance unspent at beginning of year	2 688 225	2 721 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(32 775)
Conditions still to be met - remain liabilities (see note 17)	-	-
	<u>2 688 225</u>	<u>2 688 225</u>

This grant is to be used to fund expenses in respect of property transfers.

Natural Resource Management Project Grant (EDTEA)

Balance unspent at beginning of year	1 700 000	-
Current year receipts	-	1 700 000
Conditions met - transferred to revenue	(1 507 563)	-
Conditions still to be met - remain liabilities (see note 17)	-	-
	<u>192 437</u>	<u>1 700 000</u>

This grant is in respect of the Mavivane Transformative Riverine Management Project (TRMP) dealing with the rehabilitation of river catchments and addressing the issues of climate change.

Dept. Trade & Industry Grant (DTI)

Balance unspent at beginning of year	-	-
Current year receipts	-	6 986 917
Conditions met - transferred to revenue	-	(6 986 917)
Conditions still to be met - remain liabilities (see note 17)	-	-
	<u> </u>	<u> </u>

This grant is to be used for the funding of electrical bulk infrastructure at the KwaDukuza Mall.

Municipal Disaster Response Grant

Balance unspent at beginning of year	-	-
Current year receipts	109 043 000	-
Conditions met - transferred to revenue	(82 219 911)	-
Conditions still to be met - remain liabilities (see note 17)	-	-
	<u>26 823 089</u>	<u> </u>

Municipal Disaster Recovery Grant (R&R)

Balance unspent at beginning of year	-	-
Current year receipts	1 271 098 000	-
Conditions met - transferred to revenue	(371 378 307)	-
Conditions still to be met - remain liabilities (see note 17)	-	-
	<u>899 719 693</u>	<u> </u>

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2023 R	2022 - Restated R
CETA Candidacy grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to revenue	(14 068)	-
Conditions still to be met - remain liabilities (see note 17)	<u>985 932</u>	<u>-</u>
27 Public Contributions		
IFA Huletts Beach Node Development	-	309 760
	<u>-</u>	<u>309 760</u>
Balance unspent at beginning of year	9 992 147	10 301 907
Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	-	(309,760)
Balance unspent at end of year (Note 16)	<u>10 992 147</u>	<u>9 992 147</u>
Conditions still to be met - remain liabilities (see note 17)		
28 Employee related costs		
Basic	281,973,055	257,719,929
Bonus	21,814,499	20,751,104
Medical aid - company contributions	27,722,117	26,413,812
UIF	2,199,285	2,069,355
Industrial council levies	136,069	126,423
Leave pay provision charge	9,474,814	8,509,405
Leave & bonus provision expense	5,241,571	1,305,585
Travelling allowances	17,726,345	16,098,553
Overtime payments	66,657,454	65,269,750
Housing benefits and allowances	1,148,983	1,092,105
Group Life Assurance	2,860,673	1,845,091
Pension Contributions	50,580,293	46,781,101
Standby, Uniform, Telephone and Tool allowances	15,986,498	14,222,392
	<u>503,521,657</u>	<u>462,204,606</u>
Remuneration of the Municipal Manager		
Salary and Allowances	1,525,037	1,458,154
Travel Allowance	96,000	96,000
Cell Allowance	17,160	17,160
Performance Bonus	68,962	152,872
Pension	146,708	142,170
Other contributions	2,125	19,397
Leave Pay Out	-	82,578
	<u>1 855 992</u>	<u>1 968 330</u>
Remuneration of the Chief Financial Officer		
Salary and Allowances	1 028 749	1 061 905
Travel Allowance	569 864	475 104
Cell Allowance	14 520	14 520
Performance Bonus	122 205	206 399
Pension	212 673	180 729
Pension Surcharge	-	38 185
Other contributions	2 125	17 186
	<u>1 950 136</u>	<u>1 994 028</u>

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 - Restated R
Executive Director: Economic Development & Planning		
Salary and Allowances	1 197 213	1 141 563
Travel Allowance	96 000	96 000
Cell Allowance	14 520	14 520
Performance Bonus	101 421	171 295
Pension	236 544	187 647
Pension Surcharge	-	39 646
Other contributions	915	15 490
	<u>1 646 613</u>	<u>1 666 161</u>
Executive Director: Corporate Services		
Salary and Allowances	1 243 468	-
Travel Allowance	-	-
Cell Allowance	11 765	-
Leave Pay	-	-
Performance Bonus	-	57 098
Other contributions	1 948	-
	<u>1 257 181</u>	<u>57 098</u>
The Executive Director: Corporate Services was vacant for the period 31 October 2020 to 31 August 2022.		
Executive Director: Community Safety		
Salary and Allowances	1 368 497	1 305 210
Travel Allowance	120 000	120 000
Cell Allowance	14 520	14 520
Performance Bonus	72 444	128 471
Other contributions	2 125	17 692
	<u>1 577 586</u>	<u>1 585 894</u>
Executive Director: Community Services & Public Amenities		
Salary and Allowances	1 022 539	1 055 263
Travel Allowance	180 000	180 000
Cell Allowance	14 520	14 520
Performance Bonus	101 421	171 295
Pension	196 499	189 947
Other contributions	3 335	15 125
	<u>1 518 314</u>	<u>1 626 150</u>
Chief Operations Officer		
Salary and Allowances	1 158 446	1 077 533
Travel Allowance	164 400	185 400
Cell Allowance	14 520	14 520
Performance Bonus	72 444	157 020
Acting allowance	-	8 595
Pension	210 338	162 277
Pension Surcharge	-	34 286
Other contributions	2 125	15 616
	<u>1 622 272</u>	<u>1 655 248</u>
Executive Director: Civil Engineering & Human Settlements		
Salary and Allowances	1 039 350	1 126 449
Travel Allowance	80 000	96 000
Cell Allowance	12 100	14 520
Performance Bonus	43 466	128 471
Pension	174 971	202 761
Other contributions	1 948	14 671
	<u>1 351 836</u>	<u>1 582 872</u>
The Executive Director: Civil Engineering & Human Settlements resigned on the 30 April 2023.		

