

Ndwedwe Local Municipality
Annual financial statements
for the year ended 30 June 2023

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Mayoral committee

Mayor and Councillors

SZ Mfeka (Mayor and Ward Councillor 8)
ZS Thoolsi (Deputy Mayor)
RM Cele (Speaker and Ward Councillor 3)
NN Ntetha (Ward Councillor 7 Executive Committee Member)
GK Ngidi(Executive Committee Member)
M Makhanya (Party Representative and Executive Committee Member)
RT Nkwanyana (Party Representative and Executive Committee)
PS Shezi (Ward Councillor 15 and Executive Committee Member)
NDC Maphumulo (Ward Councillor 2)
MM Khuzwayo (Ward Councillor 4 and MPAC Chairperson 01/07/2022 - 27/10/2022) Whip 27/10/2022
TP Nkwakha (Ward Councillor 5)
SE Dlala (Ward Councillor 6 and Whip 01/07/2022 -27/10/22)
S Mhlongo (Ward Councillor 1)
NC Chamane (Ward Councillor 9)
ZW Khoza (Ward Councillor 10 and MPAC Chairperson 31/01/2023)
M Mthethwa (Ward Councillor 11)
LM Ndlovu (Ward Councillor 12)
CS Mbele (Ward Councillor 13)
ZP Ngwane (Ward Councillor 14)
ES Khuzwayo (Ward Councillor 16)
SS Bhengu (Ward Councillor 17)
LS Moahloli (Ward Councillor 18)
RS Hlophe (Ward Councillor 19)
NP Simelane (Party Representative)
ML Sibiya (Party Representative)
NF Makhanya (Party Representative)
M Shangase (Party Representative)
T Khuzwayo (Party Representative)
J Luthuli (Party Representative)
SB Sibiya (Party Representative)
ZP Magwaza (Party Representative)
VC Shangase (Party Representative)
SM Sishi (Party Representative)
NY Mlotshwa (Party Representative)
MV Phewa (Party Representative)
PH Ngobese (Party Representative)
EB Ntuli (Party Representative)

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Accounting Officer	Mr SDG Khuzwayo
Grading of local authority	Level 1
Auditors	The Auditor General of South Africa
Bankers	Nedbank Verulam Branch
Registered office	Ndwedwe Local Municipality P100 Ndwedwe 4342
Postal address	Private Bag X503 Ndwedwe 4342
Nature of business and principal activities	Provision of services including refuse removal to communities within the jurisdiction of the local municipality
Legal representative	Miss K Mapipa (she was suspended during 2022/2023 financial year)

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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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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Abbreviations used:

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
SDL	Skills Development Levy
ABSA	Amalgamated Banks of South Africa
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

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Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that 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.

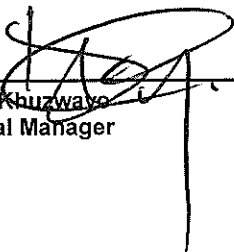
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal 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 2024 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 to 75, 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 Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 29 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 2023 and were signed on its behalf by:



Mr SDG Khuzwayo
Municipal Manager

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Notes	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	330 345	-
Receivables from exchange transactions	4	2 505 384	4 188 238
Receivables from non-exchange transactions	5&6	11 147 519	5 865 501
Cash and cash equivalents	7	80 357 289	103 666 243
		94 340 537	113 719 982
Non-Current Assets			
Property, plant and equipment	8	483 394 278	444 132 916
Intangible assets	9	25 836	36 731
Heritage assets	10	21 053	21 053
		483 441 167	444 190 700
Total Assets		577 781 704	557 910 682
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	17 676 817	28 071 629
Payables from non-exchange transactions	12	120 474	5 000 000
Unspent conditional grants and receipts	13	575	97
VAT payable	14	8 181 843	4 686 021
Employee benefit obligation	15	349 000	818 000
		26 328 709	38 575 747
Non-Current Liabilities			
Employee benefit obligation	15	3 365 000	2 946 000
Other liability	16	324	324
		3 365 324	2 946 324
Total Liabilities		29 694 033	41 522 071
Net Assets		548 087 671	516 388 611
Accumulated surplus		548 088 112	516 388 185
Total Net Assets		548 088 112	516 388 185

* See Note 53

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Notes	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	579 998	515 478
Rental of facilities and equipment	18	682 124	699 664
Agency services	19	157 363	19 359
Licenses and permits	20	30 906	1 444
Other income	21	1 020 092	1 195 783
Interest received - investment	22	8 254 288	5 111 996
Decrease on leave accrued	23	-	273 986
Total revenue from exchange transactions		10 724 771	7 817 710
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	18 533 200	18 645 850
Interest received (trading)	25	1 023 938	1 115 153
Transfer revenue			
Government grants & subsidies	26	231 620 523	213 046 503
Total revenue from non-exchange transactions		251 177 661	232 807 506
Total revenue		261 902 432	240 625 216
Expenditure			
Employees related cost	27	(68 443 197)	(63 361 001)
Remuneration of councillors	28	(15 558 951)	(13 878 599)
Depreciation and amortisation	29	(30 028 726)	(26 777 986)
Impairments loss	30	(9 991 227)	(7 526 886)
Debt Impairment	31	(399 002)	(1 022 961)
Lease rentals on operating lease	32	(1 290 786)	(1 183 221)
Bad debts written off	33	-	(6 733 144)
Contracted services	34	(58 566 768)	(49 470 640)
Transfers and Subsidies	35	(4 339 508)	(4 902 362)
Loss on disposal of assets and liabilities	36	(124 824)	(468 944)
Inventories losses/write-downs	37	(23 395)	-
Increase in leave accrued	38	(75 012)	-
General expenses	39	(41 361 109)	(33 376 428)
Total expenditure		(230 202 505)	(208 702 172)
Surplus for the year		31 699 927	31 923 044

* See Note 53

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	484 465 141	484 465 141
Changes in net assets		
Surplus for the year	31 923 044	31 923 044
Total changes	31 923 044	31 923 044
Restated* Balance at 01 July 2022	516 388 185	516 388 185
Changes in net assets		
Surplus for the year	31 699 927	31 699 927
Total changes	31 699 927	31 699 927
Balance at 30 June 2023	548 088 112	548 088 112
Note(s)		

