



Ndwedwe Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2022

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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<b>Councillors</b>	SZ Mfeka (Mayor from November 2021 to June 2022) (Ward Councillor 8)
<b>Mayor and Councillors</b>	NV Chili (Mayor July 2021 to November 2021)
	ZS Thoolsi (Deputy Mayor)
	R M Cele (Ward Councillor 3 full year) (Section 79 Chairperson July 2021 to November 2021) (Speaker from November 2021 to June 2022)
	GK Ngidi (Speaker July 2021 to November 2021) (Executive Committee Member from November 2021 to June 2022)
	NN Ntetha (Ward Councillor 7 and Executive Committee Member from November 2021 to June 2022)
	M Makhanya (Executive Committee Member from November 2021 to June 2022)
	SB Sibisi (Ward Councillor 1 and Executive Committee Member from July 2021 to November 2021)
	RT Nkwanyana (Party Representative and Executive Committee Member)
	PS Shezi (Ward Councillor 15 and Executive Committee Member)
	NDC Maphumulo (Ward Councillor 2)
	MM Khuzwayo (Ward Councillor 4 and Section 79 Chairperson from November 2021 to June 2022)
	TP Nkwakha (Ward Councillor 5 from November 2021 to June 2022)
	MN Gwamanda (Ward Councillor 5 from July 2021 to November 2021)
	SE Dlala (Ward Councillor 6)(Whip from November 2021 to June 2022)
	S Mhlongo (Ward Councillor 1 from November 2021 to June 2022)
	NC Chamane (Ward Councillor 9 from November 2021 to June 2022)
	W Khoza (Ward Councillor 10 from November 2021 to June 2022)
	BJ Blose(Ward Councillor)
	M Mthethwa (Ward Councillor 11)
	LM Ndlovu (Ward Councillor 12)
	CS Mbele (Ward Councillor 13 from November 2021 to June 2022)
	ZP Ngwane (Ward Councillor 14 from November 2021 to June 2022)
	ES Khuzwayo (Ward Councillor 16 from November 2021 to June 2022)
	SS Bhengu (Ward Councillor 17 from November 2021 to June 2022)
	LS Moahloli (Ward Councillor 18 from November 2021 to June 2022)
	RS Hlophe (Ward Councillor 19 from November 2021 to June 2022)
	M Ngidi (Ward Councillor 10 from July 2021 to November 2021)
	TM Masinga (Ward Councillor 9 July 2021 to November 2021)
	Goqo (Ward Councillor 16 July 2021 to November 2021)
	MK Nkosi (Ward Councillor 13 from July 2021 to November 2021)
	LG Ngcobo (Ward Councillor 14 from July 2021 to November 2021)
	VMR Magubane (Ward Councillor 17)
	LZ Makhanya (Ward Councillor 18 from July 2021 to November 2021)
	PS Goba (Ward Councillor 19 from July 2021 to November 2021)
	NP Simelane (Party Representative from November 2021 to June 2022)
	S Zondi (Party Representative from July 2021 to November 2021)
	HLB Makatha (Party Representative from July 2021 to November 2021)
	ML Sibiyi (Party Representative from November 2021 to June 2022)
	NF Makhanya (Party Representative from November 2021 to June 2022)
	M Shangase (Party Representative from November 2021 to June 2022)
	T Khuzwayo (Party Representative from November 2021 to June 2022)
	J Luthuli (Party Representative)
	SB Sibiyi (Party Representative from November 2021 to June 2022)
	ZP Magwaza (Party Representative from November 2021 to June 2022)
	VC Shangase (Party Representative from November 2021 to June 2022)

# Ndwedwe Local Municipality

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## General Information

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SM Sishi (Party Representative)  
NY Mlotshwa (Party Representative)  
MV Phewa (Party Representative)  
PH Ngobese (Party Representative from November 2021 to June 2022)  
EB Ntuli (Party Representative from November 2021 to June 2022)  
T Mhlanga (Party Representative from July 2021 to November 2021)  
MV Shezi (Party Representative from July 2021 to November 2021)  
BR Mzobe (party Representative from July 2021 to November 2021)  
SS Hlophe (Party Representative from July 2021 to November 2021)  
J Luthuli (Party Representative from July 2021 to November 2021)  
TS Jali (Party Representative from July 2021 to November 2021)  
NY Mlotshwa (Party Representative from July 2021 to November 2021)  
MB Vilakazi (Party Representative from July 2021 to November 2021)  
SG Dladla (Party Representative from July 2021 to November 2021)

<b>Accounting Officer</b>	Mr SDG Khuzwayo
<b>Grading of local authority</b>	Level 1
<b>Auditors</b>	The Auditor General of South Africa
<b>Bankers</b>	Nedbank Verulam Branch
<b>Registered office</b>	Ndwedwe Local Municipality
<b>Business address</b>	P100 Ndwedwe 4342
<b>Postal address</b>	Private Bag X503 Ndwedwe 4342
<b>Nature of business and principal activities</b>	Provision of services including refuse removal to communities within the jurisdiction of the local municipality

# Ndwedwe Local Municipality

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## Index

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

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COID	Compensation for Occupational Injuries and Diseases
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
INEP	Integrated National Electrification Program Grant
VAT	Value Added Tax
FNB	First National Bank
ABSA	Amalgamated Banks of South Africa Limited
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EPWP	Expanded Public Works Program
FMG	Financial Management Grant
COGTA	Co-operative Governance and Traditional Affairs

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

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

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

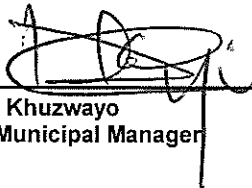
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

The accounting officer has reviewed the municipality's cash flow forecast for the year 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

As an Accounting Officer I am responsible for the preparation of these annual financial statements, which are set out on pages 5 - 71, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors, loans made to Councilors, if any, and payments made to Councilors for loss of office, if any, as disclosed in note 25 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022.



Mr SDG Khuzwayo  
Acting Municipal Manager

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Notes	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	4 188 238	2 278 653
Receivables from non-exchange transactions	4	5 865 501	12 729 009
VAT receivable	5	810 599	543 692
Cash and cash equivalents	6	103 666 243	111 560 476
		<b>114 530 581</b>	<b>127 111 830</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	432 274 648	384 547 114
Intangible assets	8	36 731	139 418
Heritage assets	9	21 053	21 053
		<b>432 332 432</b>	<b>384 707 585</b>
<b>Total Assets</b>		<b>546 863 013</b>	<b>511 819 415</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	10	28 071 629	37 364 810
Payables from non-exchange transactions	11	5 000 000	-
Unspent conditional grants and receipts	12	97	27 600
Employee benefit obligation	13	818 000	127 000
		<b>33 889 726</b>	<b>37 519 410</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	13	2 946 000	3 173 000
Other liability	14	324	324
		<b>2 946 324</b>	<b>3 173 324</b>
<b>Total Liabilities</b>		<b>36 836 050</b>	<b>40 692 734</b>
<b>Net Assets</b>		<b>510 026 963</b>	<b>471 126 681</b>
Accumulated surplus		510 026 537	471 126 681
<b>Total Net Assets</b>		<b>510 026 537</b>	<b>471 126 681</b>

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Notes	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	15	515 478	36 826
Rental of facilities and equipment	16	699 664	525 082
Agency services	17	19 359	-
Licenses and permits	18	1 444	2 328
Other income	19	1 195 783	1 146 136
Interest received - investment	20	5 111 996	5 547 973
Decrease on leave accrued	21	273 986	-
<b>Total revenue from exchange transactions</b>		<b>7 817 710</b>	<b>7 258 345</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	18 645 850	17 852 615
Interest received (trading)		1 115 153	1 028 575
<b>Transfer revenue</b>			
Government grants & subsidies	23	213 046 503	223 740 000
Public contributions and donations		-	1 511 191
<b>Total revenue from non-exchange transactions</b>		<b>232 807 506</b>	<b>244 132 381</b>
<b>Total revenue</b>		<b>240 625 216</b>	<b>251 390 726</b>
<b>Expenditure</b>			
Employees related cost	24	(63 361 001)	(60 037 097)
Remuneration of councillors	25	(14 718 989)	(15 399 830)
Depreciation and amortisation	26	(22 914 918)	(24 151 673)
Impairments loss	27	(4 591 105)	(3 523 057)
Debt Impairment	28	(1 022 961)	(1 584 386)
Lease rentals on operating lease	29	(1 183 221)	(687 511)
Bad debts written off	30	(6 733 144)	-
Contracted services	31	(49 337 810)	(61 194 308)
Transfers and Subsidies	32	(4 902 362)	(15 085 250)
Loss on disposal of assets and liabilities		(468 944)	(225 819)
Increase in leave accrued		-	(1 117 564)
General expenses	33	(32 490 908)	(33 692 426)
<b>Total expenditure</b>		<b>(201 725 363)</b>	<b>(216 698 921)</b>
<b>Surplus for the period</b>		<b>38 899 853</b>	<b>34 691 805</b>

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Total net asset	Total net assets
<b>Balance at 01 July 2020</b>	<b>436 434 876</b>	<b>436 434 876</b>
Changes in net assets		
Surplus for the year	34 691 805	34 691 805
Total changes	34 691 805	34 691 805
Opening balance as previously reported	471 232 357	471 232 357
Adjustments		
Correction of errors	(105 673)	(105 673)
<b>Restated* Balance at 01 July 2021 as restated*</b>	<b>471 126 684</b>	<b>471 126 684</b>
Changes in net assets		
Surplus for the year	38 899 853	38 899 853
Total changes	38 899 853	38 899 853
<b>Balance at 30 June 2022</b>	<b>510 026 537</b>	<b>510 026 537</b>
Note(s)		



# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Notes	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		213 019 000	223 643 000
Interest income		5 111 996	5 547 973
Other receipts		19 426 359	14 886 209
		<u>237 557 355</u>	<u>244 077 182</u>
<b>Payments</b>			
Employee costs		(77 615 989)	(75 328 925)
Suppliers		(92 236 268)	(93 837 375)
		<u>(169 852 257)</u>	<u>(169 166 300)</u>
<b>Net cash flows from operating activities</b>	34	<u><b>67 705 098</b></u>	<u><b>74 910 882</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(77 543 565)	(73 409 466)
Purchase of other intangible assets	8	-	(17 000)
Proceeds from sale of assets		1 944 233	-
<b>Net cash flows from investing activities</b>		<u><b>(75 599 332)</b></u>	<u><b>(73 426 466)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(7 894 234)</b>	<b>1 484 416</b>
Cash and cash equivalents at the beginning of the year		111 560 476	110 076 060
<b>Cash and cash equivalents at the end of the year</b>	6	<u><b>103 666 242</b></u>	<u><b>111 560 476</b></u>