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	2023 R	2022 - Restated R
Executive Director: Electrical Engineering Services		
Salary and Allowances	1 178 885	1 055 263
Travel Allowance	180 000	180 000
Cell Allowance	14 520	14 520
Performance Bonus	72 444	99 922
Pension	196 499	189 947
Other contributions	2 125	14 411
	<u>1 644 472</u>	<u>1 554 063</u>
<p>Performance Bonuses for Municipal Manager, Chief Financial Officer and Executive Directors for the 2019/2020 and 2020/2021 financial years were approved and paid in the 2021/2022 financial year.</p>		
29 REMUNERATION OF COUNCILLORS		
Mayor	1 155 510	897 392
Deputy Mayor	788 732	781 584
Speaker	964 138	735 224
Executive Committee (EXCO)	7 434 247	4 956 636
Councillors	19 600 460	13 022 329
Councillors' pension contribution	2 835 748	1 802 383
Traditional leaders	32 800	14 800
	<u>32,811,634</u>	<u>22,210,348</u>
30 Depreciation and amortisation		
Property, Plant & Equipment	93 317 273	86 428 113
Intangible assets	153 842	531 807
	<u>93 471 116</u>	<u>86 959 920</u>
31 Impairment Loss		
Impairments / (Impairment Reversals)		
Property, Plant & Equipment	3,880,773	7,393,852
Inventory	1,028,646	1,508,272
	<u>4,909,419</u>	<u>8,902,124</u>
32 Finance costs		
Finance costs on borrowings	<u>18 001 678</u>	<u>18 936 993</u>
33 Debt impairment and write offs		
Contributions to debt impairment provision	13 167 393	6 745 764
Bad debts written off	3 609 233	6 694 545
	<u>16 776 626</u>	<u>13 440 310</u>
34 Bulk purchases		
Electricity	<u>1 020 713 805</u>	<u>943 600 182</u>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom and Nersa approved a 8.61% tariff hike in favour of Eskom for the 2022/2023 financial year.

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35 GENERAL EXPENSES

Included in general expenses is the following: -

Replacement of faulty meters	3 221 236	1 310 194
Call out to consumer complaints	691 633	807 153
Legal costs	7 064 570	5 674 518
Marketing	1 628 068	849 384
Audit fee - external audit	5 048 522	4 811 829
Bank charges	4 170 389	3 334 368
Insurance general	6 573 070	5 014 037
Refuse bags/contract	2 256 574	1 403 826
Ward Committee	3 945 290	2 538 188
Ballito Pro expenditure	11 781 529	3 615 101
Advertising	3 886 568	3 421 308
Printing, Stationery & postage	4 850 787	2 810 364
SALGA Subscriptions	5 814 238	5 193 624
Water & Sanitation	11 141 763	14 648 268
Sundry Oils & Fuels	15 803 315	12 243 861
Street lighting consumption - Eskom supplied areas	646 626	1 119 388
Staff & councillor training costs and bursaries	2 336 735	1 992 064
Travelling & subsistence	3 998 290	2 692 457
Telephone calls / rentals	5 225 595	3 102 776
Protective clothing	4 953 903	4 295 070
Non standard service connection	544 767	630 684
Software support & licences and agreements	7 599 965	6 578 117
Miscellaneous Expenses	24 039 507	20 946 517
Special Rating Area Expenditure	12 242 978	12 462 564
Rent of Property / Offices / House	2 783 905	2 578 091
EPWP	3 900 004	3 745 234
Public Affairs	180 000	74 990
Sukuma Sakhe	1 359 602	849 965
SALGA Games	1 369 844	229 262
Workman's Compensation	3 040 237	2 765 861
Skills Development Levy	4 110 593	3 797 695

TOTAL GENERAL EXPENSES

166 210 102

135 536 758

36 Fair value adjustment

Investment property (Fair value model)

7 746 000

21 045 000

37 Commitments

Authorised capital expenditure

Approved and Contracted for:

Infrastructure

420 922 921

230 609 539

Community

65 431 555

20 843 241

486 354 476

251 452 780

Total capital commitments

Approved and Contracted for:

486 354 476

251 452 780

Capital Commitments are exclusive of VAT

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38 Contingent liabilities

Details of Contingent Liabilities

Reimbursement of capital costs of bulk supply to developers: (Vat Exc)

The reimbursement is dependent on the developers meeting future targets as set out in the service level agreements. The timing and outcome of the reimbursements cannot presently be determined and therefore no provision for any liability that may result has been made in the financial statements.

107,371,310 107,371,310

C M Nmwayo - Municipality is being sued for damages - plaintiff shot in leg by municipal employee using a municipal firearm. (Unlawful arrest)

- 18,794,000

SMADA Construction - municipality is being sued for contractual damages due to cancellation of contract.

18,841,161 18,841,161

R I Marais - Claim against the municipality for certain maintenance and repair work done on a public road on behalf of the municipality and not being compensated for this.

- 3,750,000

B S P Pillay - the Plaintiff is suing a municipal employee in her personal capacity for the damages, who was acting under her scope of employment.

100,000 100,000

Rejoice T Ndlovu - claim against the municipality for damages suffered in the removal of a fence

200,000 200,000

Lorris L Sunker - claim against the municipality from damages to vehicle by pot holes

16,330 16,330

Nomagugu Fakude - claim against the municipality - motor vehicle collision

- 132,858

Wandile Nicolson Ndaba - claim against the municipality for breach of agreement - duplication of sale of property ERF 56 Shakaville.

50,000 50,000

Basil Willian Reekie - claim against the municipality for overcharged rates

- 101,983

Catide Investments (Pty) Ltd- claim against the municipality in respect of services rendered in the Sakhamkhaya Housing Project.

900,000 900,000

T P Ngcobo & Associates - this matter is linked to the Sakhamkhaya Housing project.

1,006,817 1,006,817

Performance bonuses for Section 57 managers

402,064 1,323,747

The performance bonus provision relating to Section 57 managers reporting to the Municipal Manager and Municipal Manager is payable after the approval of annual performance assessment report for the period 2022/23 financial year. The bonus is based on the assessment outcome.