* See Note 53

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Grants		231 620 045	213 019 000
Interest income		8 086 497	4 909 853
Other receipts		17 843 984	19 353 288
		<u>257 550 526</u>	<u>237 282 141</u>
Payments			
Employee costs		(84 052 148)	(76 775 599)
Suppliers		(117 052 334)	(95 900 021)
		<u>(201 104 482)</u>	<u>(172 675 620)</u>
Net cash flows from operating activities	40	<u>56 446 044</u>	<u>64 606 521</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(79 717 128)	(77 365 605)
Proceeds from sale of property, plant and equipment	8	320 941	1 944 233
Other cash movements		(358 811)	2 920 618
		<u>(79 754 998)</u>	<u>(72 500 754)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(23 308 954)</u>	<u>(7 894 233)</u>
Cash and cash equivalents at the beginning of the year		103 666 243	111 560 476
Cash and cash equivalents at the end of the year	7	<u>80 357 289</u>	<u>103 666 243</u>

* See Note 53

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 000 000	(418 616)	581 384	579 998	(1 386)	-0.2%
Rental of facilities and equipment	1 397 000	-	1 397 000	682 124	(714 876)	-51%
Agency services	100 000	53 000	153 000	157 363	4 363	4%
Licences and permits	2 000	1 500	3 500	30 906	27 406	784%
Other income	968 000	(161 000)	807 000	1 020 092	213 092	26%
Interest received - investment	4 994 000	3 000 000	7 994 000	8 254 288	260 288	3%
Total revenue from exchange transactions	8 461 000	2 474 884	10 935 884	10 724 771	(211 113)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	19 260 605	(174 527)	19 086 078	18 533 200	(552 878)	-2%
Interest received (trading)	1 000 000	41 000	1 041 000	1 023 938	(17 062)	-2%
Transfer revenue						
Government grants & subsidies	226 621 000	5 000 000	231 621 000	231 620 523	(477)	
Total revenue from non-exchange transactions	246 881 605	4 866 473	251 748 078	251 177 661	(570 417)	
Total revenue	255 342 605	7 341 357	262 683 962	261 902 432	(781 530)	
Expenditure						
Employees related costs	(77 282 077)	4 960 881	(72 321 196)	(68 443 197)	3 877 999	-6%
Remuneration of councillors	(15 900 743)	(466 231)	(16 366 974)	(15 558 951)	808 023	-6%
Depreciation and amortisation	(24 310 236)	-	(24 310 236)	(30 028 726)	(5 718 490)	24%
Impairment loss	-	-	-	(9 991 227)	(9 991 227)	100%
Lease rentals on operational lease	(1 650 000)	-	(1 650 000)	(1 290 786)	359 214	22%
Debt impairment	(2 000 000)	1 000 000	(1 000 000)	(399 002)	600 998	-60%
Contracted services	(54 631 077)	(3 827 885)	(58 458 962)	(58 566 768)	(107 806)	
Transfers and subsidies	(4 400 000)	(228 650)	(4 628 650)	(4 339 508)	289 142	-6%
Loss on disposal of assets	-	-	-	(124 824)	(124 824)	100%
Inventory losses/write downs	-	-	-	(23 395)	(23 395)	100%
Increase in leave provision	-	-	-	(75 012)	(75 012)	100%
Other expenditure	(38 359 644)	(3 918 265)	(42 277 909)	(41 361 109)	916 800	1%
Total expenditure	(218 533 777)	(2 480 150)	(221 013 927)	(230 202 505)	(9 188 578)	
Operating surplus	36 808 828	4 861 207	41 670 035	31 699 927	(9 970 108)	
Capital expenditure	78 449 568	3 774 098	82 223 666	79 717 128	(2 506 538)	3%

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.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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

Where the municipality collected more revenue than initially planned we do not investigate such variance provided if 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.Licenses and permits - The municipality infrastructure developments are underway and has resulted in more permits being issued to businesses that want to operate.

3.Other income - The municipality received more funds than it anticipated. This is due to sale of tender documents and administrative fees.

Expenditure

4.Employee related cost - Some of the budgeted posts were not filled and the resignations of employees has resulted in this budget savings.

5.Remuneration of councillors - The upper limits for councillors were not gazzetted during this ficial year hence we have budget savings.

6.Depreciation and amortisation - Depreciaton increase due the capitalisation of the project that were completed and available for use during the financial year.

7.Impairment loss - The variance is due to the annual conditional assessment of asset.

8.Debt impairment - Debt Impairment is refer to long outstanding debtors. This variance is due to the good customer behaviour.The debtors were making payments regulary.

9.Transfer and subsidies - This variance is due to savings achieved by the municipality during the implementation of projects budgeted under this expenditure category.

10.Loss on disposal of assets and liabilities - The variance is due the disposal of asset below their book value.

11.Inventory consumed - The variance is due to the overstatement of inventory quanties and it had to be adjusted to reflect correct amounts.

12.Increase in leave accrued - The variance is due increase in leave provison as per the internal generated report.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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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.

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

1.3 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 2023

Accounting Policies

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:

Item	Depreciation method	Average useful life
Buildings	Straight-line	25- 30 years
Motor vehicles	Straight-line	4-7 years
Graders	Straight-line	10 -15 years
Trucks	Straight-line	5-7 years
Infrastructure	Straight-line	-
Roads	Straight-line	3 -90 years
Street Lights	Straight-line	25 - 40 years
Bridges	Straight-line	25- 80 years
Stormwater pipes	Straight-line	20 - 50 years
Electricity	Straight-line	20 years
Community	Straight-line	.
Buildings	Straight-line	10 - 30 years
Recreation Facilities	Straight-line	25 - 30 years
Sportsfield	Straight-line	25 -90 years
Other property, plant and equipment,	Straight-line	.
Building Improvements	Straight-line	25 - 30 years
Heavy and Mobile Plant	Straight-line	5 -15 years
Furniture and fittings	Straight-line	5 -10 years
Bins and containers	Straight-line	5 -15 years
Parkhome	Straight-line	25 - 30 years

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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 .

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

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial. 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 and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flow on these assets are included in cash flows from operating activities in the cash flow statement.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets that are work in progress, in the notes to the financial statements .

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.

1.6 Impairment of cash-generating assets

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

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

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

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

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

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:

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.

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1.6 Impairment of cash-generating assets (continued)

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
- 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 assesses 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

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Accounting Policies

1.6 Impairment of cash-generating assets (continued)

- 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.

1.7 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.

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

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an 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 assesses 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.

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

Any 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.

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Accounting Policies

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

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.

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

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:

An intangible assets:

- 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 assets
- 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:

Item	Depreciation method	Average useful life
Computer software,	Straight-line	5 years

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

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Accounting Policies

1.8 Intangible assets (continued)

Intangible assets are derecognised:

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

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

1.9 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.