# Ndwedwe Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	100 000	400 869	500 869	515 478	14 609	2%
Rental of facilities and equipment	533 473	240 000	773 473	699 664	(73 809)	-11%
Agency services	-	-	-	19 359	19 359	100%
Licenses and permits	1 500	500	2 000	1 444	(556)	-39%
Other income	553 500	527 131	1 080 631	1 195 783	115 152	10%
Interest received - investment	6 500 000	(1 514 376)	4 985 624	5 111 996	126 372	3%
Decrease in leave provision	-	-	-	273 986	273 986	100%
<b>Total revenue from exchange transactions</b>	<b>7 688 473</b>	<b>(345 876)</b>	<b>7 342 597</b>	<b>7 817 710</b>	<b>475 113</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	18 836 557	(192 812)	18 643 745	18 645 850	2 105	-%
Interest received (trading)	941 852	-	941 852	1 115 153	173 301	18%
<b>Transfer revenue</b>						
Government grants & subsidies	204 019 000	9 027 503	213 046 503	213 046 503	-	-%
<b>Total revenue from non-exchange transactions</b>	<b>223 797 409</b>	<b>8 834 691</b>	<b>232 632 100</b>	<b>232 807 506</b>	<b>175 406</b>	
<b>Total revenue</b>	<b>231 485 882</b>	<b>8 488 815</b>	<b>239 974 697</b>	<b>240 625 216</b>	<b>650 519</b>	
<b>Expenditure</b>						
Employees related costs	(71 169 745)	7 492 070	(63 677 675)	(63 361 001)	316 674	-4%
Remuneration of councillors	(16 246 709)	1 333 517	(14 913 192)	(14 718 989)	194 203	-1%
Depreciation and amortisation	(23 495 630)	(699 999)	(24 195 629)	(22 914 918)	1 280 711	-19%
Impairment loss	-	-	-	(4 591 105)	(4 591 105)	100%
Lease rentals on operational lease	(1 100 000)	(671 000)	(1 771 000)	(1 183 221)	587 779	-67%
Debt Impairment	(3 000 000)	1 000 000	(2 000 000)	(1 022 961)	977 039	-51%
Bad debt written off	-	-	-	(6 733 144)	(6 733 144)	100%
Contracted Services	(46 576 688)	(5 078 131)	(51 654 819)	(49 337 810)	2 317 009	-4%
Transfers and Subsidies	(3 200 000)	(2 738 000)	(5 938 000)	(4 902 362)	1 035 638	-20%
Loss on disposal of assets	-	-	-	(468 944)	(468 944)	100%
General expenses	(36 386 998)	(796 334)	(37 183 332)	(32 490 908)	4 692 424	-13%
<b>Total expenditure</b>	<b>(201 175 770)</b>	<b>(157 877)</b>	<b>(201 333 647)</b>	<b>(201 725 363)</b>	<b>(391 716)</b>	
<b>Surplus for the year</b>	<b>31 411 230</b>	<b>8 998 820</b>	<b>40 410 050</b>	<b>38 899 853</b>	<b>1 510 197</b>	
Capital Expenditure	82 661 760	8 745 273	91 407 033	77 543 565	(13 863 468)	13%

# Ndwedwe Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Methodology for Determination of material variances

The municipality considers that a variance of 10% less than the final budget is material, and requires an explanation to identify a reason for such variance.

Where the municipality collected more revenue than initially planned we do not investigate such variance provided it do not exceed 25%, expenditure items 10% is applicable for both over or under utilisation of budget.

The municipality also considers that an employee cost is a material item, and therefore any variance that is above 5% requires an explanation.

### The following were identified as items with material variances;

#### Revenue

**1. Rental of facilities and equipment** - There were new lease agreements which the municipality anticipated to enter into but due to economic conditions they never materialised.

**2. Agency services** -Department of transport fast tracked the process of utilising the premises which resulted in use of such service to fall within this financial year.

**3. Licenses and permits** - Delays in infrastructure developments resulted in less permits being issued to businesses that want to operate.

**4. Decrease in leave provision** - The municipality had a high employee resignations and dismissals during the period under review which significantly reduce the provision.

#### Expenditure

**5. Depreciation and amortisation** - Depreciation and amortisation revealed an under recognition of R1.3 million for 2021/2022 financial year. This variance is due to asset disposal which occurred in the period under review as well as delays in current projects.

**6. Impairment loss** - This is as a result of recognition of assets impairments which were not anticipated at a budget stage.

**7. Lease rentals on operating lease** - Lease rentals on operating lease show a saving of R587 779 thousands for 2021/2022 financial year. This is due to the removal of extra charges for printing.

**8. Bad debt written off** - The municipality conducted an investigation to ascertain the recoverability of amounts outstanding which indicated that R6 733 144 is no longer recoverable hence the write off was done.

**9. Debt impairment** - Debt Impairment is refer to long outstanding debtors. This variance is due to the debtors that were written off and it resulted to the lower amount recognised as debt impairment.

**10. Transfer and Subsidies** - Transfer and Subsidies expenditure revealed variance of R1.0 million as at the end of June 2022. This variance is due to savings achieved by the municipality during the implementation of projects budgeted under this expenditure category.

**11. The Loss on disposal of asset** - The variance arose due to auction that took place during the financial year while there was no provision made during the budget period.

**12. General Expenses** - The under spending in this expenditure line item is because of programme that were budgeted for but couldn't take place due to COVID-19 regulations and some were partial undertaken with limitation when compared to initial plan.

# Ndwedwe Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

**13.Capital expenditure** - The under expenditure in capital budget was caused by the delays in implementing some projects due to late appointment and had to be rolled over to the new financial year. This variance is due to savings achieved by the municipality during the implementation of projects budgeted under this expenditure category.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

#### 1.1 Presentation currency

These annual financial statements are presented in South African currency, and figures are rounded to the nearest Rand.

#### 1.2 Going concern assumption

Management considers key financial metrics and approved medium-term budgets, MFMA Section 71 reports together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate. The COVID-19 disaster has not yet affected the going concern assumption however management is continuously assessing any indicators of negative impact particularly increases in accounts receivable.

#### 1.3 Materiality

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

Materiality has been considered in determining whether information is required to be recognised, measured, presented and disclosed in accordance with the requirements in the Standards of GRAP as well as assessing the effect of omissions, misstatements and errors on the financial statements.

#### Budget information

Variances between budget and actual amounts are regarded as material when there is a variance of 10% or greater in the statement of financial position, the statement of financial performance and the cash flow statement.

#### 1.4 Comparative figures

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

When the presentation or classification of items in the financial statements is amended, prior period/comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year/comparatives are restated accordingly. Where there has been a change in accounting policy in the correct year, the adjustment is made retrospectively as far as is practicable, and the prior year/comparatives are restated accordingly.

#### Current year comparative

- Budgeted amounts have been included in the annual financial statements for the current financial year only.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated lives of the asset. The depreciation amount is determined after taking into account an asset's residual value, where applicable. Component of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the estimated average asset useful lives.

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

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Item	Average useful life
Buildings	30 years
Motor vehicles	5-7 years
• Graders	15 years
• Trucks	7 years
Infrastructure	
• Roads	10 years
• Street lights	40 years
• Bridges	30 years
• Stormwater pipes	50 years
• Electricity	20 years
Community	
• Buildings	30 years
• Recreational Facilities	20-30 years
• Sportsfields	30 years
Other property, plant and equipment	
• Building Improvements	30 years
• Heavy and Mobile plant	10 years
• Furniture and fittings	7 years
• Bins and containers	15 years

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# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

- |                                      |           |
|--------------------------------------|-----------|
| • Parkhome                           | 7 years   |
| • Office equipment                   | 3-5 years |
| • Other items of plant and equipment | 5-7 years |

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 7).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

### Subsequent measurement

- Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.
- Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.
- Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality on each asset.

# Ndwedwe Local Municipality

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## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

The municipality discloses relevant information relating to assets that are work in progress, in the notes to the financial statements (see note 6).

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.



# Ndwedwe Local Municipality

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## Accounting Policies

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### 1.6 Impairment of assets

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follows:

#### 1.6.1 Identification

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

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

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

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use, the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 Impairment of assets (continued)

- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### Redesignation

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

# Ndwedwe Local Municipality

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## Accounting Policies

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### 1.6 Impairment of assets (continued)

#### 1.6.2 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

# Ndwedwe Local Municipality

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

### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Redesignation

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

### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

An asset is identifiable if it either:

- is capable of being separated or divided from a municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

# Ndwedwe Local Municipality

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### 1.7 Intangible assets (continued)

- the Municipality intends to complete the intangible asset for use or sale
  - the Municipality has the ability to use or sell the asset
  - the Municipality can reliably measure expenditure during development
  - it is technically feasible to complete the intangible asset
  - the Municipality has the resources to complete the project, and
  - it is probable that the Municipality will receive future economic benefits or service potential
- Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

<b>Item</b>	<b>Useful life</b>
Computer software	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

Intangible assets are derecognised:

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

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

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.8 Financial instruments

#### Classification

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

#### Subsequent measure of financial asset and financial liabilities

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104.

#### Financial asset

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

#### Trade and other receivables

- Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.
- Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.
- An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.
- Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance

#### Cash and cash equivalents

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

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liabilities carried at amortised cost.

#### Financial liabilities

#### Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.8 Financial instruments (continued)

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

### 1.9 Statutory receivables

#### Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.9 Statutory receivables (continued)

#### Accrued interest

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

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

#### Impairment losses

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

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

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

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

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

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

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

#### Derecognition

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

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



# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.10 Taxation

#### Value Added Taxation

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1. The expenditure that relates to irregular expenditure is vat inclusive as per treasury guide lines.

No provision has been made for Income tax as the municipality is exempt from taxation in terms of section 10 (1) (A) of the Income Tax Act.

### 1.11 Leases

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

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

#### Municipality as Lessor

Rental income from operating leases is recognised over the term of the relevant lease.

#### Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

The lease is straight lined for the financial year.

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases, approved and contracted commitments.
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

- An additional disclosure has been made for future commitments which are mainly informed by the approved budget for capital projects to be implemented in the next financial year and are disclosed as approved and not yet contracted for.