Contingent Liability for Salaries, Allowances and Benefits of Different Members of Municipal Councils

Contingent liability payable to municipal councils upon publishing of Gazette by the Minister for Cooperative Governance and Traditional Affairs – determination of upper limits of the salaries, allowances and benefits of the different members of municipal councils on an annual basis.

1,120,433 3,809,320

130 008 115

156 397 526

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39 Related parties and close family members

Related Parties

Staff member: P Murugan

General Expenses for the year: 257,546 154,607

Nature of Transaction: The brother of the employee provide pest control services to the municipality.

Councillor: G Govender

General Expenses for the year: 46,920 78,637

Nature of Transaction: The son of the Councillor owns a company that provides panel beating and spray painting services.

Councillor: C M Naicker

General Expenses for the year: 1,926,321 1 510 886

Nature of Transaction: The son of the Councillor provided uniform and protective clothing services to the municipality.

Staff member: R Bidesi

General Expenses for the year: - 48,373

Nature of Transaction: The relative of the employee provides electrical services to the municipality.

Staff member: M Naidoo

General Expenses for the year: 5,635 80,247

Nature of Transaction: The relative of the employee provides airconditioning services to the municipality.

Staff member: N Nxumalo

General Expenses for the year: 2,437,644 406,851

Nature of Transaction: The partner of the employee provides fixtures and fittings to the municipality.

Staff member: J Sewdular

General Expenses for the year: 7,289,113 2,618,150

Nature of Transaction: The spouse of the employee provides consultancy services in respect of various capital projects.

Staff member: L Mwandla

General Expenses for the year: 205,150 -

Nature of Transaction: The partner of the employee provides construction services to the municipality.

Payments of remuneration to Senior Managers and Councillors - details of payments are set out in Notes 28 & 29

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Awards to close family members of persons in the Service of the State:

2023

Particulars of Award	Conlog
Expenditure	Nil
Individual's name / Service Provider	Mr Moodley & Mr Gaxeni
Relation in Service of the State	Spouse
State Employer	KZN Dept. of Health / Eskom
Particulars of Award	Rocky Park
Expenditure	Hardware
Individual's name / Service Provider	R699 115
Relation in Service of the State	L Naidoo
State Employer	Spouse Dept. Of Education
Particulars of Award	Singh's Hardware
Expenditure	R358 113
Individual's name / Service Provider	Mrs Divesh
Relation in Service of the State	Spouse
State Employer	Dept. Of Education
Particulars of Award	Munsoft
Expenditure	R2 750 771
Individual's name / Service Provider	M Rerani
Relation in Service of the State	Daughter
State Employer	Office of Chief Justice
Particulars of Award	PSA Africa
Expenditure	R39 630
Individual's name / Service Provider	T Frost
Relation in Service of the State	Spouse
State Employer	Dept. Of Justice
Particulars of Award	Allied Hardware
Expenditure	R239 811
Individual's name / Service Provider	Dr A Kazi
Relation in Service of the State	Son
State Employer	Intern Doctor - Stanger Hospital
Particulars of Award	Amanganga Power
Expenditure	R67 219
Individual's name / Service Provider	N Dlamini
Relation in Service of the State	Mother
State Employer	Educator - Lee Primary
Particulars of Award	Spilltech
Expenditure	R4 025
Individual's name / Service Provider	S Ngema
Relation in Service of the State	Wife
State Employer	Operations Manager - SARS

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40 Change in estimate

Property, Plant and equipment

The Municipality reviewed the remaining useful lives of items of property, plant and equipment and intangible assets. Adjustments to these useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. As a result of this adjustment, the current year total depreciation decreased by a net **R7 485 219** and will continue to affect annual depreciation for the remainder of these assets' useful lives. The detail breakdown of the depreciation adjustment is as follows:

	2023
Community Assets	(1,179,056)
Electricity Infrastructure	(199,888)
Roads and Storm water	(659,816)
Furniture and Fittings	(2,693,960)
Vehicles	(1,987,622)
Intangible Assets	(308,105)
Leased Assets	(453,354)
Solid Waste	(3,418)
	(7,485,219)
	(7,485,219)

41 Prior period errors

The comparatives for 2021/2022 have been restated in respect of the following errors:

41.1 Restatement of Exchange Receivables (Note 10)

Non - exchange receivables as previously reported	122,600,257
Adjusting for prior year electricity back billing 2021/2022	16,504,318
Adjusting for prior year electricity back billing prior 2021/2022	29,510,943
Restated balance as at 30 June 2022	168,615,518
	168,615,518

41.2 Restatement of VAT Receivables (Note 11)

VAT Receivables as previously reported	12,142,442
Adjusting for VAT on prior year electricity back billing 2021/2022	(2,152,737)
Adjusting for VAT on prior year electricity back billing prior 2021/2022	(3,849,253)
Adjusting for VAT on prior year General Expenses (Travel expenses)	(7,364)
Adjusting for VAT on prior year General Expenses (Water and Sanitation) 2021/2022	1,446,826
	7,579,913
	7,579,913

41.3 Restatement of Trade & Other Payables (Note 20)

Trade & Other Payables as previously reported	310,255,758
Adjusting to General Expenses - return of various sundry items to stores	(3,442)
Adjusting to General Expenses (Water and Sanitation) 2021/2022	11,092,329
Restated balance as at 30 June 2022	321,344,645
	321,344,645

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41.4 Restatement of Property, Plant & Equipment (Note 3)

Property, Plant & Equipment as previously reported:	2,389,055,561
Adjusting for derecognition of Land prior 2021/2022	(34,728,556)
Prior year completed projects now being capitalised in 2021/2022 - Cost	47,932,315
Prior year completed projects now being capitalised in 2021/2022 - WIP	(47,932,315)
Prior year completed projects now being capitalised in 2021/2022 - Accumulated Depreciation 2021/2022	(834,187)
Adjusting for derecognition of Community Assets (Recreational Ground) prior 2021/2022	(1,130,725)
Adjusting for derecognition of Community Assets (Recreational Ground) prior 2021/2022 - Accumulated Depreciation 2021/2022	57,729
Adjusting for derecognition of Community Assets (Recreational Ground) prior 2021/2022 - Accumulated Depreciation prior 2021/2022	574,590
Adjusting for Land cemetery feasibility study prior 2021/2022	(1,596,259)
Restated balance as at 30 June 2022	2,351,398,154