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 (see note).

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

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.

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Accounting Policies

1.9 Heritage assets (continued)

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.

Derecognition

The municipality derecognises heritage asset 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 a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 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 assets 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 assets

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.

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Accounting Policies

1.10 Financial instruments (continued)

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.

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.

1.11 Statutory receivables

Identification

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

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

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

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

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

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Accounting Policies

1.11 Statutory receivables (continued)

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.

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 is recognised in surplus or deficit.

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

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

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Accounting Policies

1.11 Statutory receivables (continued)

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.

1.12 Taxation

Value added Taxation (VAT)

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.

1.13 Leases

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

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

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 assets 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.

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1.14 Provisions and contingencies

Provisions are recognised when:

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

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.
- 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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.

1.15 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.

1.16 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.

1.17 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 economic entity's supply chain management policy.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Irregular expenditure (continued)

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.

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.

1.18 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 entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.
- An additional disclosure has been made for future commitments which are mainly informed by the approved budget and not yet contracted for.

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

1.19 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;

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.19 Revenue from exchange transactions (continued)

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.

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, royalties and dividends or similar distributions is recognised when:

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

Interest is recognised 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.

1.20 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

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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.

1.21 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.

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.

1.22 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.

Ndwedwe Local Municipality

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Accounting Policies

1.22 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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.

Other post retirement obligations

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.

1.23 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 those family members who may be expected to influence, or be influenced by that person 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.

1.24 Significant judgements and sources of estimation uncertainty

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

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.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.24 Significant judgements and sources of estimation uncertainty (continued)

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.

Impairment testing

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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available.

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 at the end of each 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 pension obligations are based on current market conditions.

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.

Ndwedwe Local Municipality

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Accounting Policies

1.25 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

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.

1.26 Segment information

A segment is an activity of an entity:

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

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

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.

1.27 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.27 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.28 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

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

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2. New standards and interpretations

The ASB has issued the following GRAP pronouncements, with effective dates as indicated: GRAP pronouncement	Effective date
GRAP 25 - Employee Benefits	To be determined
GRAP 7 - Limit on the Defined benefit Assets	To be determined
GRAP 104 - As revised : Financial Instruments	1 April 2023
GRAP 21 - The effect of Post Decisions on Materiality	1 April 2023

2.1 Standards and interpretations issued, but not yet effective

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

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.

GRAP 104: Financial instruments

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 statement

GRAP 21: The effect of post decisions on materiality

- (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 statement

GRAP 1: Presentation of financial Statements(amedments related to materiality)

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.

Ndwedwe Local Municipality

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 2023.

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

3. Inventories

Inventory acquisition	1 771 943	-
Inventory issues	(1 441 598)	-
	<u>330 345</u>	<u>-</u>

4. Receivables from exchange transactions

Other debtors	751 157	764 829
Rentals	445 199	413 403
Unallocated receipt and deposit	11 818	114 630
Accrued revenue	838 736	2 313 988
Staff debtors	-	36 480
Over-payment to suppliers	275 214	363 709
Motor licensing fees	12 662	-
Consumer debtors - Refuse	170 598	181 199
	<u>2 505 384</u>	<u>4 188 238</u>

Other debtors for 2022/2023 amounts to R751 157, (2021/2022 R764 829) and this relates to take on balances and hall hire unclaimed deposit.

Accrued revenue for 2022/2023 financial year amounts to R838 736 which is made up of R517 796 of interest on shortterm investment and R320 940 for the proceeds on vehicle insurance claim. 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 R 19 359, and interest on investment of R350 005.

Staff debtors' amount to R36 480 (2021/2022) relates to municipal employees that were awarded bursaries but could not complete their studies, as per the bursary condition a debtor was raised and paid.

The over-payment balance of R275 214 is due to duplication of payments that occurred during 2021/2022 financial year and R363 709 respectively.

Trade and other receivables past due but not impaired

1 month past due	96 581	-
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5. Receivables from non-exchange transactions

Consumer debtors - Rates	<u>11 147 519</u>	<u>5 865 501</u>
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5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired at 30 June 2023.

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

1 month past due	96 581	271 002
2 month past due	156 174	166 043
More than 3 months past due	1 142 014	4 150 683

Ndwedwe Local Municipality

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5. Receivables from non-exchange transactions (continued)

Statutory receivables from non-exchange transaction

Statutory receivables included in receivables from non-exchange transactions on a gross basis is:

Property Rates	9 154 007	5 191 845
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Transaction(s) arising from statute

Property rates is levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004, hence this therefore recognised as a statutory receivable. The receivable is calculated by applying the Council Approved rates randages against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

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

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

Accrued interest

The Municipality charges interest on all outstanding rates debtors balances older than 30 days in respect of rate accounts at a nominal interest rate.

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

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

If there is an indication that a statutory receivable, or 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 receivable is reduced. The amount of the loss is recognised in the surpluses or deficit

6. Consumer debtors' disclosure

Gross balances

Consumer debtors - Rates	27 620 925	21 939 905
Consumer debtors - Refuse	170 598	181 199
	<u>27 791 523</u>	<u>22 121 104</u>

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Notes to the Annual Financial Statements

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6. Consumer debtors' disclosure (continued)		
Less: Allowance for impairment		
Consumer debtors - Rates	(16 473 406)	(16 074 404)
Net balance		
Consumer debtors - Rates	11 147 519	5 865 501
Consumer debtors - Refuse	170 598	181 199
	11 318 117	6 046 700
Rates		
Current (0 -30 days)	364 128	3 188 197
31 - 60 days	710 837	229 447
61 - 120 days	690 022	453 442
121 - 365 days	339 718	212 319
> 365 days	25 516 220	17 636 677
Less: Impairment	(16 473 406)	(15 854 581)
	11 147 519	5 865 501
Refuse		
Current (0 -30 days)	26 000	75 200
31 - 60 days	47 800	21 600
61 - 90 days	19 800	17 800
91 - 120 days	9 800	35 600
121 - 365 days	67 198	31 000
	170 598	181 200
Reconciliation of allowance for impairment		
Balance at beginning of the year	(16 074 404)	(15 051 443)
Contributions to allowance	(399 002)	(1 022 961)
	(16 473 406)	(16 074 404)
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	19 930	19 501
Short-term deposits	73 500 629	100 060 475
Other cash and cash equivalents	6 836 730	3 586 267
	80 357 289	103 666 243

The municipality does not keep physical cash on its premises, it deposited on main bank account for the security reason.