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

### 1.13 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.14 Fruitless and wasteful expenditure

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

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

### 1.15 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003): -

- (a) the Municipal Systems Act (Act No. 32 of 2000)
- (b) the Public Office Bearers Act (Act No. 20 of 1998) or
- (c) is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure.

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

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

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

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 Irregular expenditure (continued)

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

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.16 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases. Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP. Refer to Note 35.

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases, approved and contracted commitments.
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.
- An additional disclosure has been made for futuro commitments which are mainly informed by the approved budget for capital projects to be implemented in the next financial year and are disclosed as approved and not yet contracted for.

An Operational commitments it where the contract period is beyond 12 months and the municipality has an obligation to that contract hence they are included in the commitments.

### 1.17 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably; and it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the municipality.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.17 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

#### Interest

Revenue arising from the use by others of entity assets yielding interest, or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

### 1.18 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another municipality without directly giving approximately equal value in exchange.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Interest revenue is recognised on a time proportion basis.

#### Conditional grants

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### 1.19 Budget information

The annual budget figures have been presented in accordance with the GRAP 24 reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same municipality and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.19 Budget information (continued)

Material differences in terms of the basis, timing or municipality have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

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

### 1.20 Employee benefits

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

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

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

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

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

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

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

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

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

### Post-employment benefits: Defined contribution plans

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

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

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

### Provident fund contribution

The municipality and its employees contribute to one provident fund that caters for the majority of the staff. The KZN Joint Municipal Provident Fund is a defined contribution fund. Additional information is disclosed in note 34.

### Other employee benefits

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.20 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service. Termination benefits are employee benefits payable as a result of either: an municipality's decision to terminate an employee's employment before normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.

### 1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.22 Significant judgements and sources of estimation uncertainty

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates.

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### Significant Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

#### Operating lease - Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Trade receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.22 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible and tangible assets are inherently uncertain and could materially change over time.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

#### Post retirement benefits

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

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

Other key assumptions for provident fund obligations are based on current market conditions. Additional information is disclosed in Note 13.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.23 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

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

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.23 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

### 1.24 Accounting by principals and agents

#### Identification

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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



# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.24 Accounting by principals and agents (continued)

#### Recognition

The municipality, as an agent, recognises only that portion of the revenue in executing the transactions on behalf of the principal in accordance with GRAP 109.

### 1.25 Segment information

A segment is an activity of an entity:

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

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

#### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 2. New standards and interpretations

Standards not yet implemented are as follows:

The ASB has issued the following GRAP pronouncements, with effective dates as indicated: <b>GRAP pronouncement</b>	Effective date	
GRAP 25 - Employee Benefits	To be determined	
iGRAP 7 - Limit on the Defined benefit Assets	To be determined	
GRAP 104 -(as revised): Financial Instruments	1 April 2023	
iGRAP 21 - The effect of post Decisions on Materiality	1 April 2023	
GRAP 1 - (amended) : Presentation of Financial Statements	1 April 2023	
*The guideline was issued in April 2022. The guideline is available for immediate consideration to assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. Although the application of the guideline is voluntary, application is encourage.		

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

##### GRAP 25 : Employee Benefits

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. This Standard requires an entity to recognise:

- (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- (b) an expense when the entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

This standard will not have impact on the municipality's annual financial statements.

##### iGRAP 7 - Limit on the Defined benefit Assets

The Standard of GRAP on Employee Benefits (GRAP 25) limits the measurement of a defined benefit asset to "the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan".

Minimum funding requirements may exist to improve the security of the postemployment benefit promise made to members of an employee benefit plan. Such requirements normally stipulate a minimum amount or level of contributions that must be made to a plan over a given period. Therefore, a minimum funding requirement may limit the ability of the entity to reduce future contributions.

This Interpretation applies to all post-employment defined benefits and other longterm employee defined benefits. For the purpose of this Interpretation, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation are:

- (a) When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of GRAP 25.
- (b) (b) How a minimum funding requirement might affect the availability of reductions in future contributions.

This standard will not have impact on the municipality's annual financial statements.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 104: Financial Instruments (as revised)

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

This standard will not have impact on the municipality's annual financial statements.

#### iGRAP 21: The effect of post Decisions on Materiality

This Interpretation addresses the following issues:

- (a) Whether past decisions about materiality affect subsequent reporting periods.
- (b) Whether applying alternative accounting treatments based on materiality is departure from the Standards of GRAP or an error.

This standard will not have impact on the municipality's annual financial statements.

#### GRAP 1: Presentation of Financial Statements

The objective of this Standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. To achieve this objective, this Standard sets out overall considerations for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The recognition, measurement and disclosure of specific transactions, other events and conditions are dealt with in other Standards of GRAP.

This Standard shall be applied to all general purpose financial statements prepared and presented under the accrual basis of accounting in accordance with Standards of GRAP.

General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Users of general purpose financial statements include taxpayers and ratepayers, members of the legislature, creditors, suppliers, the media, and employees. General purpose financial statements include those that are presented separately or within another public document such as an annual report. This Standard does not apply to the structure and content of condensed interim financial information.

This Standard applies equally to all entities including those that present consolidated financial statements in accordance with the Standard of GRAP on Consolidated Financial Statements (GRAP 35) and those that present separate financial statements in the Standard of GRAP on Separate Financial Statements.

The effective date of the standard is for years beginning on or after 01 April 2020.

This standard will not have impact on the municipality's annual financial statements.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 3. Receivables from exchange transactions

Other debtors	764 829	752 770
Rentals	413 403	304 690
Unallocated receipt and deposit	114 630	96 413
Accrued revenue	2 313 988	1 089 164
Staff Debtors	36 480	-
Over-payment to suppliers	363 709	-
Consumer debtors - Refuse	181 199	35 616
	<b>4 188 238</b>	<b>2 278 653</b>

#### Statutory receivables general information

##### Receivables impaired

Other debtors for 2021/2022 amounts to R764 829, (2020/2021 R752 770) and this relates to take on balances and hall hire unpaid deposit.

Accrued revenue for 2021/2022 financial year amount to R2 313 988 and is made up of proceeds from sales of assets of R1 944 624, agency services of R19 359, and interest on investment of R350 005. Accrued revenue for 2020/2021 financial year amount to R1 089 164 and is made up of proceeds from sales of assets of R941 302 and interest on investment of R147 862.

Staff Debtors amount to R36 480 relates to municipal employees that were awarded bursaries but could not complete their studies, as per the busary condition a debtor must be raised.

Over-payment to suppliers of R363 709 is due to duplication of payments.

##### Trade and other receivables past due but not impaired

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

1 month past due	271 002	27 670
2 months past due	166 043	37 764
3 months past due	4 150 683	10 865 975

### 4. Receivables from non exchange transactions

#### Gross balances

Statutory receivables - Rates	21 939 905	27 780 452
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#### Less: Allowance for impairment

Statutory receivables - Rates	(16 074 404)	(15 051 443)
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#### Net balance

Statutory receivables - Rates	5 865 501	12 729 009
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#### Statutory receivables - Rates

Current (0 -30 days)	3 188 197	337 345
31 - 60 days	229 447	338 085
61 - 90 days	228 318	410 107
91 - 120 days	225 124	327 071
121 - 365 and above	212 319	380 727
Above 365 days	17 636 677	25 924 189
	<b>21 720 082</b>	<b>27 717 524</b>

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>4. Receivables from non exchange transactions (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	75 200	-
31 - 60 days	21 600	-
61 - 90 days	17 800	-
91 - 120 days	35 600	-
121 - 365 days	31 000	35 616
	<b>181 200</b>	<b>35 616</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(15 051 443)	(13 467 048)
Contributions to allowance	(1 022 961)	(1 584 395)
	<b>(16 074 404)</b>	<b>(15 051 443)</b>

The difference between debtors age analysis and the Gross debtors is a result of debtors with credit balances, which is disclosed under trade and other payable as income received in advance.

### 5. VAT receivable

VAT	810 599	543 692
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VAT is accounted for on cash basis. VAT is paid to SARS only once payment is received from debtors.

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	19 501	21 023
Other cash and cash equivalents	3 586 267	16 938 256
Short-term deposits	100 060 475	94 601 197
	<b>103 666 243</b>	<b>111 560 476</b>

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022		2021	
<b>6. Cash and cash equivalents (continued)</b>				
<b>The municipality had the following bank accounts</b>				
Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
ABSA CALL ACCOUNT- 9123945833	534 711	1 255 333	534 711	1 255 333
ABSA CALL ACCOUNT - 93445892694	3 470 321	3 380 497	3 470 321	3 380 497
ABSA FIXED DEPOSITE - 2068130142	8 056 771	7 722 589	8 056 770	7 722 589
ABSA FIXED DEPOSITE- 2073633680	8 443 499	8 093 276	8 443 499	8 093 276
ABSA FIXED DEPOSITE - 2075383437	7 549 758	7 236 606	7 549 758	7 236 606
FIRST NATIONAL BANK CALL ACCOUNT - 62087920635	6 116 383	4 889 795	6 116 382	4 889 795
STANDARD BANK CALL ACCOUNT - 058681019001	3 133 561	2 088 541	3 133 560	2 088 541
STANDARD BANK RETAIL CALL ACCOUNT058681019011	4 349 085	4 183 831	4 349 085	4 183 831
STANDARD BANK FIXED DEPOSITE-58681019038	7 536 921	7 368 462	7 536 921	7 368 462
STANDARD BANK RETAIL CALL ACCUNT-058681019030	349 639	336 354	349 639	336 354
STANDARD BANK CALL ACCOUNT-058681019033	3 402 382	3 273 101	3 403 381	3 273 101
INVESTEC BANK CALL ACCOUNT-1100 463139502	2 259 726	702 583	2 259 726	702 583
INVESTEC BANK FIXED DEPOSIT ACCOUNT-1100463139453	14 959 461	14 670 520	14 959 461	14 670 520
INVESTEC BANK FIXED DEPOSIT-1100463139452	14 207 111	13 932 701	14 207 111	13 932 701
INVESTEC BANK CALL ACCOUNT-1100463139455	15 607 989	15 309 596	15 607 989	15 309 596
NED BANK CALL ACCOUNT37881149922001	18 395	96 068	18 395	96 068
NED BANK FIXED DEPOSIT-37881149922003	63 768	61 342	63 768	61 342
NEDBANK-MAIN BANK-1197441085	3 211 189	10 721 260	1 912 338	7 908 038
ABSA MAIN BANK-4079294191	2 920 342	10 276 053	1 673 927	9 029 259
FNB-MAIN BANK-62027922930	-	-	-	961
CASH ON HAND	19 501	21 023	19 501	21 023
<b>Total</b>	<b>106 210 513</b>	<b>115 619 531</b>	<b>103 666 243</b>	<b>111 560 476</b>