Reconciliation of Adjusted 2021/2022 Surplus:

Surplus for the year as previously stated	156,505,942
Service Charges	
Adjusting for prior year electricity back billing 2021/2022	14,351,581
General Expenses	
Adjusting for VAT on prior year General Expenses (Travel expenses)	(7,364)
Adjusting to General Expenses - return of various sundry items to stores	3,442
Adjusting to General Expenses - Water and Sanitation	(9,645,503)
Depreciation	
Adjusting for Depreciation on prior year completed projects 2021/2022	(834,187)
Adjusting for derecognition of Community Assets (Recreational Ground) prior 2021/2022 - Depreciation 2021/2022	57,729
Housing development construction contract Revenue	(13,066,071)
Adjusting 2021/2022 Housing development contract revenue due removal of non-related housing construction contracts.	
Housing development construction contract Expenditure	13,066,071
Adjusting 2021/2022 Housing development contract revenue due removal of non-related housing construction contracts.	
Restated Surplus as at 30 June 2022	160,431,638

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42 Cash flows from Operating Activities:

Operating Surplus before working capital

Total Surplus for the year	590,094,299	160,431,638
Adjustment for:		
Depreciation of Property, Plant and Equipment	93,317,273	86,428,112
Donations of assets	(856,064)	(3,070,683)
Gains on disposal of assets	(124,550)	(165,489)
Loss on disposal of assets	15,130,186	6,031,215
Impairment loss	4,909,419	8,902,124
Amortisation of intangible assets	153,842	531,807
Contribution to provision	33,214	445,209
Retirement obligation	(3,067,000)	11,023,000
Long service award	188,000	2,490,000
Investment Properties - Fair Value	(7,746,000)	(21,045,000)
Allowance for impairment	13,167,393	6,745,764
Bad debts written off	3,167,542	6,030,876
	708,367,554	264,778,575

Cash Generated by Operations

Operating Surplus before working capital	708,367,554	264,778,575
Movement in current assets and liabilities		
(Increase)/decrease in inventory	(1,967,641)	(1,856,163)
Increase/(decrease) in conditional grants and receipts	928,432,044	(24,463,280)
(Increase)/decrease in trade and other receivables	(72,444,155)	(61,268,208)
Increase/(decrease) in Trade and Other Payables	176,559,199	39,400,362
Increase/decrease in VAT	(65,059,706)	(4,431,863)
Net cash flows from operating activities	1,673,887,295	212,159,424
Interest earned on Investments	(92,233,107)	(32,050,374)
Finance expense	18,001,678	18,936,993

43 Fines

Total revenue from Fines Income	12 673 538	10 082 528
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Fines are issued in terms of S341 & S56 of the Criminal Procedures Act 51 of 1977

44 Contracted Services

Refuse removal	91 092 760	65 075 256
Grass cutting	37 539 828	36 972 162
Specialist financial and GRAP related services	470 644	493 741
Storm water	7 414 363	5 469 640
Pothole repairs	4 931 985	5 742 427
Other Contracted Services	13 989 585	10 622 471
Dump charges	16 022 896	12 781 957
Security Services	42 158 735	34 910 118
Shark Control Expenditure	4 703 630	4 490 385
Valuation and Valuation Rolls	388 048	1 004 900
Professional Fees	16 741 849	4 950 058
Commission on Electricity vending	4 448 656	6 905 286
Maintenance of building facilities and equipment	29 479 362	32 553 113
Electrical Mains Repairs	16 573 372	16 475 803
	285 955 713	238 447 316

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46 Events after the reporting date

NERSA has approved an 18.49% increase in Eskom bulk purchase tariffs for 2023/2024. Apart from the above effect, due to the variable nature of the Eskom expenditure, the municipality is unable to determine any further financial impact.

As a result of a court order dated 07th August 2023, the municipality will undertake a housing development on ERF 917 ptn 151, which will result in the reclassification of the aforementioned property from Investment Property to Property Plant & Equipment (PPE).

47 Unauthorised expenditure

Provision for bad debts - (Non-Cash)	-	66,312
Bulk Purchases - (Cash)	35,075,477	6,163,454
Expenses exceeding Budget (Cash)	4,116,467	-
Transfers and subsidies	4,355,334	-
	43,547,278	6,229,766

Unauthorised budgeted overspending - Municipal vote
Finance Business Unit (Non Cash)

	3,189,239	4,019,903
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Analysed as follows:

Provision for bad debts - (Non-Cash)	3,189,239	4,086,215
Less: Provision for bad debts Non cash recognised under item analysis	-	(66 312)

Total authorised expenditure for the year

	46,736,517	10,249,668
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Reconciliation of Unauthorised expenditure written off

Opening Balance	27,014,115	17,082,697
Incurred for the year	46,736,517	10,249,668
Written off by council	(14 543 174)	(318 250)
Remaining to be considered	59,207,458	27,014,115

48 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	481,002	1,380,260
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Reconciliation of Fruitless and Wasteful expenditure written-off by Council

Opening Balance	1,380,260	3,718,033
Incurred for the year	481 002	1 380 260
Written Off by Council	-	(3 718 033)
Remaining to be considered	1 861 262	1 380 260

Bank Charges on FNB bank account	6,719	64,890
Interest on water and sanitation for long outstanding debtor accounts	474,283	1,315,370
	481,002	1,380,260

Fruitless and Wasteful expenditure under Investigation:

Alleged Fraudulent payment of ward committee stipends	602,400	-
Alleged Fraudulent payments of fictitious contractor invoices	785,436	-
	1,387,836	

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49 Irregular Expenditure:

Other goods and/or services not procured through competitive bidding processes.	9,370,427	3,828,643
Irregular expenditure pertaining to grass cutting contracts.	-	3,619,979
Section 36 approvals subsequently reclassified as irregular expenditure.	114,750	3,462,237
Irregular expenditure pertaining to the procurement of security services.	36,584,006	37,723,743
irregular expenditure due to non-compliance with legislation	6,056,344	-
	52,125,526	48,634,602

Reconciliation of Irregular Expenditure Written-off by Council

Opening Balance	98 287 145	255 410 438
Irregular expenditure incurred - Current Period	52,125,526	48,634,602
Written-off by Council	(84 945 674)	(205 757 894)
Current	(45 967 728)	-
Previous period	(38 977 946)	(205 757 894)
Remaining to be considered	65 466 998	98 287 145

The closing balance of R65 466 998 is inclusive of matters which have been considered by the Council's investigating committee , but awaiting submission to Council for consideration. Further includes matters that are yet to submitted and or resubmitted to Council's investigating committee for consideration.

Amounts Written off :

After the Council's committee investigations, Council committee recommended to write-off R 84 945 674 from the total irregular expenditure amount as it was found that the municipality received value and the services were delivered to the municipality.

50 Deviation from supply chain management regulations

Emergency	482,234	60,000
Sole Provider	895,249	85,911
Any other exceptional case which it is impractical to follow the official procurement process	43,300	35,945,495
Section 36 deviation transferred to irregular expenditure	(114,750)	(35,813,895)
Total Section 36 deviations for the financial year	1,306,033	277,511

51 Repairs and Maintenance

Buildings	5,418,464	4,556,327
Electrical	25,882,306	28,474,111
Furniture and fittings	4,179,233	3,072,927
Refuse	10,500	-
Roads	11,347,470	16,411,448
Storm water	7,414,363	5,469,640
Vehicles	13,655,571	10,006,663
	67,907,907	67,991,116

The above note is provided for disclosure purposes only. The underlying accounts aggregated to the above is reflected under the categories of the nature of the expense they relate to on the Statement of Financial Performance , i.e. Contracted Services and General Expenses.

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52 Material losses incurred

Electricity distribution losses	262,542,086	237,728,877
Bad debts written off	3,609,233	6,694,545

Electricity energy losses of 172 096 301 kWh as at June 2023 (June 2022: 171 753 233 kWh) occurred during the year which resulted in revenue loss amounting to R262 542 086 (June 2022: R 237 728 877). The National norm for electricity losses ranges from 6% to 12%. The energy loss incurred by the municipality as at June 2023 is 25.39% (June 2022: 24.83%) and is predominantly due to transmission/distribution losses and illegal connections.

53 Councillor's Arrear consumer Accounts as at 30 June 2023

In terms of Section 124 (1) (b) the following particulars are disclosed in respect of any arrears owed by individual councillors during the financial year: The following councillor had debt in excess of 90 days for the months stipulated below:

Councillor: V Govender

July 2022	581,797
August 2022	587,129
September 2022	593,832
October 2022	600,206
November 2022	606,859
December 2022	613,554
January 2023	620,290
February 2023	626,780
March 2023	619,658
April 2023	625,865
May 2023	633,083
June 2023	639,594

In terms of S124 (1) (b) the above are disclosed in respect of any arrears owed by individual Councillors during the financial year. In terms of clause 30.2 of KwaDukuza Municipality Credit Control & Debt Collection Policy, this matter has been consistently reported to the Office of the Speaker. The Councillor had debt in excess of 90 days for the months as stipulated. The above account is under dispute and is currently being reviewed and dealt with by the Office of the Speaker, Electricity Business Unit and the Municipal Legal Department.

Due to the above uncertainties this debt has been fully impaired.

54 Contributions to Organised Local Government

Amount paid current year	5,546,840	5,168,616
Audit Fees		
Amount paid - current year	5,048,522	4,811,829

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55 VAT

VAT received for the year	58,909,615	43,550,819
VAT paid for year	495,023	1,911,615

VAT input receivables and VAT output payables are shown in Note 11.

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

56 PAYE and UIF

Current year payroll deductions	87,395,557	79,826,344
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57 Pension and Medical Aid deductions

Current year payroll deductions and council contributions	78,723,594	114,699,232
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58 Budget verses Actual variances

Below is a reconciliation between the Annual Financial Statements and the Budget Statement. All restatements are as a result of the Annual Financial Statements being based on the nature of the transactions.

Service Charges		
As per Budget Statement	1,138,233,445	
Reconciling items:		
Service Charges: 400 Electricity: Appliance Maintenance	135,038	
Service Charges: Electricity Admin Service Connection Standard 40010180	(62,822)	
As per Statement of Financial Performance	1,138,305,661	

Other Income		
As per Budget Statement	60,224,605	
Reconciling items:		
Housing development construction contract revenue	(9,530,279)	
Operational Revenue: Collection Charges	(5,649,295)	
Operational Revenue: Incidental Cash Surpluses	(507,373)	
Operational Revenue: Suspense	-	
Operational Revenue: Sundries	-	
Rendering of Service: Developers Charges	-	
Sale of goods: Revenue Stamps	-	
Service Charges: Sundry Revenue	62,822	
Fines; Penalties and Forfeits	1,104,456	
Property Rates: Special Rating Areas	13,205,814	
Expenditure: Contracted Services: Revenue Protection	-	
As per Statement of Financial Performance	58,910,750	

Gains on disposal of property, plant and equipment		
As per Budget Statement	154,550	
Reconciling items:		
Land: Gains	(30,000)	
As per Statement of Financial Performance	124,550	

Housing development construction contract revenue		
As per Budget Statement	-	
Reconciling items:		
Housing development construction contract revenue	9,530,279	
As per Statement of Financial Performance	9,530,279	

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Property rates	
As per Budget Statement	619,961,096
Reconciling items:	
Property Rates: Special Rating Areas	(13,205,814)
Fines Revenue Illegal Dumping Site	6,562,101
As per Statement of Financial Performance	613,317,383

Property Rates: Penalties Imposed	
As per Budget Statement	-
Reconciling items:	
Operational Revenue: Collection Charges	5,649,295
Fines; Penalties and Forfeits	13,089,897
As per Statement of Financial Performance	18,739,192