Ndwedwe Local Municipality

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7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
ABSA CALL ACCOUNT- 9123945833	895 290	534 711	895 290	534 711
CALL ACCOUNT - 93445892694	662 436	3 470 321	662 436	3 470 321
DEPOSIT - 2068130142	8 517 376	8 056 771	8 517 376	8 056 770
DEPOSIT- 2073633680	8 926 213	8 443 499	8 926 213	8 443 499
ABSA FIXED DEPOSITE - 2075383437	7 981 377	7 549 758	7 981 377	7 549 758
FIRST NATIONAL BANK CALL ACCOUNT - 62087920635	286 249	6 116 383	286 249	6 116 382
STANDARD BANK CALL ACCOUNT - 058681019001	408 773	3 133 560	408 773	3 133 560
STANDARD BANK RETAIL CALL ACCOUNT058681019011	468 190	4 349 085	468 190	4 349 085
STANDARD BANK FIXED DEPOSIT-58681019042	8 037 315	7 536 921	8 037 315	7 536 921
STANDARD BANK RETAIL CALL ACCUNT-058681019030	373 997	349 639	373 997	349 639
STANDARD BANK CALL ACCOUNT-058681019033	3 640 419	3 402 382	3 640 419	3 403 382
INVESTEC BANK CALL ACCOUNT-1100 463139502	32 264 200	2 259 726	32 264 200	2 259 726
INVESTEC BANK FIXED DEPOSIT ACCOUNT1 100463139453	-	14 959 461	-	14 959 461
INVESTEC BANK FIXED DEPOSIT-1100463139452	-	14 207 111	-	14 207 111
INVESTEC BANK CALL ACCOUNT-1100463139455	-	15 607 989	-	15 607 989
NED BANK CALL ACCOUNT37881149922001	970 631	18 395	970 631	18 395
NED BANK FIXED DEPOSIT-37881149922003	68 217	63 768	68 217	63 768
NEDBANK-MAIN BANK-1197441085	6 298 541	3 211 189	5 450 677	1 912 338
ABSA MAIN BANK-,4079294191	2 632 414	2 920 342	1 385 999	1 673 927
CASH ON HAND	-	19 501	19 930	19 501
Total	82 431 638	106 210 512	80 357 289	103 666 244

Ndwedwe Local Municipality

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8. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	28 633 070	(10 156 803)	18 476 267	28 385 099	(9 053 113)	19 331 986
Motor vehicles	24 383 643	(8 882 084)	15 501 559	21 814 854	(6 356 382)	15 458 472
Infrastructure	329 685 604	(118 566 803)	211 118 801	263 779 268	(100 609 033)	163 170 235
Community	224 399 584	(61 752 608)	162 646 976	165 717 520	(48 421 403)	117 296 117
Other property, plant and equipment	47 920 845	(20 183 701)	27 737 144	46 470 288	(17 781 436)	28 688 852
Work in progress	47 913 531	-	47 913 531	100 187 254	-	100 187 254
Total	702 936 277	(219 541 999)	483 394 278	626 354 283	(182 221 367)	444 132 916

Ndwedwe Local Municipality

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land and Buildings	19 331 986	-	(1 039)	259 052	(1 113 733)	-	18 476 267
Motor vehicles	15 458 472	3 040 896	(208 208)	-	(2 789 601)	-	15 501 559
Infrastructure	163 170 235	-	-	65 906 338	(14 420 057)	(3 537 715)	211 118 801
Community	117 296 117	128 800	-	58 553 265	(6 934 580)	(6 396 626)	162 646 976
Other property, plant and equipment	28 688 852	4 102 409	(236 518)	-	(4 760 710)	(56 889)	27 737 144
Work In Progress	100 187 254	72 445 023	-	(124 718 654)	-	-	47 913 623
	444 132 916	79 717 128	(445 765)	1	(30 018 681)	(9 991 230)	483 394 370

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Prior year adjustment	Depreciation	Impairment loss	Total
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	32 739 692	(8 913 539)	(4 503 071)	163 170 235
Community	102 202 252	296 500	-	12 716 482	7 951 264	(5 782 348)	(88 033)	117 296 117
Other property, plant and equipment	28 494 096	3 920 914	(333 640)	-	913 296	(4 305 814)	-	28 688 852
Work in Progress	92 680 588	69 656 944	-	(32 404 308)	(29 745 889)	-	-	100 187 357
	384 547 115	77 543 560	(2 413 177)	-	11 858 363	(22 811 761)	(4 591 104)	444 133 019

Other information

Property, plant and equipment fully depreciated and still in use at cost

Community Assets, Number of assets is 42	3 527 160	3 553 620
Computer equipment, number of assets is 0	-	1 306 124
Furniture and office equipment, number of assets is 0	-	1 896 711
Machinery and plant equipment, number of asset is 3	15 634	665 182
Road infrastructure, number of asset is 47	11 836 705	-
Other asset, number of asset is 2	274 024	-
	15 653 523	7 421 637

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	28 093 339	71 748 899	345 017	100 187 255
Additions/capital expenditure	35 312 328	31 793 193	5 339 502	72 445 023
Transferred to completed items	(58 605 882)	(66 112 773)	-	(124 718 655)
	4 799 785	37 429 319	5 684 519	47 913 623

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand 2023 2022

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within 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
Prior year adjustment	(21 216 182)	(8 529 808)	-	(29 745 990)
Transferred to completed items	(19 687 826)	(12 716 482)	-	(32 404 308)
	28 093 339	71 748 899	345 017	100 187 255

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	257 278	94 497
Contracted services: Buildings and Facilities	1 261 490	1 840 275
Contracted services: Maintenance of Other Assets	1 598 600	814 142
Contracted services: Maintenance of Vehicles	2 701 639	2 558 780
Contracted services: Maintenance of Roads	687 008	86 957
Contracted services: Maintenance of Computer Equipment	-	65 890
	6 506 015	5 460 541

The expenditure incurred to repair and maintain property, plant and equipment for the period ended 30 June 2023.

Delayed capital project

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

Ndwedwe Water and Reticulation

The project is currently on hold due to the issue of funding 23 272 586 23 272 586

Testing Centre and Fire Department

The project has been halted as a result of land disputes that came about after the Municipality had commenced with construction at the established site. As a result of the land disputes, the Municipality has identified a new site on which the project will be implemented.