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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### 7. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	28 385 099	(9 053 113)	19 331 986	28 183 795	(7 946 734)	20 237 061
Motor vehicles	21 814 854	(6 356 382)	15 458 472	24 170 147	(7 396 356)	16 773 791
Infrastructure	242 278 515	(111 847 974)	130 430 541	222 590 688	(98 431 361)	124 159 327
Community	157 720 241	(48 375 390)	109 344 851	144 707 259	(42 505 007)	102 202 252
Other property, plant and equipment	46 400 288	(18 624 736)	27 775 552	43 521 548	(15 027 452)	28 494 096
Work in progress	129 933 246	-	129 933 246	92 680 587	-	92 680 587
<b>Total</b>	<b>626 532 243</b>	<b>(194 257 595)</b>	<b>432 274 648</b>	<b>555 854 024</b>	<b>(171 306 910)</b>	<b>384 547 114</b>

**Ndwedwe Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022  
**Notes to the Annual Financial Statements**

Figures in Rand

**7. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land and Buildings	20 237 061	201 304	-	-	(1 106 379)	-	19 331 986
Motor vehicles	16 773 791	3 467 898	(2 079 537)	-	(2 703 681)	-	15 458 472
Infrastructure	124 159 327	-	-	19 687 826	(8 913 541)	(4 503 071)	130 430 541
Community	102 202 252	296 500	-	12 716 482	(5 782 350)	(88 033)	109 344 851
Other property, plant and equipment	28 494 096	3 920 919	(333 640)	-	(4 305 818)	-	27 775 552
Work In Progress	92 680 587	69 656 944	-	(32 404 308)	-	-	129 933 246
	<b>384 547 114</b>	<b>77 543 565</b>	<b>(2 413 177)</b>	<b>(1)</b>	<b>(22 811 769)</b>	<b>(4 591 104)</b>	<b>432 274 648</b>



**Ndwedwe Local Municipality**  
Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

Figures in Rand

**7. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2021**

	Opening balance	Additions	Disposals	Transfers	Donation	Prior Period Adjustment	Depreciation	Impairment loss	Total
Buildings	21 095 531	244 400	-	-	-	-	(1 102 870)	-	20 237 061
Motor vehicles	9 540 667	8 655 975	(972 376)	-	1 511 191	-	(1 961 666)	-	16 773 791
Infrastructure	130 650 032	341 761	-	9 068 569	-	-	(12 378 273)	(3 522 762)	124 159 327
Community	94 580 628	298 802	-	12 360 674	-	(122 633)	(4 914 924)	(295)	102 202 252
Other property, plant and equipment	17 656 284	14 729 620	(343 742)	19 428	-	-	(3 567 494)	-	28 494 096
Work in Progress	64 990 349	49 138 908	-	(21 448 670)	-	-	-	-	92 680 587
	<b>338 513 491</b>	<b>73 409 466</b>	<b>(1 316 118)</b>	<b>1</b>	<b>1 511 191</b>	<b>(122 633)</b>	<b>(23 925 227)</b>	<b>(3 523 057)</b>	<b>384 547 114</b>

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 7. Property, plant and equipment (continued)

#### Pledged as security

The municipality had none of its assets pledged as security for the year ended 30 June 2022.

#### Other information

#### Property, plant and equipment fully depreciated and still in use

Community Assets, Number of assets is 44	3 553 620	3 361 393
Computer equipment, number of assets is 250	1 306 124	1 290 514
Furniture and office equipment, number of assets is 1059	1 896 711	1 896 711
Machinery and plant equipment, number of asset is 118	665 182	639 582
	<b>7 421 637</b>	<b>7 188 200</b>

The municipality has 1471 assets included in the Fixed Assets Register which have a net book value of zero. These assets are still in use by the municipality.

The municipality has determined that an appropriate estimate of the assets useful lives, residual value and depreciation methods was made based on the information available in the previous reporting period. The municipality intends to replace these assets in the next financial year and will therefore continue to measure these assets at a net book value of zero.

#### Reconciliation of Work-in-Progress 2022

	Infrastructure	Community	Other PPE	Total
Opening balance	34 045 214	58 586 976	48 400	92 680 590
Additions/capital expenditure	34 952 133	34 408 213	296 617	69 656 963
Transferred to completed items	(19 687 826)	(12 716 482)	-	(32 404 308)
	<b>49 309 521</b>	<b>80 278 707</b>	<b>345 017</b>	<b>129 933 245</b>

#### Reconciliation of Work-in-Progress 2021

	Infrastructure	Community	Other PPE	Total
Opening balance	6 161 644	58 828 707	-	64 990 351
Additions/capital expenditure	35 476 858	13 613 652	48 400	49 138 910
Transferred to completed items	(7 593 288)	(13 855 383)	-	(21 448 671)
	<b>34 045 214</b>	<b>58 586 976</b>	<b>48 400</b>	<b>92 680 590</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services: Maintenance of Furniture and Office Equipment	94 497	70 572
Contracted services: Buildings and Facilities	1 662 315	1 213 010
Contracted services: Maintenance of Other Assets	814 142	422 728
Contracted services: Maintenance of Vehicles	2 558 780	3 434 094
Contracted services: Maintenance of Roads	86 957	17 335 652
Contracted services: Maintenance of Computer Equipment	65 890	52 336
	<b>5 282 581</b>	<b>22 528 392</b>

The expenditure incurred to repair and maintain property, plant and equipment for the year ended 30 June 2022 is disclosed on note 24.

Included in property, plant and equipment are property that have been identified as taking significantly longer period of time to complete than expected, due to the following

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 7. Property, plant and equipment (continued)

#### Mangangeni CDC

The project was terminated due to failure by the contractor to execute the work in accordance with the contract. The Municipality will reappoint a contractor to complete the project.

#### Mangangeni Community Hall and Creche

The project was terminated due to failure by the contractor to execute the work in accordance with the contract. The Municipality will reappoint a contractor to complete the project.

#### Ndwedwe Water and Reticulation

The project is currently on hold due to the issues of funding

### 8. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	820 878	(784 147)	36 731	999 504	(860 086)	139 418

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	139 418	(103 539)	36 731

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	226 231	17 000	(103 813)	139 418

### 9. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	21 053	-	21 053	21 053	-	21 053

#### Reconciliation of heritage assets 2022

	Opening balance	Total
Mayoral Chain	21 053	21 053

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 9. Heritage assets (continued)

#### Reconciliation of heritage assets 2021

	Opening balance	Total
Mayoral Chain	21 053	21 053

### 10. Payables from exchange transactions

Trade payables	9 210 068	22 753 683
Payments received in advanced - debtors with credit balances	219 824	62 921
Retentions	7 547 114	4 626 496
Other payables	1 534 258	2 200 315
Accrued leave	5 819 969	6 093 956
Salary (13th Cheque)	1 740 396	1 627 439
Provision for backpay	2 000 000	-
	<b>28 071 629</b>	<b>37 364 810</b>

### 11. Payables from non-exchange transactions

Massification grant	5 000 000	-
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The municipality received this R5 million from the KZN Department of COGTA for electrification. The municipality acts as an agent in this regard. The amount was received towards the end of the financial year and KZN Department of COGTA for electrification applied for blanket roll-over of this amount to the 2022/23 financial year.

### 12. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Kwaloshe Tourism Project grant	97	97
Small Town Rehabilitation Grant	-	27 503
	<b>97</b>	<b>27 600</b>

#### Movement during the year

Balance at the beginning of the year	27 600	124 600
Additions during the year	62 643 000	42 642 000
Income recognition during the year	(62 670 503)	(42 739 000)
	<b>97</b>	<b>27 600</b>

#### Grant register June 2022

	Opening Balance	Received	Expenditure	Balance
Local Government Financial Management Grant (FMG)	-	3 000 000	(3 000 000)	-
KwaLoshe Tourism	97	-	-	97
Municipal Infrastructure Grant (MIG)	-	40 331 000	(40 331 000)	-
Integrated National Electrification Programme Grant (INEP)	-	16 900 000	(16 900 000)	-
Small Town Rehabilitation	27 503	-	(27 503)	-
Expanded Public Works Programme Integrated Grant	-	2 412 000	(2 412 000)	-
COGTA Massification	-	5 000 000	-	5 000 000
	<b>27 600</b>	<b>67 643 000</b>	<b>(62 670 503)</b>	<b>5 000 097</b>

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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### 12. Unspent conditional grants and receipts (continued)

The unspent amount in the grant register is made up of both note number 11 and 12 with amounts of R5 000 000 and R97 respectively.

### 13. Employee benefit obligation

#### Reconciliation of employee benefit obligation - 2022

	Opening Balance	Additions	Reversed during the year	Total
Long-service awards	3 173 000	-	(227 000)	2 946 000
Long-service awards (short-term)	127 000	691 000	-	818 000
	<b>3 300 000</b>	<b>691 000</b>	<b>(227 000)</b>	<b>3 764 000</b>

#### Reconciliation of employee benefit obligation - 2021

	Opening Balance	Additions	Utilised during the year	Total
Long service awards	2 559 000	614 000	-	3 173 000
Long-service awards (short-term)	235 000	-	(108 000)	127 000
	<b>2 794 000</b>	<b>614 000</b>	<b>(108 000)</b>	<b>3 300 000</b>

Non-current liabilities			2 946 000	3 173 000
Current liabilities			818 000	127 000
			<b>3 764 000</b>	<b>3 300 000</b>

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### Long Service Award Liability

#### Definition

Long service awards is the amount paid to employees who have been more than five years of continuous services and every five years. Provision is an estimate of the long service award based on historical staff turnover, taking into accounts management estimates of likelihood that staff may leave before long service become due. No other benefit are provided to employees.

The key financial and demographic assumptions are summarised below.

#### Key financial assumptions

The summary of the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year.

Assumptions	Value p.a.
Discount rate	11.16%
General Salary Inflation (long-term)	7.33%
Net effective discount rate	3.57%

The next general earnings increase was assumed to take place on 1 July 2023.