Public contributions and donations	
As per Budget Statement	-
Reconciling items:	
Capital Donations	856,064
As per Statement of Financial Performance	856,064

Fines Revenue	
As per Budget Statement	33,429,993
Reconciling items:	
Fines Penalties and Forfeits:Penalties:Property Rates	(13,089,897)
Fines:Building	(6,562,101)
Fines Penalties and Forfeits:Fines:Illegal Connections /Contempt of Court	(1,104,456)
As per Statement of Financial Performance	12,673,538

Employee Related Costs	
As per Budget Statement	504,174,449
Reconciling items:	
Bonus Provision	-
As per Statement of Financial Performance	504,174,449

Depreciation, amortisation and impairment / reversal of impairment	
As per Budget Statement	97,351,887
Reconciling items:	
Decrease in net-realisable Value of Inventory	1,028,646
As per Statement of Financial Performance	98,380,533

Debt Impairment & Write Off	
As per Budget Statement	16,470,246
Reconciling items:	
	-
Operational Revenue Incidental Cash Revenue	(507,373)
Operational Cost Indigent Relief	441,690
Contribution to Provisions Decommissioning Rest.	372,062
As per Statement of Financial Performance	16,776,626

Bulk purchases	
As per Budget Statement	1,020,839,395
Reconciling items:	
Eskom Utility Payment	(125,590)
As per Statement of Financial Performance	1,020,713,805

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Contracted Services	
As per Budget Statement	311,905,279
Reconciling items:	
Inventory Consumed: Materials & Supplies	-
Town Planner	(83,400)
Contractors:Event Promoters	(56,930)
Outsourced Services:Professional Staff	(1,369,844)
Commission on Collection	4,448,656
Indigent Support	3,184,333
Business and Advisory	(6,154,336)
Legal Cost	(7,064,570)
Contractors Electrical	(4,070,368)
Ballito Pro Expenditure	(11,781,529)
Contractors Maintenance	(650,331)
Admin Support	(24,927)
Animal Care	(55,545)
First Aid	(14,200)
Refuse Bag Contract	(2,256,574)
Expenditure: Contracted Services: Revenue Protection	-
As per Statement of Financial Performance	<u>285,955,713</u>

Other Expenditure	
As per Budget Statement	130,972,224
Reconciling items:	
Eskom Utility Payment	125,590
Business and Advisory	6,154,336
Legal Cost	7,064,570
Contractors Electrical	4,070,368
Ballito Pro Expenditure	11,781,529
Contractors Maintenance	650,331
Admin Support	24,927
Animal Care	55,545
First Aid	14,200
Refuse Bag Contract	2,256,574
Town Planner	83,400
Contractors:Event Promoters	56,930
Outsourced Services:Professional Staff	1,369,844
Transfer & Subsidies	9,874,651
Operational Revenue	135,038
Inventory Consumed: Materials & Supplies	-
Commission on Collection	(4,448,656)
Indigent Support	(3,184,333)
Contribution to Provisions Decommissioning Rest.	(372,062)
026260800 Subsidies Selling Schemes	(441,690)
Employee long service benefits	188,000
Leave Provision	-
Employee Benefits	-
As per Statement of Financial Performance	<u>166,431,316</u>

Loss on disposal of assets	
As per Budget Statement	16,526,833
Reconciling items:	
Decrease in net-realisable Value of Inventory	(1,028,646)
Investment Property:Losses	(150,000)
Post Retirement Long Service Awards Losses	(188,000)
Land Gains	(30,000)
As per Statement of Financial Performance	<u>15,130,186</u>

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Transfers and subsidies	
As per Budget Statement	19,404,930
Reconciling items:	
Transfers & Subsidies per category	(19,404,930)
As per Statement of Financial Performance	-
All transfer and subsidies accounted for under General Expenditure	

Housing development construction contract expenditure	
As per Budget Statement	-
Reconciling items:	
Housing development construction contract expenditure	9,530,279
As per Statement of Financial Performance	9,530,279

Contributions Recognised Capital	
As per Budget Statement	534,155,114
Reconciling items:	
Developers contribution	-
Capital Grants listed above	-
Capital Donations	(856,064)
As per Statement of Financial Performance	-
Developers Contribution and Capital Donations is accounted for under Other Income and operational public contributions respectively.	

Fair Value Adjustments	
As per Budget Statement	7,896,000
Reconciling items:	
Investment Losses	(150,000)
As per Statement of Financial Performance	7,746,000

A high level overview of significant Operating Variances between the budget as at 30 June 2023 and Actual amounts are summarised below :

Significant for the purposes of this note is defined as greater than 15% and R1 000 000.

Revenue:

58.1 Rental of facilities & Equipment

Actual Rental revenue from the hiring of halls and sporting facilities was lower than anticipated. Current economic situation has limited the hiring of municipal halls and recreational facilities.

58.2 Interest earned outstanding debtors

The interest on arrears was overbudgeted. The municipality has considered adjusting the budget in the 2023-2024 financial year.

58.3 Interest received - Investments

This is mainly due to the increase in interest rates combined with the lower than expected capital expenditure resulting in a higher investment balance generating interest. The R1.2 Billion grant has also generated additional interest income.

58.4 Property rates - penalties imposed

The budget for property rates penalties imposed is included with property rates as reflected above. The net variance between these categories is 6% and therefore below the threshold.

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58.5 Licences & permits (including agency fees)

Negative variance is due to the impact of load shedding and the extension of agency services to shopping outlets and online applications.

58.6 Public contributions and donations

Donations are unforeseen and unplanned have not been budgeted for.

58.7 Fines

As indicated above Penalties and collection charges are included in the fines budget but the actual is shown separately on the Annual Financial Statements. The budget and actual revenue in respect of traffic fines is however in line taking into account the iGrap1 calculations.

Expenditure

58.8 Depreciation

A large number of projects were completed in June hence the depreciation was not incurred for a significant portion of the financial year.