9 336 134 9 336 134

Buy Back Centre

The project delayed due to budget constraints where the allocated budget could not cover the entire project. The Municipality decided to do the project in phases, the first phase being site clearing and fencing which has been completed in 2022/23. The project will continue upon allocating more budget for the project.

2 741 180 2 741 180

35 349 900 35 349 900

Ndwedwe Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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9. Intangible assets

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	820 878	(795 042)	25 836	820 878	(784 147)	36 731

Reconciliation of intangible assets - 2023

Computer software, other

Opening balance	36 731	
Amortisation		(10 895)
Total		25 836

Reconciliation of intangible assets - 2022

Computer software, other

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

Ndwedwe Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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10. Heritage assets

	2023		2022			
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	21 053	-	21 053	21 053	-	21 053

Reconciliation of heritage assets 2023

Art Collections, antiquities and exhibits

Opening balance	21 053	Total	21 053
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Reconciliation of heritage assets 2022

Art Collections, antiquities and exhibits

Opening balance	21 053	Total	21 053
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11. Payables from exchange transactions

Trade payables
Payments received in advanced - debtors with credit balance
Retentions
Other payables
Accrued leave
Salary (13th cheque)
Provision for backpay

1 284 778	9 210 068
378 851	219 824
7 188 303	7 547 114
1 102 460	1 534 258
5 894 981	5 819 969
1 827 444	1 740 396
-	2 000 000
17 676 817	28 071 629

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand	2023	2022
12. Payable from non-exchange transaction		
Massification grant	55 766	5 000 000
INEP	64 708	-
	120 474	5 000 000
Movements during the year		
Balance at the beginning of the year	5 000 000	-
Additions during the year	10 000 000	5 000 000
Expenditure during the year	(14 879 526)	-
	120 474	5 000 000

Grant register June 2023	Opening Balance	Received	Expenditure	Total
Massification grant	5 000 000	-	(4 944 234)	55 766
Integrated National Electrification Programme Grant (INEP)	-	10 000 000	(9 935 292)	64 708
	5 000 000	10 000 000	(14 879 526)	120 474

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 and.

The massification grant has a balance of R55 766 for 2022/2023 financial year.

The municipality received grant from the National department of energy for electrification and has a balance of R64 708 for 2022/2023 financial year.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal initiative	478	-
Kwaloshe Tourism Project grant	97	97
	575	97

Movement during the year

Balance at the beginning of the year	97	27 600
Additions during the year	48 004 000	62 643 000
Income recognition during the year	(48 003 522)	(62 670 503)
	575	97

Grant register June 2023	Opening Balance	Received	Expenditure	Balance
Local Government Financial Management Grant (FMG)	-	3 100 000	(3 100 000)	-
KwaLoshe Tourism	97	-	-	97
Municipal Infrastructure Grant (MIG)	-	41 627 000	(41 627 000)	-
Expanded Public Works Programme Integrated Grant	-	2 277 000	(2 277 000)	-
Municipal Employment Initiative	-	1 000 000	(999 522)	478
	97	48 004 000	(48 003 522)	575

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
14. VAT payable		
Vat payables	8 181 843	4 686 021

VAT Reconciliation - 2022/2023			
Description	2023	2022	
Opening	(4 686 021)	543 605	
Movements	(3 495 821)	(5 229 627)	
Vat Control	(3 088 265)	854 495	
Input VAT	(580 259)	(6 037 296)	
Output Vat	172 703	(46 826)	
Closing Balance :VAT Receivables/Payables	(8 181 405)	(4 686 021)	
Reconciling Balances	(8 181 405)	(4 686 021)	
VAT Receivables- SARS (Actual)/ VAT Control	1 382 402	4 470 667	
Prior-year output VAT balance	(9 563 807)	(9 156 688)	
Variance	0	0	

SARS Outstanding refund (Year-end)/ VAT Control **1 382 401 4 470 667**

The actual VAT receivables from SARS as at reporting date is R1 382 401 as supported by the VAT statement of account (VATSA). This balance is also supported by the VAT control account. The reconciling balance are caused by prior year transactions that are not due or claimable from SARS. These balances include VAT transactions on Integrated National Electrification Programme (INEP) that were historically claimed from SARS.

15. Employee benefit obligation

Reconciliation of employee benefit obligation - 2023

	Opening Balance	Additions	Utilised during the year	Total
Long service award	2 946 000	419 000	-	3 365 000
Long service award (short term)	818 000	301 056	(770 056)	349 000
	3 764 000	720 056	(770 056)	3 714 000

Reconciliation of employee benefit obligation - 2022

	Opening Balance	Additions	Utilised during the year	Total
Long service award	3 173 000	-	(227 000)	2 946 000
Long service award (short term)	127 000	691 000	-	818 000
	3 300 000	691 000	(227 000)	3 764 000

Non-current liabilities	3 365 000	2 946 000
Current liabilities	349 000	818 000
	3 714 000	3 764 000

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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15. Employee benefit obligation (continued)

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 assumption are summarised below.

Key financial assumptions

The summary of the key financial assumption used for the liability at the Valuation Date and the expense figures for the ensuing year

Assumptions	Value p.a
Discount rate	11.68%
General earnings inflation rate (long term)	6.88%
Net effective discount rate	4.49%

Key demographics assumptions

The summary of the key demographic assumption used

Assumptions	Value		
Average retirement age	62		
Mortality during employment	SA 85-90		
	Age	Female	Male
Withdrawal from service (sample annual rates)	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

Accrued Liability

The summarises the Unfunded Accrued Liability as at 30 June 2023.

	30/06/2023	30/06/2022
Total accrued liability	3,714,000	3,764,000
Value of assets	0	0
Total unfunded accrued liability	3,714,000	3,764,000
Expected current portion of liability (due within 12 months)	349,000	818,000
Expected non-current portion of liability (due thereafter)	2,946,000	3,365,000

Reconciliation of unfunded accrued liability

Opening accrued liability	3 764 000	3 300 000
Current-service cost	395 000	398 000
Interest cost	376 000	314 000
Benefits vesting	(770 056)	(121 000)
Actual loss/(gain)	(50 944)	(127 000)
	3 714 000	3 764 000

Ndwedwe Local Municipality

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15. Employee benefit obligation (continued)

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

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.