#### Key demographic assumptions

The summary of the key demographic assumptions used:

Assumptions	Indicator	Age	Female	Male
Average retirement age	62	-	- %	- %
Mortality during employment	SA 85-90	1	- %	- %
		20	9 %	9 %
		30	6 %	6 %
		40	5 %	5 %
Withdrawal from service		50	3 %	3 %
		55	- %	- %

### Result

#### Accrued Liability

The summary of the unfunded Accrued Liability as at 30 June 2022.

#### Unfunded Accrued Liability

Total accrued liability	3 764 000	3 300 000
Expected current portion of liability (due within 12 months)	127 000	818 000
Expected non-current portion of liability (due thereafter)	3 173 000	2 946 000

#### Reconciliation of unfunded accrued liability

Opening balance	3 300 000	2 794 000
Current - service cost	398 000	347 000
Interest cost	314 000	208 000
Actuarial (Gain)/ Loss	(121 000)	141 093
Employer benefit vesting	(127 000)	(190 093)
	<b>3 764 000</b>	<b>3 300 000</b>

#### Current-Service, Interest Costs and Actuarial Loss/(Gains)

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
The summary of the Current-service Cost and the Interest Cost for the current and next financial years, is reflected below. The actuarial loss/(gains) arise from three components: the effects of changes in net discount rates, membership and salaries.		
<b>Current-Service, Interest Costs and Actuarial Loss/(Gains)</b>		
Current-Service Cost	395 000	398 000
Interest Costs	376 000	314 000
<b>Reconciliation of liability - Balance Sheet</b>		
Opening balance	3 300 000	2 794 000
Current - service cost	398 000	347 000
Interest cost	314 000	208 000
Actuarial (Gain)/ loss Recognised in Profit & loss	(121 000)	141 093
Subtotal	3 891 000	3 490 093
Employer Benefits Vesting	(127 000)	(190 093)
<b>Closing balance</b>	<b>3 764 000</b>	<b>3 300 000</b>
Less: Current Portion of liability	(818 000)	(127 000)
Non - current portion of liability	2 946 000	3 173 000

(i) The Current-service Cost reflects the additional liability that is expected to accrue in respect of in-service members' service over the corresponding year.

(ii) The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit vestings, over the corresponding year. This arises because all future LSA benefits are one year closer to payment.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022				2021
<b>History of liabilities and assets</b>	30/06/2018	30/06/2019	30/06/2020	30/06/2021	30/06/2022
Accrued liability	1 416 000	2 533 000	2 794 000	3 300 000	3 764 000
Fair value of plan asset	-	-	-	-	-
<b>Surplus deficit</b>	<b>1 416 000</b>	<b>2 533 000</b>	<b>2 794 000</b>	<b>3 300 000</b>	<b>3 764 000</b>
<b>History of experience adjustments: (Gains) and Losses</b>	30/06/2018	30/06/2019	30/06/2020	30/06/2021	30/06/2022
Liabilities : (Gains) / Loss	92 623	322 562	131 327	207 093	(106 000)
Asset: Gain /(Loss)	-	-	-	-	-
	<b>92 623</b>	<b>322 562</b>	<b>131 327</b>	<b>207 093</b>	<b>(106 000)</b>

### 14. Other liability

This relates to unpaid unspent INEP grant. The municipality acts as an agent for the Department of Energy for the electrification projects that are within its jurisdictions. The conditions of the grant were fully met.

The grant is intended to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.

#### Description

Unspent INEP grant	324	324
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### 15. Service charges

Refuse removal	515 478	36 826
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### 16. Rental of facilities and equipment

Rental income from facilities and equipment	699 664	525 082
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### 17. Agency services

Agency Fee - Vehicles License renewal	19 359	-
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The municipality act as an agent of the Department of Transport for renewal of vehicle licenses, which is an agreement entered into during the current year. The municipality do not incur any expenses that relates to this arrangement as per the agreement.

Revenue recognised only related to the commission that the municipality is entitled to as per the agreement.

### 18. Licenses and Permits

Licences and permits	1 444	2 328
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### 19. Other Revenue

Insurance refund	738 273	372 217
Administrative and handling fee	182 813	218 360
Sale of Tender Documents	139 478	476 261
Skills Development Levy Refund	119 236	71 820
Clearance Certificates	5 000	4 957
Building Plan Approval	5 391	-
Hall Hire	3 478	2 522
Library Income	2 114	-
	<b>1 195 783</b>	<b>1 146 137</b>



# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>20. Interest received - Investment</b>		
<b>Interest revenue</b>		
Call accounts - Bank interest	5 111 996	5 547 973
The amount included in call accounts arising from exchange transactions amounted to R5 111 996 for 2021/22 and R5 547 973 for 2020/21 financial years -.		
<b>21. Decrease on leave accrued</b>		
Gain or loss on leave accrued	273 986	(1 117 564)
<b>22. Property rates</b>		
<b>Rates billed</b>		
Residential	309 292	309 804
Commercial	2 228 332	2 047 484
State	15 053 141	14 751 124
Municipal	-	1 831
Agriculture	2 218 483	1 891 454
Public Benefit Organisations	2 670	-
Vacant Land	27 219	-
Industrial Properties	39 920	39 140
Less: Income forgone	(1 233 207)	(1 188 222)
	<b>18 645 850</b>	<b>17 852 615</b>

Income forgone refers to rates rebates that the municipality grant qualifying customer per their categories in accordance with rates policy.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>22. Property rates (continued)</b>		
<b>Valuations</b>		
Residential	43 526 000	43 526 000
Commercial	76 325 000	76 325 000
Public Service Purpose	712 535 000	712 535 000
Agriculture	1 473 717 000	1 473 717 000
Vacant Land	2 625 000	2 625 000
Public Benefit Organisation	3 000 000	3 000 000
Industrial	3 000 000	3 000 000
Place of Worship	2 380 000	2 380 000
Public Service Infrastructure	2 034 000	2 034 000
	<b>2 319 142 000</b>	<b>2 319 142 000</b>
<b>Rates reconciliation:</b>		
Billing	18 645 850	17 889 442
Rates Received	(18 793 869)	(13 212 662)
	<b>(148 019)</b>	<b>4 676 780</b>

Rate Reconciliation	Market value	Exempt	After Exemption	Tariff	Amount	Income forgone
Residential	43 526 000	(17 485 000)	26 041 000	0,01067000	277 857	(6 776)
Commercial	76 325 000	(19 100 000)	57 225 000	0,03992000	2 284 422	(23 952)
Public Service Purpose	712 535 000	-	712 535 000	0,02127000	14 964 906	(1 135 058)
Agriculture	1 473 717 000	(1 077 964 000)	395 753 000	0,00267000	1 056 661	-
Vacant land	2 625 000	(1 306 000)	1 319 000	0,01067000	14 074	(67 421)
Public Benefit Organisation	3 000 000	-	3 000 000	0,00267000	8 010	-
Place of Worship	2 380 000	(2 380 000)	-	-	-	-
Industrial	3 000 000	(2 000 000)	1 000 000	0,03992000	39 920	-
Public Service Infrastructure	2 034 000	(2 034 000)	-	-	-	-
	<b>2 319 142 000</b>	<b>(1 122 269 000)</b>	<b>1 196 873 000</b>	<b>-</b>	<b>18 645 850</b>	<b>(1 233 207)</b>

The municipal valuations and property rates were firstly implemented with effect on 1 July 2009, second valuation was effective on 01 July 2014 and the third (current) valuation roll was effective on 1 July 2019 in terms of Municipal Rates Act.

Valuations on land and buildings are valid for four years.

Interim valuations are processed on a quarterly basis to take into account changes on individual property values due to alterations, consolidations, subdivisions and new township development. Various rates in the Rand were applied in accordance with categories determined in terms of the Municipal Property Rates Act.

Rebates applicable were applied in line with the municipal property rates policy. Rebates are levied on a monthly basis in terms of municipal rates policy and interest is charged on outstanding amounts as determined by the municipality in terms of rates policy and approved tariffs.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	165 366 000	188 001 000
EPWP	2 412 000	1 760 000
Financial Management Grant (FMG)	3 000 000	2 800 000
Library Computer Assistant	975 000	-
Kwaloshe Tourism Project	-	97 000
Provisionalisation of Library Grant	935 000	1 816 000
Small Towns Rehabilitation Grant	27 503	-
	<u>172 715 503</u>	<u>194 474 000</u>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	40 331 000	29 266 000
	<u>40 331 000</u>	<u>29 266 000</u>
	<b><u>213 046 503</u></b>	<b><u>223 740 000</u></b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Unconditional grants received	165 366 000	188 001 000
Conditional grants received	47 680 503	35 739 000
	<u>213 046 503</u>	<u>223 740 000</u>
<b>Equitable Share</b>		
Current-year receipts	165 366 000	188 001 000
Conditions met - transferred to revenue	(165 366 000)	(188 001 000)
	<u>-</u>	<u>-</u>
In terms of the Constitution, this grant is used for the operations of the municipality and to subsidise the provision of basic services to indigent community members.		
<b>Expanded Public Works Programme</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	2 412 000	1 760 000
Conditions met - transferred to revenue	(2 412 000)	(1 760 000)
	<u>-</u>	<u>-</u>
The grant is used to fund job creation initiatives in specific focus areas where labour intensive delivery methods can be measured. The conditions of the grant were fully met for the period under review.		
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	3 000 000	2 800 000
Conditions met - transferred to revenue	(3 000 000)	(2 800 000)
	<u>-</u>	<u>-</u>

The grant is used to assist the municipality to implement financial reforms as required by the MFMA. The conditions have been met for the period under review.

### Library Computer Assistant

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>23. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	975 000	-
Conditions met - transferred to revenue	(975 000)	-
	<u>-</u>	<u>-</u>

The grant is used for cyber cadets for the library. The conditions of the grant for the current year has been met.

### Kwaloshe Tourism Project

Balance unspent at beginning of year	-	97 000
Conditions met - transferred to revenue	-	(97 000)
	<u>-</u>	<u>-</u>

The grant is used for promotion of tourism within the municipality's jurisdiction. The conditions were fully met.