58.9 Finance Costs

The municipality budgeted to procure a loan for the Construction of the Dukuzza Substation however the loan tender is currently in progress.

58.10 Debt Impairment and write offs

The increase is due to the profiling of debtors for the provision of bad debt. This is in line with the debt impairment methodology.

58.11 Contracted services

Increases in profession fees, security costs and refuse removal costs as a result of increased service delivery.

58.12 Loss on disposal of assets

Gains and losses incurred from the sale of council land, auction and write offs

58.13 Transfers and subsidies

As indicated above , transfers and subsidy actuals are reflected under general expenses.

58.14 Transfers recognised - capital

Please refer to table above for explanation.

59 Accounting for Principals and Agents

Motor Vehicle Registrations

The municipality is a party to a principal-agent arrangement in terms of motor vehicle registrations and licensing. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Transport being the principal in this arrangement.

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R**

Details of the arrangement

The purpose of the principal-agent relationship is to provide a service to the community and to enhance the municipality's revenue.

Significant terms and conditions of the arrangement are as follows:

The Provincial Department issues the motor vehicle license renewal form to the respective owners of the motor vehicles, indicating the amount due for the year.

The municipality provide facilities for owners of motor vehicles to pay their licenses. The Provincial Department provides the municipality with access to its IT systems to enable capturing of the amounts received and issuing of the motor vehicle licenses on their behalf. The system automatically generates the motor vehicle license upon capturing the payment of the fees due.

The municipality collects the fees due from motor vehicle owners and simultaneously issues the new licenses on behalf of the Department.

The municipality is required to pay over any revenue (cash) collected to the Department in respect of motor vehicle licenses. The municipality is entitled to payment by the Department of 8.62% of the cash collected for undertaking this activity on behalf of the Department.

Significant risks have been identified as follows:

The significant risks relates to the possible loss of any monies during transit and potential theft by employees.

Mitigation strategies and benefits associated with the relationship are as follows:

Monies collected are banked daily.

Security – Segregation of duties, each operator has their own username and password for banking details.

Resources held on behalf of the principal, but recognised in the entity's own financial statements

	2023	2022
Total collections for the year	83,878,718	77,772,562
Amount recognised as revenue	6,287,257	6,136,172
Total Collected on behalf of DOT	77,591,461	71,636,390
Total paid to DOT	77,591,461	71,636,390
Debtor as at year end	437,595	365,416
Cash received	46,971	68,532

Liabilities and corresponding rights of reimbursement recognized as assets

No liabilities were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end.

No corresponding rights of reimbursement that have been recognized at year end.

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

No resources have been recognized by the municipality in its financial statements. The equipment supplied by the department must be returned to DOT when the agreement is terminated.

60 Housing development construction contract revenue and expenditure

Housing Grant (DOHS)

Opening balance	19 764 666	16 743 733
Current year receipts	5 957 534	53 254 543
Interest and bank charges	877 573	438 363
Housing development construction contract expenditure	(9 530 279)	(50 671 973)
Conditions still to be met - remain liabilities (see note 17)	17 069 494	19 764 666

The Housing Development Construction contracts relate to the agreements entered into between the Municipality and the KwaZulu Natal Department of Housing in respect of housing projects where the municipality is the developer in this arrangement.

This arrangement is accounted for in line with the policy for National Housing Programmes.

The Housing Development Construction contract expenses consists mainly of contracted services wherein the municipality procures the services of building contractors and other consultants in the construction of houses on its behalf.

The Housing Development Construction contract revenue is recognised when costs are incurred.

The amounts received in advance from Department of Human Settlements for work done is recognised as an unspent grant liability and disclosed on Note 17.

61 Going Concern

Going Concern assessment

Storm Disaster

The KwaDukuza Municipality was ravaged by floods which occurred in April 2022. This followed alerts by the South African Weather Services regarding localized flooding in some Regions of KwaZulu-Natal, including the area of iLembe District Municipality.

The floods resulted in loss of human life and infrastructural damages. As such, some parts of the KwaDukuza Municipal areas were experiencing access challenges due to road damages, power outages and water supply cut.

Various interventions have been implemented to provide social relief and interim measures to provide access routes and urgent repair to infrastructural damages. A call for collaborative initiatives between Local and other levels of government was made to share resources and meet overwhelming needs of the residents as a result of the flood damages.

The current adverse economic conditions have resulted in consumers defaulting on paying municipal accounts due to a reduction in their disposable income, retrenchments and unemployment. However, the collection rate was 95.95% as at the end of 2022/2023 financial year, which is within National Treasury's norm of 95%. The following interventions are being implemented which have resulted in the improvement of the collection rates:

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**2023
R**

**2022 - Restated
R**

-
- Telephonic or email follow ups on outstanding debt, however there is a need for establishment of a call centre or interim employment of temporary staff , in order to ensure that follow ups are done regularly to all arrear debtors that are recorded on KDM financial system and optimize the revenue collection.
 - Increased use of SMSs to notify debtors about collection campaigns and disconnections/blocking. All customers with cell phone numbers recorded on the billing system are sent SMS messages on a monthly basis to notify them of any amounts outstanding.
 - Educating staff members about work streams that they perform regularly for consistent applications.
 - Data cleansing and meter audit primarily to ensure correct billing thereby eliminating debtor queries. This is carried out on an ongoing basis.
 - Credit Control utilises the debtors ageing report that is extracted from Munsoft financial system to identify monthly defaulters for follow up. The list is scrutinized and submitted to staff for contacting debtors.
 - Disconnection of electricity meters on arrears debtors. Continuous enhancements and internal workshops are carried out to review and improve internal processes for a more effective approach. This has proven to be extremely effective.
 - Accounts where a prepaid meter has been linked, that are outstanding for more than 30 days, are flagged automatically and instituted with a 40% partial block from purchasing prepaid electricity.
 - Total block of prepaid electricity meters on arrears debtors. Similar to the conventional meters process, the consumer age analysis is scrutinized and accounts with prepaid meters are submitted to the service provider for full blocking.
 - Encouraging debtors to enrol on the ACB payment platform.
 - Encouraging debtors who have email addresses to receive their invoices via emails.
 - Encouraging consumers to register on the e-Portal Platform to view and download statements.