Current -Service and Interest Cost

Current -service cost	422 000	395 000
Interest cost	414 000	376 000

Reconciliation of liability - Statement of Financial Position

	30/06/2023	30/06/2022
Opening balance	3 764 000	3 300 000
Current -service cost	395 000	398 000
Interest cost	376 000	314 000
Actuarial (Gain)/Loss	(50 944)	(121 000)
Subtotal	4 484 056	3 891 000
Benefits vesting	(770 056)	(127 000)
Closing Balance	3 714 000	3 764 000
Less: Current portion of liability	(349 000)	(81 800)
Non - Current portion of liability	3 365 000	2 946 000

History of liabilities and asset

Liability History	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023
Accrued liability	2 533 000	2 794 000	3 300 000	3 764 000	3 714 000
Fair value of plan asset	0	0	0	0	0
Surplus / (Deficit)	(2 533 000)	(2 794 000)	(3 300 000)	(3 764 000)	(3 714 000)

History of experience of adjustment: (Gains) and Losses

Experience adjustments	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023
Liabilities: (Gain) / Loss	322 562	131 327	207 093	(106 000)	189 056
Asset: Gain / (Loss)	0	0	0	0	0

16. 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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17. Service charges

Refuse removal	579 998	515 478
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18. Rental of facilities and equipment

Facilities and equipment

Rental of equipment	682 124	699 664
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Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
19. Agency services		
Agency fee-vehicle license renewal	157 363	19 359
<p>The municipality act as an agent of the department of Transport for the renewal of vehicle licences and agreement is in place. Revenue recognised only related to the commission that the municipality is entitled to as per the agreement.</p>		
20. Licences and permits		
Licenses and permits	30 906	1 444
<p>During the 2021/2022 financial year the above note was not disclosed.</p>		
21. Other revenue		
Municipal refunds	165 380	738 273
Administrative and handling fee	509 972	182 813
Sale of tender documents	207 747	139 478
Skills development levy refund	128 117	119 236
Rate clearance	7 000	5 000
Building plan approval	-	5 391
Hall hire	-	3 478
Library income	1 876	2 114
	1 020 092	1 195 783
22. Investment revenue		
Interest revenue		
Call account- Bank interest	8 254 288	5 111 996
<p>The amount included in call accounts arising from exchange transactions amounted to R8 254 288 for 2022/23 and R5 111 996 for 2021/22 financial years -.</p>		
23. Decrease on leave accrued		
Gain or loss on leave accrued	-	273 986

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
24. Property rates		
Rates received		
Residential	254 993	309 292
Commercial	2 286 317	2 228 332
State	15 072 807	15 053 141
Agriculture	1 932 418	2 218 483
Public Benefit Organisations	5 500	2 670
Vacant Land	15 210	27 219
Industrial Properties	41 120	39 920
Less: Income forgone	(1 075 165)	(1 233 207)
	18 533 200	18 645 850

Valuations

Residential	32 826 000	43 526 000
Commercial	75 725 000	76 325 000
State	712 535 000	712 535 000
Place of Worship	2 380 000	2 380 000
Agriculture	1 421 569 000	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
Public Service infrastructure	2 034 000	2 034 000
	2 255 694 000	2 319 142 000

Rates reconciliation:

Billing	18 555 817	18 645 850
Rates Received	(14 283 819)	(18 793 869)
	4 271 998	(148 019)

Rate Reconciliation	Market value	Exempt	After Exemption	Tariff	Amount	Income forgone
Residential	32 826 000	9 623 800	23 202 200	0,01099	254 993	61 776
Commercial	75 725 000	20 123 900	55 601 100	0,04112	2 286 317	22 205
State	712 535 000	24 593 100	687 941 900	0,02191	15 072 807	-
Place of Worship	2 380 000	2 380 000	2 380 000	0	-	-
Agriculture	421 569 000	718 806 182	702 762 818	0,00275	1 932 598	987 832
Vacant Land	2 625 000	1 241 000	1 384 000	0,01099	15 210	3 352
Public Benefit Organisation	3 000 000	-	3 000 000	0,00275	5 500	-
Industrial	3 000 000	2 000 000	1 000 000	0,04112	41 120	-
Public Service Infrastructure	2 034 000	2 034 000	2 034 000	0	-	-
Subtotal	255 694 000	780 801 982	479 306 018	-	19 608 545	1 075 165
	255 694 000	780 801 982	479 306 018		19 608 545	1 075 165

The municipality valuations and property rate were firstly implemented with effect on 01 July 2009, second valuation was effective on 01 July 2014 and the third (current) valuation roll was effective on 01 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 rate in the rand were applied in accordance with categories determined in terms of the Municipal Property Rates Act.

Ndwedwe Local Municipality

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24. Increase in leave accrued (continued)

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.

25. Interest received (trading)

Interest from outstanding debtors	1 023 938	1 115 153
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During the 2021/2022 financial year interest received (trading) was not disclosed.

26. Government grants & subsidies

Operating grants

Equitable Share	181 613 000	165 366 000
EPWP	2 277 000	2 412 000
Financial Management Grant (FMG)	3 100 000	3 000 000
Library Computer Assistant	1 023 000	975 000
Provincialization of Library Grant	981 000	935 000
Municipal Employment Initiative Grant	999 523	-
Small Town Rehabilitation Grant	-	27 503
	189 993 523	172 715 503

Capital grants

Municipal Infrastructure Grant (MIG)	41 627 000	40 331 000
	231 620 523	213 046 503

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	50 007 523	47 680 503
Unconditional grant received	181 613 000	165 366 000
	231 620 523	213 046 503

Equitable Share

Current-year receipts	181 613 000	165 366 000
Conditions met - transferred to revenue	(181 613 000)	(165 366 000)
	-	-

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.

Expanded Public Works Programme

Current-year receipts	2 277 000	2 412 000
Conditions met - transferred to revenue	(2 277 000)	(2 412 000)
	-	-

The grant is used to fund job creation initiatives in the specific focus areas where labour intensive delivery methods can be measured. The condition of the grant were fully met for the period under review.