### Provisionalisation of Library Grant

Balance unspent at beginning of year	-	-
Current-year receipts	935 000	1 816 000
Conditions met - transferred to revenue	(935 000)	(1 816 000)
	<u>-</u>	<u>-</u>

### Small Towns Rehabilitation Grant

Balance unspent at beginning of year	27 503	27 503
Conditions met - transferred to revenue	(27 503)	-
	<u>-</u>	<u>27 503</u>

The grant was used to maintain the park situated in Ndwedwe town.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>24. Employee related costs</b>		
Basic	42 103 842	38 647 154
Bonus	2 865 075	2 615 258
Medical aid - company contributions	2 750 657	2 752 931
UIF	272 055	239 752
Retirement Annuity	593 201	558 459
Leave pay provision charge	1 096 701	671 853
Pension Funds	6 560 396	6 375 043
Overtime payments	-	308 477
Long-service awards	589 496	696 093
Travel, Motor car and other allowances	1 541 073	1 678 739
Housing benefits and allowances	230 518	232 447
Uniform allowances	494 404	556 750
	<b>59 097 418</b>	<b>55 332 956</b>
<b>Remuneration of Key management personnel</b>		
<b>Remuneration of Municipal Manager -MF HADEBE</b>		
Annual Remuneration	744 529	744 529
Car Allowance	248 176	248 176
Contributions to UIF, Medical and Pension Funds	2 125	1 813
Skills Development Levy	9 432	7 860
	<b>1 004 262</b>	<b>1 002 378</b>
<b>Remuneration of Chief Finance Officer - S Majola</b>		
Annual Remuneration	611 297	611 297
Car Allowance	203 765	203 766
Contributions to UIF, Medical and Pension Funds	2 125	1 813
Skills Development Levy	7 744	6 454
	<b>824 931</b>	<b>823 330</b>
<b>Remuneration of Director Technical Services - DH Mzolo</b>		
Annual Remuneration	554 020	555 704
Car Allowance	203 766	203 766
Contributions to UIF, Medical and Pension Funds	59 403	58 219
Skills Development Levy	7 744	6 459
	<b>824 933</b>	<b>824 148</b>
<b>Remuneration of Director Corporate Services - MG Ntuli</b>		
Annual Remuneration	-	468 163
Car Allowance	-	169 805
Contributions to UIF, Medical and Pension Funds	-	42 738
Skills Development Levy	-	5 163
	-	<b>685 869</b>
Director Corporate Service resigned during 2021 financial year.		
<b>Remuneration of Director Economic Development and Planning - SDG Khuzwayo</b>		
Annual Remuneration	581 594	590 007
Car Allowance	203 766	203 766
Contributions to UIF, Medical and Pension Funds	31 829	23 103

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>24. Employee related costs (continued)</b>		
Skills Development Levy	7 744	6 454
	<b>824 933</b>	<b>823 330</b>
<b>Remuneration of Director Community Services-MRS PP Mbonambi</b>		
Annual Remuneration	611 297	432 082
Car Allowance	203 766	144 027
Contributions to UIF, Medical and Pension Funds	2 125	1 367
Skills Development Levy	7 744	5 474
	<b>824 932</b>	<b>582 950</b>
The difference of R40 408 between the statement of financial performance and the note is as a result of SDL which is disclosed separately under general expenditure in-line with MSCOA Chart.		
<b>25. Remuneration of councillors</b>		
<b>Mayor from July to November: NV Chili</b>		
Salary	290 097	821 479
Travel Allowance	14 419	40 800
Medical Aid	16 770	39 380
	<b>321 286</b>	<b>901 659</b>
<b>Mayor from November to June : SZ Mfeka</b>		
Salary	532 426	-
Travel Allowance	27 241	-
Medical Aid	26 744	-
	<b>586 411</b>	-
<b>Deputy Mayor : ZS Thoolsi</b>		
Salary	554 580	99 810
Travel allowance	40 841	6 800
Pension	88 982	14 971
	<b>684 403</b>	<b>121 581</b>
<b>Speaker from July to November : GK Ngidi</b>		
Salary	223 283	633 095
Travel Allowance	13 600	40 800
Medical Aid	19 092	56 270
	<b>255 975</b>	<b>730 165</b>
<b>Speaker from November to June: RM Cele</b>		
Salary	384 379	-
Travel Allowance	27 241	-
Medical Aid	12 529	-
Pension Fund	61 267	-
	<b>485 416</b>	-

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>25. Remuneration of councillors (continued)</b>		
<b>Executive Committee Members and Other Councillors</b>		
Salaries	8 871 547	9 695 361
Travel and subsistence	92 193	1 200 537
Telephone allowance	1 376 469	1 394 000
Backpay	611 037	-
Pension	268 268	557 287
Medical aid	196 806	255 524
Subsistence and travel	840 390	-
SDL	128 788	118 180
	<b>12 385 498</b>	<b>13 220 889</b>
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker and Chairpersons of the portfolio Committee Members are full-time. Each is provided with an office. The Mayor and Speaker are provided with secretarial support at the cost of the Council.		
The Mayor, Speaker and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.		
The Mayor has four full-time bodyguards, Deputy Mayor has two full time bodyguards and Speaker have four full-time bodyguards.		
<b>26. Depreciation and amortisation</b>		
Property, plant and equipment	22 811 770	24 047 860
Intangible assets	103 148	103 813
	<b>22 914 918</b>	<b>24 151 673</b>
<b>27. Impairment Loss</b>		
Community Asset	88 034	295
Infrastructure	4 503 071	3 522 762
	<b>4 591 105</b>	<b>3 523 057</b>
<b>28. Debt impairment</b>		
Contributions to debt impairment provision	1 022 961	1 584 386
<b>29. Lease rentals on operational lease</b>		
Operating lease payments	1 183 221	687 511
<b>Operating Lease as a Lessee</b>		
Minimum lease payments within one year	1 619 341	-
In second to fifth year inclusive	1 359 451	-
	<b>2 978 792</b>	<b>-</b>
<b>30. Bad debts written off</b>		
Bad debts written off	6 733 144	-

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>31. Contracted services</b>		
<b>Outsourced Services</b>		
Administrative and Support Staff	1 950 313	2 435 787
Hire Charges	2 368 453	7 325 958
Call Centre	1 115 082	945 346
Cleaning Services	212 000	87 800
Clearing and Grass Cutting Services	27 503	-
Hygiene Services	1 514 470	989 535
Internal Auditors	735 734	493 455
Personnel and Labour	16 087	17 500
Professional Staff	524 898	198 000
Refuse Removal	1 073 006	1 206 783
Researcher	321 027	530 600
Security Services	9 007 606	5 254 722
Sewerage Services	28 600	7 826
Transport Services	2 750 600	1 816 700
Drivers Licence Cards	347 580	393 310
<b>Consultants and Professional Services</b>		
Business and Advisory	17 023 289	12 528 908
<b>Contractors</b>		
Artists and Performers	115 385	198 000
Audio-visual Services	265 935	435 151
Bore Waterhole Drilling	190 000	387 550
Catering Services	2 616 546	1 811 178
Event Promoters	1 084 430	-
Gardening Services	240 376	441 291
Graphic Designers	324 200	351 260
Maintenance of Furniture and Office Equipment	94 497	70 572
Maintenance of Buildings and Facilities	1 662 315	1 213 010
Maintenance of Other Assets	814 142	422 728
Maintenance of vehicles	2 558 780	3 434 094
Maintenance of Roads	86 957	17 335 652
Maintenance of Computer Equipment	65 890	52 336
Medical Services	2 609	3 000
Safeguard and Security	199 500	806 256
	<b>49 337 810</b>	<b>61 194 308</b>
<b>32. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Study bursaries	1 272 566	1 019 823
Free basic services	622 366	693 399
Food distribution covid 19 respond	-	4 980 000
Dress achild covid 19 respond	-	1 067 003
Social relief	1 615 223	784 927
Cooperatives development covid 19 respond	-	2 874 797
Indigent burial services	1 218 000	1 041 000
Electrification of households	-	596 340
Type 2 eletrification (ward 1-19)	174 207	2 027 961
	<b>4 902 362</b>	<b>15 085 250</b>



# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>33. General expenses</b>		
Advertising	886 623	799 232
Auditors remuneration	1 319 756	1 547 752
Bank charges	142 882	177 670
Covid 19 Expenses	-	985 700
Consumables	664 995	608 540
Conference and seminars	54 024	17 094
Consulting and professional fees	45 384	700 000
Gifts and promotional items	1 629 966	3 068 386
Bargaining	15 181	15 018
Council committee	2 271 450	3 373 150
Electricity	1 573 496	1 418 663
Entertainment	1 682 342	552 445
Fines and penalties	2 883	2 896
Fuel and oil	3 577 297	2 701 980
Insurance	1 899 835	1 406 192
Marketing	2 841 705	4 433 050
Motor vehicle expenses	335 614	431 314
Workmen's compensation fund	322 682	561 440
Study Assistance	458 658	223 568
Postage and courier	5 107	2 450
Printing and stationery	1 722 450	1 249 522
Skills Development	478 981	399 777
Software expenses	2 050 558	2 512 100
Subscriptions and membership fees	499 607	845 262
Telephone and fax	2 392 751	2 273 777
Tourism development	180 000	-
Travel - local	4 457 516	2 217 217
Uniforms	979 165	1 168 231
	<b>32 490 908</b>	<b>33 692 426</b>
<b>34. Cash generated from operations</b>		
Surplus	38 899 853	34 691 805
<b>Adjustments for:</b>		
Depreciation and amortisation	22 914 918	24 151 673
Gain / Loss on sale of assets and liabilities	468 944	225 819
Increase /Decrease in Leave Accrual	(273 986)	1 117 564
Impairment of Assets	4 591 105	3 523 057
Debt impairment	1 022 961	1 584 386
Bad debts written off	6 733 144	-
Movements in provisions	464 000	(506 000)
Other non- cash items	(54)	(778 000)
	-	(1 526 842)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(1 909 585)	(513 198)
Consumer debtors	-	(4 088 076)
Other receivables from non-exchange transactions	6 863 508	-
Decrease in leave provision	273 986	-
Payables from exchange transactions	(9 293 181)	19 345 338
VAT	(266 907)	(2 413 644)
Payables from (non exchange)	5 000 000	-
Unspent conditional grants and receipts	(27 503)	97 000
Debt impairment	(1 022 961)	-
Bad debts written off	(6 733 144)	-
	<b>67 705 098</b>	<b>74 910 882</b>

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>35. Commitments</b>		
<b>Authorised expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Capital Commitment	54 491 733	11 733 693
• Operational Commitments	33 508 463	26 617 986
	<b>88 000 196</b>	<b>38 351 679</b>
<b>Total commitments</b>		
Authorised expenditure	88 000 196	38 351 679

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 36. Related parties

#### Remuneration of key management

##### Councillors

2022	Basic salary	Total
Councillors	14 718 989	14 718 989

2021	Basic salary	Total
Councillors	15 399 830	15 399 830

There were related party transactions in the current financial year. The two related party transactions were the municipalities councillors and s57 employees as per GRAP 20.