Amid the current economic conditions, the Municipality is still able to pay its creditors as and when payments are due and still maintains a healthy financial position.

Covid 19 Pandemic

The Corona virus pandemic is considered to have no more impact on cash flows, cash collections, capital and operating expenditure other than specifically stated in the Annual Financial Statements and the Covid-19 related restrictions have been suspended.

Conclusion

Based on the above the KwaDukuza Municipality will continue operating in the foreseeable future, thus supporting the going concern basis of accounting.

45 FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk.

The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

45.1 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

	1 Year or less	Greater than 1 year	Total
2023			
Gross finance lease obligations	-	-	-
Long Term Borrowings	13,688,366	162,407,406	176,095,772
Trade and other payables	497,903,844	-	497,903,844
Consumer deposits	43,728,074	-	43,728,074
Government Grants	993,929,340	-	993,929,340
	1,549,249,625	162,407,406	1,711,657,030
2022			
Gross finance lease obligations	52,985	-	52,985
Long Term Borrowings	12,593,362	176,095,771	188,689,134
Trade and other payables	321,344,645	-	321,344,645
Consumer deposits	39,877,832	-	39,877,832
Government Grants	65,497,296	-	65,497,296
	439,366,121	176,095,771	615,461,892

45.2 Maximum credit risk exposure

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

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevant financial instruments is as follows (domestic exposure only)

	2023	2022
Short term Investments	84,239,862	78,426,597
Cash and Cash Equivalents	1,805,281,205	872,437,220
Trade and other receivables	346,692,923	244,563,912

45.3 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 the market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

	2023	2022
Bank balances and cash	1,805,281,205	872,437,220
Short term Investments	84,239,862	78,426,597
Maximum Interest exposure	1,889,521,067	950,863,818

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

KWADUKUZA MUNICIPALITY

UNAUDITED APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2023

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/2021	Received during the year	Redeemed during the year	Balance at 30/06/2022
		%		R	R	R	R
Loans							
DBSA R43M LOAN	101267/1	10.83%	31/03/2026	8,332,181	-	2 083 045	6 249 136
DBSA R28.9M (ELECT)	61006918/19	9.73%	30/09/2030	114,646,976	-	6 681 062	107 965 914
DBSA: R5.888 LOAN	61006918/19	9.73%	31/12/2032	65,709,976	-	3 829 255	61 880 722
TOTAL EXTERNAL LOANS				188 689 134	-	12 593 362	176 095 772

KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX B: GRANTS AND SUBSIDIES RECEIVED 2022/2023

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2022/2023 financial statements	Returned to National Treasury	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2022/2023 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
				July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
				1	2	3	4		1	2	3	4						
Equitable Share	National Treasury	-	-	88,924,000	76,004,000	63,084,000	-	228,012,000	88,924,000	76,004,000	63,084,000	-	228,012,000	-	NO	N/A	YES	N/A
Municipal Infrastructure Grant (MIG)	COGTA	-	-	14,000,000	52,000,000	2,871,000	-	68,871,000	19,072,986	26,381,139	3,580,885	19,687,214	68,722,224	148,776	NO	N/A	YES	N/A
INEP Grant	Integrated National Electrification Grant	-	-	5,000,000	4,000,000	6,418,000	-	15,418,000	-	8,409,117	3,295,423	2,567,628	14,272,168	1,145,832	NO	N/A	YES	N/A
Finance Management Grant	National Treasury	-	-	1,750,000	-	-	-	1,750,000	235,907	221,268	255,063	1,037,762	1,750,000	-	NO	N/A	YES	N/A
EPWP	National Treasury	-	-	467,000	841,000	560,000	-	1,868,000	688,999	695,526	483,475	-	1,868,000	-	NO	N/A	YES	N/A
Museum	Office Of the Premier	-	-	-	235,000	-	-	235,000	88,567	101,360	44,353	720	235,000	-	NO	N/A	YES	N/A
New Library	Department of Arts & Culture	-	-	-	762 000	508 000	-	1,270,000	270 382	277 205	214 413	-	762,000	508,000	NO	N/A	YES	N/A
Housing Accreditation	Department Of Human Settlements	6 550 354	-	-	-	-	-	-	1,430,075	1 305 957	1 267 269	1 530 478	5,533,779	1,016,576	NO	N/A	YES	N/A
Library Subsidy	Department of Arts & Culture	-	-	-	5 890 000	-	-	5,890,000	136 570	184 633	4 107 062	1 461 736	5,890,000	-	NO	N/A	YES	N/A
Neighbourhood Development Partnership Grant- (NDPG)- EASE OF BUSINESS	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	NO	N/A	YES	N/A
Neighbourhood Development Partnership Grant (NDPG)- SCADA	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	NO	N/A	YES	N/A
Title Deeds Restoration Grant	Department Of Human Settlements	2 688 225	-	-	-	-	-	-	-	-	-	-	-	2,688,225	NO	N/A	YES	N/A
EDTEA	Dept Of Environmental Affairs	1 700 000	-	-	-	-	-	-	726,802.82	122 777	-	657 983	1,507,563	192,437	NO	N/A	YES	N/A
Municipal Employment Initiative	-	-	-	-	1,000,000	-	-	1,000,000	-	-	-	14 086	14,086	985,931.64	NO	N/A	YES	N/A
Disaster Recovery Grant	National Treasury - Disaster Management	-	-	109,043,000	-	-	-	109,043,000	1,368,932.93	13 923 496	7 201 176	59 726 307	82,219,912	26,823,089	NO	N/A	YES	N/A
Disaster Rehabilitation & Relief Grant	National Treasury - Disaster Management	-	-	-	-	1,271,098,000	-	1,271,098,000	-	-	-	371 378 307	371,378,307	899,719,693	NO	N/A	YES	N/A
		10 938 579	-	219 184 000	140 732 000	1 344 539 000	-	1 704 455 000	112 943 221	127 626 478	83 533 118	446 875 318	770 978 135	933 228 559				