Ndwedwe Local Municipality

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Figures in Rand	2023	2022
26. Government grants & subsidies (continued)		
Financial Management Grant		
Current-year receipts	3 100 000	3 000 000
Conditions met - transferred to revenue	(3 100 000)	(3 000 000)
	-	-
The grant is used to assist the municipality to implement financial reforms as required by the MFMA. The condition have been met for the period under review.		
Library Computer assistant		
Current-year receipts	1 023 000	975 000
Conditions met - transferred to revenue	(1 023 000)	(975 000)
	-	-
The grant is used for cyber cadet for the library..		
Provisionalisation of library Grant		
Current-year receipts	981 000	935 000
Conditions met - transferred to revenue	(981 000)	(935 000)
	-	-
Intergrated National Electrification Programme		
Current-year receipts	10 000 000	16 900 000
Conditions met - transferred to revenue	(9 879 353)	(16 900 000)
Condition not met	(120 647)	-
	-	-
The grant is used to electrify wards within Ndwedwe Local Municipality .		
Small Town Rehabilitation		
Current-year receipts	-	27 503
Conditions met - transferred to revenue	-	(27 503)
	-	-
Massification		
Balance unspent at beginning of year	5 000 000	-
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	(4 944 234)	-
Condition not met	(55 766)	(5 000 000)
	-	-
Conditions still to be met - remain liabilities .		
Kwaloshe Tourism		
Balance unspent at beginning of year	97	97

Ndwedwe Local Municipality

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Figures in Rand	2023	2022
26. Government grants & subsidies (continued)		
Municipal Employment Initiative		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(999 523)	-
Condition not met	(477)	-
	<u>-</u>	<u>-</u>

Ndwedwe Local Municipality

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Figures in Rand	2023	2022
27. Employee related costs		
Basic	46 212 723	42 103 842
Bonus	2 855 365	2 865 075
Medical aid - company contributions	3 061 871	2 750 657
UIF	302 644	272 055
Other payroll levies	601 702	593 201
Leave pay provision charge	841 592	1 096 701
Defined contribution plans	7 842 135	6 560 396
Overtime payments	478 389	-
Long-service awards	720 056	589 496
Car allowance	1 878 665	1 541 073
Housing benefits and allowances	236 754	230 518
Uniform allowance	510 000	494 404
	65 541 896	59 097 418

Included within the employees related cost are the acting allowances of managers that acted as directors in their departments. The following managers acted as directors in their departments:

Mr. SDG Khuzwayo (Local Economic Developments Director) acted as Municipal Manager and received acting allowance of R34 745 during 2022/2023 financial year.

Mr. XNE Hlekwane (Finance Manager) acted as CFO and received acting allowance of R47 603 during 2022/2023 financial year.

Miss. L Mhatu (Manager Admin) acted as Corporate Services Director and received acting allowance of R68 998 during 2022/ 2023 financial year.

Miss. ZP Khuluse (Manager Local Economic Development) acted as Local Economic Development Director and received acting allowance of R35 659 during 2022/2023 financial year.

Section 57 Employees

Remuneration of Municipal Manager- Mr SDG Khuzwayo

Annual Remuneration	347 764	-
Car Allowance	124 088	-
Contributions to UIF, Medical and Pension Funds	25 563	-
Skills Development Levy	4 628	-
	502 043	-

Remuneration of Municipal Manager-MR MF Hadebe

Annual Remuneration	-	744 529
Car Allowance	-	248 176
Contributions to UIF, Medical and Pension Funds	-	2 125
Skills Development Levy	-	9 432
	-	1 004 262

Remuneration of Chief Finance Officer- Mr S Majola

Annual Remuneration	254 707	611 297
Car Allowance	84 902	203 765
Contributions to UIF, Medical and Pension Funds	1 063	2 125
Skills Development Levy	3 947	7 744
	344 619	824 931

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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	2023	2022
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27. Employee related costs (continued)

Remuneration of Director Technical Services - Mr DH Mzolo

Annual Remuneration	553 381	554 020
Car Allowance	213 173	203 766
Contributions to UIF, Medical and Pension Funds	62 191	59 403
Skills Development Levy	7 832	7 744
	836 577	824 933

Remuneration of Director Economic Development and Planning - Mr SDG Khuzwayo

Annual Remuneration	293 644	581 594
Car Allowance	101 883	203 766
Contributions to UIF, Medical and Pension Funds	21 754	31 829
Skills Development levy	4 307	7 744
	421 588	824 933

Remuneration of Director Community Services - Mrs PP Mbonambi

Annual Remuneration	611 297	611 297
Car Allowance	203 766	203 766
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Skills Development Levy	7 744	7 744
	824 932	824 932

Remuneration of Acting Director Corporate services - Miss L Mhathu

Acting Allowance	68 998	-
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R- Miss Z P Khuluse

Acting Allowance	35 659	-
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Total employees cost is made up of staff cost plus managers and it equate to R65 166 094 plus directors remuneration of R2 929 759 and it equate to R68 095 853.

The difference of R28 458 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.

Ndwedwe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Remuneration of councillors		
Executive Mayor	956 416	907 697
Deputy Executive Mayor	774 167	707 840
Mayoral Committee Members	3 304 161	2 280 353
Speaker	770 127	741 391
Councillors	9 593 729	9 057 397
Councillors' medical aid contribution	160 351	183 921
	15 558 951	13 878 599
Mayor from July 2021 till November 2021: NV Chili		
Back Pay	9 127	290 097
Travel Allowance	-	14 419
Medical Aid	-	16 770
	9 127	321 286
Mayor : SZ Mfeka		
Salary	842 424	532 426
Back Pay	21 765	-
Cellphone Allowance	40 800	27 241
Medical Aid	42 300	26 744
	947 289	586 411
Deputy Mayor: ZS Thoolsi		
Salary	617 416	554 580
Cellphone Allowance	40 800	40 841
Pension Fund	92 612	88 982
Medical Aid	23 339	-
	774 167	684 403
Speaker from July 2021 till November 2022: GK Ngidi		
Back Pay	16 627	223 283
Cellphone Allowance	-	13 600
Medical Aid	-	19 092
	16 627	255 975
Speaker : RM Cele		
Salary	598 555	384 379
Back Pay	18 809	-
Cellphone Allowance	40 800	27 241
Medical Aid	19 357	12 529
Pension Fund	92 605	61 267
	770 126	485 416
Executive Committee Members and Other Councillors		
Salaries	10 715 263	8 871 547
Travel and subsistence	69 681	92 193
Telephone allowance	1 387 200	1 376 469
Backpay	419 816	611 037
Pension	129 133	268 268
Medical aid	172 978	196 806
SDL	147 544	128 788
	13 041 615	11 545 108

Ndwedwe Local Municipality

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28. Remuneration of councillors (continued)

The difference of R147 544 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.

In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

The Executive Mayor has two full-time bodyguards.