#### Remuneration of management

##### Executive management

##### 2022

Name	Basic salary	Post-employment benefits	Total
Municipal Manager- MF Hadebe	744 529	259 734	1 004 263
Chief Financial officer-S Majola	611 297	213 636	824 933
Director Technical Services -DH Mzolo	554 020	270 913	824 933
Director Local Economical Development and Planning-SDG Khuzwayo	581 594	243 339	824 933
Director Community Service - PP Mbonambi	611 297	213 636	824 933
	<b>3 102 737</b>	<b>1 201 258</b>	<b>4 303 995</b>

##### 2021

Name	Basic salary	Post-employment benefits	Total
Municipal Manager- MF Hadebe	744 529	257 849	1 002 378
Chief Financial officer-S Majola	611 297	212 033	823 330
Director Technical Services -DH Mzolo	555 704	268 444	824 148
Director Local and Economical Development-SDG Khuzwayo	590 007	233 323	823 330
Director Corporate Services - MG Ntuli	468 163	217 706	685 869
Director Community Service - PP Mbonambi	432 082	150 868	582 950
	<b>3 401 782</b>	<b>1 340 223</b>	<b>4 742 005</b>

##### Related party transactions

K2016484930 (South Africa)	-	42 750
Amandla Ongabonwa Investments	-	45 410
Thobazatee	-	27 900
Isiphiwo	-	6 800
	<b>-</b>	<b>122 860</b>

1. K2016484930 (South africa) relates to MR BM Ngcobo (Library assistant)(Partner).

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 36. Related parties (continued)

2. Amandla Ongabonwa investment cc relates TP Nkwakhwa (VIP Protectors and Drivers).(associates).

3.Thobazatee relates Ms FP Nkosi (Receptionist)(associate).

4. Isiphiwo sika Gogo relates to MS MK Nkosi (Councillor)(associates).

There are no related party transactions that has occurred in the current financial year.

### 37. Contingencies

Litigation is in the process against the municipality relating to a dispute with a service provider who alleges that the municipality has infringed patents and is seeking damages of . The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Litigation is in process against the municipality that occurred in during the financial year were as follows:

Litigations	Nature of Litigation	2022	2021
PALISADE CONCRETE	rendering of fencing services - Matter finalised	-	772 110
AFRICAN DIRECTORY SERVICES	bogus advertising company	83 784	83 784
MNTUNGAKHOHLWA MNGADI	relinquish of property	30 000	30 000
NGONYAMA TRUST BOARD	Transfer or ownership of land	-	-
ESICONGWENI	Breach of contract	-	-
SAMWU		1 200 000	1 200 000
MISS K MAPIPA	Financial misconduct allegations	150 000	962 282
Miss N Mbambo	Breach of municipal code of conduct - Matter finalised	-	110 055
DR MG Ntuli	Breach of municipal code of conduct	40 000	432 101
Various -Employees under SAMWU Union	Breach of municipal code of conduct	500 000	441 303
Ndwedwe Municipality LLF training	Breach of municipal code of conduct	250 125	250 125
Strike at Ndwedwe Municipality	Breach of municipal code of conduct - Finalised	-	300 000
		<b>2 253 909</b>	<b>4 581 760</b>

The NGONYAMA TRUST BOARD and ESICONGWENI were previous cases that rolled over to the current financial year, however there was no monetary valued attached to Ngonyama Trust Board.

AFRICAN DIRECTORY SERVICES and MNTUNGAKHOHLWA MNGADI are previous years litigation cases, however no monetary value was assigned for these cases in the current year.

Miss K Mapipa in progress ,delays are caused by defendant medical and other legal contestation.

Dr MG Ntuli in progress matter is sill in court

Various - Employees under SAMWU in progress matter is in court.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 38. Financial instruments disclosure

#### Categories of financial instruments

2022

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	4 188 238	4 188 238
Consumer debtors	5 865 501	5 865 501
Cash and cash equivalents	103 666 243	103 666 243
VAT	810 599	810 599
	<b>114 530 581</b>	<b>114 530 581</b>

In accordance with GRAP 104.3 the financial assets of the municipality were classified as above.

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	28 071 629	28 071 629

2021

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2 278 653	2 278 653
Consumer debtors	12 729 009	12 729 009
Bank balance	111 560 476	111 560 476
VAT	543 692	543 692
	<b>127 111 830</b>	<b>127 111 830</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	37 364 810	37 364 810

### 39. Risk management

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 39. Risk management (continued)

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2022	2021
Consumer Debtors	5 865 501	12 729 009
Cash and cash equivalent	103 666 243	111 560 476
Trade and other receivables from exchange transactions	4 188 238	2 278 653

#### Interest rate risk

The municipality's exposure to interest rate risk results from changes in investments as a result of changes in interest rates.

### 40. Going concern

We draw attention to the fact that as at 30 June 2022, the municipality had accumulated surplus of 510 026 537 and that the municipality's total assets exceed its liabilities by 510 384 256.

The table below shows that the Municipality is liquid and will meet all its financial liabilities with the cash and cash equivalents on hand.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>40. Going concern (continued)</b>		
<b>Cash to settle total liabilities</b>		
Total Non-Current Liabilities	(2 946 324)	(3 173 324)
Total Current Liabilities	(33 889 726)	(37 519 410)
Cash and Cash Equivalents	103 666 243	111 560 476
	<b>66 830 193</b>	<b>70 867 742</b>
<b>Add: Grants to be received in 2022/23 financial year</b>		
Equitable share	181 613 000	165 366 000
Financial Management Grant	3 100 000	3 000 000
Municipal Infrastructure Grant	33 627 000	31 331 000
Library Grant	2 004 000	1 910 000
Intergrated National Electrification Programme	10 000 000	9 100 000
Expanded Public Works Programme	2 277 000	2 412 000
Municipal Employment Initiatives	1 000 000	-
Disaster Management Programme	3 000 000	-
Electrification Programme	5 000 000	-
	<b>241 621 000</b>	<b>213 119 000</b>
<b>Revenue expected to be generated by the municipality in 2022/23</b>		
Property rates	12 519 000	12 244 000
Refuse collection	500 000	100 000
Other income	1 070 000	556 000
Rent income	1 397 000	533 000
Investment income	4 994 000	6 500 000
	<b>20 480 000</b>	<b>19 933 000</b>
<b>Total cash and cash equivalent available for 2022/23</b>		
Total revenue (grants to be received and revenue expected)	262 101 000	233 052 000
Add: Cash at the beginning of the year	67 279 614	70 850 398
	<b>329 380 614</b>	<b>303 902 398</b>
<b>Total Budgeted Cost 2022/23</b>		
Budgeted operating expenditure 2022/23	218 534 000	200 075 770
Budgeted capital expenditure 2022/23	78 450 000	82 661 760
	<b>296 984 000</b>	<b>282 737 530</b>
<b>Commitments for 2022/23 financial year</b>		
Total cash and cash equivalents available for 2022/23	329 380 614	303 902 398
Cash and cash equivalent available after settling all commitments for 2022/23	(296 984 000)	(282 737 530)
	<b>32 396 614</b>	<b>21 164 868</b>

According to the assessment above the municipality will have R66 830 193 in Cash and Cash equivalents after settling its total liabilities as at the end of 30 June 2022. For 2022/23 financial year the municipality will have R262 101 000 total revenue, made up by R241 621 000 (total grants) and R20 480 000 total (internal revenue). It must be noted that this own revenue is the amount expected to be collected and not the amount billed. The assumption of the amount to be collected is based on historical information.

The total commitments for 2022/23 financial year are R296 984 000, made up by R218 534 000 for OPEX and R78 450 000 for CAPEX as shown above.

Total cash and cash equivalent to be received for 2022/23 financial year as R329 380 614 when you subtract the 2022/23 commitments the municipality will remain with R32 396 614 in its cash and cash equivalents. This therefore means that the municipality is liquid and it will continue exist at least for the next 12 months.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022                      2021

### 41. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	455 696	818 280
Amount paid - current year	(455 696)	(818 280)
	<u>-</u>	<u>-</u>

#### Audit fees

Current year subscription / fee	1 319 756	1 547 752
Amount paid - current year	(1 319 756)	(1 547 752)
	<u>-</u>	<u>-</u>

#### PAYE and UIF

Current year subscription / fee	11 919 498	11 453 635
Amount paid - current year	(11 919 498)	(11 453 635)
	<u>-</u>	<u>-</u>

#### Pension and Medical Aid Deductions

Current year subscription / fee	15 743 358	14 376 441
Amount paid - current year	(15 743 358)	(14 376 441)
	<u>-</u>	<u>-</u>

#### VAT

VAT receivable	810 599	543 692
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VAT output payables and VAT input receivables are shown in note 5.

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

### 42. Irregular expenditure

Opening balance	69 541 125	69 541 125
Less: Irregular expenditure written off	(12 858 330)	-
	<u>56 682 795</u>	<u>69 541 125</u>

None of irregular expenditure was incurred in the current year. There has been an adjustment to opening balance refer to correction of error note.

### 43. Unauthorised expenditure

Opening balance	7 271 267	7 271 267
-----------------	-----------	-----------

No unauthorised expenditure was incurred in the current financial year.

The unauthorised expenditure is mainly attributed to the transaction related to depreciation and amortization, impairment loss and debt impairment. The report has been tabled to MPAC and is awaiting for Council decision to write off.



# Ndwedwe Local Municipality

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## Notes to the Annual Financial Statements

	2022	2021 Restated*
<b>44. Fruitless and wasteful expenditure</b>		
Opening balance	4 899 795	4 896 899
Add: Current year additions	2 085	2 896
	<b>4 901 880</b>	<b>4 899 795</b>

The fruitless and wasteful expenditure relates to the consultants and contractor payments arising from an investigation, the matter is still within the MPAC process. It also relates to penalties charged on late Eskom payment however discussion between the Eskom and municipality is ongoing to resolve this matter.

### 45. Deviation from supply chain management regulations

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

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

The municipality did not incur any deviation from supply chain processes.

# Ndwedwe Local Municipality

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## Notes to the Annual Financial Statements

2022

2021  
Restated\*

### 46. Prior period errors

The following adjustments were made to amounts previously reported in the annual financial statements,

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

#### Statement of financial position

	Previously reported	Adjustment	Restated balance
Trade receivables from exchange	2 243 037	35 616	2 278 653
Trade receivables from non exchange	12 764 624	(35 616)	12 729 008
Trade payables from exchange : Other payables	2 200 703	(388)	2 200 315
VAT Receivable	544 079	(388)	543 691
Trade Payables from Exchange: Trade Creditors	22 770 639	(16 960)	22 753 679
Accumulated depreciation Community asset	42 382 374	122 633	42 505 007

#### Statement of financial performance

	Previously reported	Adjustments	Restated balance
Property rates	17 889 442	(36 826)	17 852 616
Service charges	-	36 826	36 826
Repairs and maintenance	22 457 821	18 236	22 476 057
General expense	87 531 122	(18 236)	87 512 886
Licence and permit	-	2 328	2 328
Other income	1 148 464	(2 328)	1 146 136
General Expenses: COVID 19	1 135 708	(15 950)	1 119 758
Disaster Management	785 937	(1 010)	784 927
Depreciation community Asset	24 029 040	122 633	24 151 673
	<b>154 977 534</b>	<b>105 673</b>	<b>155 083 207</b>

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022	2021 Restated*
<b>46. Prior period errors (continued)</b>		
<b>Repairs and maintenance Reconciliation</b>		
	<b>Previously reported</b>	<b>Adjustments</b>
		<b>Restated balance</b>
Community Buildings	1 470 193	(257 183)
Vehicles	165 545	(165 545)
Roads	3 434 094	-
Other Assets	17 335 653	-
Furniture and Office Equipment	52 336	370 392
	-	70 572
	<b>22 457 821</b>	<b>18 236</b>
		<b>22 476 057</b>
<b>Irregular Expenditure correction of error Note -2019 FY</b>		
	<b>Previously reported</b>	<b>Adjustments</b>
		<b>Restated balance</b>
Movements - 2018/19	31 632 862	(1 218 519)
		30 414 343
<b>Irregular Expenditure correction of error Note -2020 FY</b>		
	<b>Previously reported</b>	<b>Adjustments</b>
		<b>Restated balance</b>
Opening balance - 2020	76 707 341	10 000 000
		86 707 341
<b>Irregular Expenditure correction of error Note -2021 FY</b>		
	<b>Previously reported</b>	<b>Adjustments</b>
		<b>Restated balance</b>
Opening balance - 2021	60 759 644	10 000 000
		70 759 644
<b>Property Rates Note</b>		
	<b>Previously reported</b>	<b>Adjustments</b>
		<b>Restated balance</b>
Residential	309 804	-
Commercial	2 086 624	(39 140)
State	14 787 951	(36 827)
Municipal	1 831	-
Agriculture	1 891 454	-
Industrial Properties	-	39 140
Less: Income forgone	(1 188 222)	-
	<b>17 889 442</b>	<b>(36 827)</b>
		<b>17 852 615</b>

The effect of the prior year adjustments for R16 960 arose as a result of a purchase order that was captured but not cancelled at year end June 2021.

There was omission in irregular expenditure by R10 million on opening balance for 2021. The irregular expenditure that was recognised in 18/19 financial was more by R1 218 519. Refer to note 42.

### 47. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 47. Comparative figures (continued)

#### Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
General expense	87 531 122	(53 770 409)	33 760 713
Repairs and maintenance	22 457 821	(22 457 821)	-
Contracted services	-	61 141 971	61 141 971
Transfer and subsidy	-	15 086 259	15 086 259
<b>Total</b>	<b>109 988 943</b>	<b>-</b>	<b>109 988 943</b>

### 48. Events after the reporting date

The supplier that the municipality over paid by R98 495 during the 2022 financial year refunded the municipality in July 2022.

The municipality implementent circular number MGA 14 of 2022 and MF circular no.6 of 2021 for backpay of councillors inline with upper limits guide lines.

The municipality took a resolution to back pay an employee on parity of salary within the same reporting line which affected the stores clerk.

### 49. Covid 19 Expenditure

Training of youth for Covid 19 programmes	-	1 500 000
Staff PPE Covid 19	14 776	150 008
Sanitisation of office building for Covid 19	212 000	87 800
Burial assistance Covid 19	-	662 000
Community and awareness campaigns	-	985 700
Feeding of homeless/Food distribution	-	4 980 000
Cooperatives development Covid	-	2 874 797
Ward commitee training Covid 19	-	999 970
Sanitisation of community spaces Covid 19	-	726 737
Dress A Child Covid 19	-	1 067 003
Repairs of roads	-	14 186 338
	<b>226 776</b>	<b>28 220 353</b>

#### Reconciliation of Covid 19 Expenditure

Covid 19 expenditure included with general expenditure note	226 776	14 034 016
Covid 19 expenditure included within Repairs and maintenance note	-	14 186 338
	<b>226 776</b>	<b>28 220 354</b>

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**Notes to the Annual Financial Statements**

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**50. Segment information**

**Segment surplus or deficit, assets and liabilities**

2022

	Community Hall, Sports Grounds and Roads	Youth Development	Waste management	Social Cohesion	Economic Development and Town Planning	Disaster Management and Fire Fighting	Sport and Recreation	Libraries and Archives	Unallocated Segments	Total
<b>Revenue</b>										
Revenue from non- exchange transactions	-	-	-	-	-	-	-	1 909 999	230 897 507	232 807 506
Revenue from exchange transactions	-	-	515 477	27 502	97 000	-	-	2 113	7 175 618	7 817 710
<b>Total segment revenue</b>	-	-	<b>515 477</b>	<b>27 502</b>	<b>97 000</b>	-	-	<b>1 912 112</b>	<b>238 073 125</b>	<b>240 625 216</b>
<b>Entity's revenue</b>	<b>240 625 216</b>									
<b>Expenditure</b>										
Salaries and wages	7 939 074	11 572 387	-	-	5 860 603	-	-	1 892 048	36 096 889	63 361 001
Other expenses	1 491 717	15 317 720	1 388 805	3 195 413	3 513 003	1 615 223	3 082 975	148 770	108 610 736	138 364 362
<b>Total segment expenditure</b>	<b>9 430 791</b>	<b>26 890 107</b>	<b>1 388 805</b>	<b>3 195 413</b>	<b>9 373 606</b>	<b>1 615 223</b>	<b>3 082 975</b>	<b>2 040 818</b>	<b>144 707 625</b>	<b>201 725 363</b>
<b>Total segmental surplus/(deficit)</b>	<b>38 899 853</b>									

**Assets**

Segment assets	-	-	-	-	-	-	-	-	546 863 013	546 863 013
<b>Total assets as per Statement of financial Position</b>	<b>546 863 013</b>									

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**50. Segment information (continued)**

<b>Liabilities</b>				
Segment liabilities	-	-	-	36 836 050
<b>Other information</b>				
Other information				
Equity				510 026 963
<b>Total equity and liabilities as per Statement of financial Position</b>				<b>546 863 013</b>

For management purposes, the municipality is organised and operates in four 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. Costs relating to the governance and administration of the municipality are not allocated to these business units.

There are eight key business units comprise of the following:

- Waste management;
- Economic Development and Town Planning;
- Libraries and Archives;
- Community Hall, Sports Grounds and Roads;
- Youth Development;
- Social Cohesion;
- Disaster Management and Fire Fighting;
- Sport and Recreation;

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered. Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost-effective manner.

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**50. Segment information (continued)**

2021

	Community hall,Sports Grounds and Roads	Youth Development	Waste Management	Social Cohesion	Economic Development and Town Planning	Disaster Management and fire Fighting	Sport and Recreation	Libraries and Archives	Unallocated Segments	Total
<b>Revenue</b>										
Revenue from non- exchange transactions	-	-	-	-	97 000	-	-	1 816 000	247 804 180	249 717 180
Revenue from exchange transactions	-	-	36 826	-	-	-	-	-	1 636 720	1 673 546
<b>Total segment revenue</b>	<b>-</b>	<b>-</b>	<b>36 826</b>	<b>-</b>	<b>97 000</b>	<b>-</b>	<b>-</b>	<b>1 816 000</b>	<b>249 440 900</b>	<b>251 390 726</b>
<b>Entity's revenue</b>										<b>251 390 726</b>
<b>Expenditure</b>										
Salaries and wages	-	11 402 309	-	-	-	5 697 321	-	2 411 535	55 925 732	75 436 897
Other expenses	-	19 694 381	1 206 783	2 103 621	7 035 120	2 285 937	2 130 547	108 436	82 545 526	117 110 351
Depreciation and amortisation	-	-	-	-	-	-	-	-	24 151 673	24 151 673
<b>Total segment expenditure</b>	<b>-</b>	<b>31 096 690</b>	<b>1 206 783</b>	<b>2 103 621</b>	<b>7 035 120</b>	<b>7 983 258</b>	<b>2 130 547</b>	<b>2 519 971</b>	<b>162 622 931</b>	<b>216 698 921</b>
<b>Total segmental surplus/(deficit)</b>										<b>34 691 805</b>

<b>Assets</b>	
Segment assets	-
<b>Total assets as per Statement of financial Position</b>	<b>511 819 415</b>
	<b>511 819 415</b>

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	Community hall, Sports Grounds and Roads	Youth Development	Waste Management	Social Cohesion	Economic Development and Town Planning	Disaster Management and fire Fighting	Sport and Recreation	Libraries and Archives	Unallocated Segments	Total
<b>50. Segment information (continued)</b>										
<b>Liabilities</b>										
Segment liabilities	-	-	-	-	-	-	-	-	(471 126 681)	(471 126 681)
Unallocated Liabilities	-	-	-	-	-	-	-	-	(40 692 734)	(40 692 734)
Capital expenditure	48 159 512	336 282	-	-	381 955	-	-	-	24 501 765	73 379 514
<b>Total segment liabilities</b>	<b>48 159 512</b>	<b>336 282</b>	<b>-</b>	<b>-</b>	<b>381 955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(487 317 650)</b>	<b>(438 439 901)</b>
<b>Total liabilities as per Statement of financial Position</b>										<b>(438 439 901)</b>