Ndwedwe Local Municipality

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28. Remuneration of councillors (continued)

Additional information

Mayor from July 2021 till November 2021:NV Chili

Salary	-	290 097
Travel Allowance	-	14 419
Medical Aid	-	16 770
	-	321 286

Mayor From November 2021 till June 2023:SZ Mfeka

Salary	-	532 426
Travel Allowance	-	27 241
Medical Aid	-	26 744
	-	586 411

Deputy Mayor:ZS Thoolsi

Salary	-	554 508
Travel Allowance	-	40 841
Pension	-	88 982
	-	684 331

Speaker from July 2021 to November 2021:GK Ngidi

Salary	-	223 283
Travel Allowance	-	13 600
Medical Aid	-	19 092
	-	255 975

Speaker From November 2021 to June 2023:RM Cele

Salary	-	384 379
Travel Allowance	-	27 241
Medical Aid	-	12 529
Pension Fund	-	61 267
	-	485 416

Executive Committee Members and Other Councillors

Salaries	-	8 871 547
Travel and subsistence	-	92 193
Telephone allowance	-	1 376 469
Backpay	-	611 037
Pension Fund	-	268 268
Medical Aid	-	196 806
Subsistence and Travel	-	840 390
SDL	-	128 788
	-	12 385 498

29. Depreciation and amortisation

Property, plant and equipment	30 018 683	26 674 838
Intangible assets	10 043	103 148
	30 028 726	26 777 986

Ndwedwe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Impairment loss		
Impairments		
Community Asset	6 396 626	88 034
Infrastructure	3 537 715	4 503 071
Other property, plant and equipment	56 889	-
	9 991 230	4 591 105
31. Debt impairment		
Contributions to debt impairment provision	399 002	1 022 961
32. Lease rentals on operating lease		
Equipment		
Contractual amounts	1 290 786	1 183 221
Operating lease as a lessee		
Minimum lease payments within one year	1 349 450	1 619 341
In second to fifth year inclusive	-	1 359 451
	1 349 450	2 978 792
33. Bad debts written off		
Bad debts written off	-	6 733 144
34. Contracted services		
Outsourced Services		
Administrative and Support Staff	1 964 204	1 950 313
Hire Charges	5 370 176	2 323 323
Business and Advisory	130 435	-
Sound System	1 138 045	1 115 082
Cleaning Services	-	212 000
Clearing and Grass Cutting Services	-	27 503
Hygiene Services	1 530 350	1 514 470
Internal Auditors	934 381	735 734
Personnel and Labour	90 087	16 087
Professional Staff	909 739	524 898
Refuse Removal	971 533	1 073 006
Researcher	145 335	321 027
Security Services	9 721 805	9 007 606
Sewerage Services	2 609	28 600
Transport Services	3 771 390	2 750 600
Drivers Licence Cards	265 800	347 580
Consultants and Professional Services		
Business and Advisory	16 545 383	17 023 289

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
34. Contracted services (continued)		
Contractors		
Artists and Performers	273 000	115 385
Audio-visual Services	233 250	265 935
Bore Waterhole Drilling	-	190 000
Catering Services	4 132 997	2 616 546
Event Promoters	1 840 232	1 084 430
Gardening Services	738 073	240 376
Graphic Designers	538 155	324 200
Maintenance of Furniture and Office Equipment	257 278	94 497
Maintenance of Buildings and Facilities	1 083 530	1 840 275
Maintenance of other Asset	1 598 600	814 142
Maintenance of Roads	687 008	86 957
Medical Services	2 609	2 609
Maintenance of Vehicles	2 701 639	2 558 780
Maintenance of Computer Equipment	-	65 890
Transportation	134 900	-
Safeguard and Security	723 790	199 500
Electrical Lights	130 435	-
	58 566 768	49 470 640
35. Transfer and subsidies		
Other subsidies		
Study bursaries	1 644 113	1 272 566
Free basic services	490 949	622 366
Social relief	1 577 946	1 615 223
Indigent burial	626 500	1 218 000
Type 2 electrification (ward 1-19)	-	174 207
	4 339 508	4 902 362
36. Loss on disposal of asset and liabilities		
Gain or loss on disposal of assets and liabilities	124 824	468 944
During 2021/2022 financial the above note was not disclosed.		
37. Inventories losses /write - downs		
Inventories losses/write-downs	23 395	-
38. Increase in leave accrued		
Gain or loss on disposal of non-current assets	75 012	(273 986)

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
39. General expenses		
Advertising	894 017	886 623
Auditors remuneration	1 892 777	1 319 756
Bank charges	212 674	142 882
Consumables	1 684 869	664 995
Conferences and seminars	193 631	54 024
Consulting and professional fees	10 600	45 384
Gifts and Promotional Items	2 588 454	1 675 096
Bargaining	17 242	15 181
Council committee	3 480 350	2 271 450
Electricity	2 087 824	1 573 496
Entertainment	2 277 273	1 682 342
Fines and penalties	10 133	2 883
Fuel and oil	6 050 859	3 577 297
Insurance	1 730 446	1 899 835
Marketing	2 710 856	2 841 705
Motor vehicle expenses	320 427	335 614
Workmen's compensation fund	355 850	322 682
Study Assistance	369 931	458 658
Postage and courier	3 595	5 107
Printing and stationery	595 372	1 722 450
Skills Development	524 603	478 981
Software expenses	2 351 850	2 050 558
Subscriptions and membership fees	887 950	499 607
Telephone and fax	2 677 180	2 392 751
Tourism development	138 995	180 000
Travel - local	5 467 058	5 297 906
Uniforms	1 512 350	979 165
Repairs and maintenance	62 320	-
Operational lease (extra copies)	251 623	-
	41 361 109	33 376 428

Ndwedwe Local Municipality

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Figures in Rand	2023	2022
40. Cash generated from operations		
Surplus	31 699 927	31 923 044
Adjustments for:		
Depreciation and amortisation	30 028 726	26 777 986
Gain / Loss on sale of assets and liabilities	124 824	468 944
Increase /Decrease in Leave Accrual	75 012	(273 986)
Impairment of Assets	9 991 227	7 526 886
Debt impairment	399 002	1 022 961
Bad debts written off	-	6 733 144
Movements in provisions	(50 000)	464 000
Inventory losses or write-downs	23 395	-
Other non - cash item	91	-
Changes in working capital:		
Inventories	(330 345)	-
Receivables from exchange transactions	1 850 645	(1 707 442)
Consumer debtors	(399 002)	(1 022 961)
Other receivables from non-exchange transactions	(5 282 018)	6 863 508
Decrease/Increase in leave provision	(75 012)	273 986
Inventory losses or write -downs	(23 395)	-
Accrued interest	(167 883)	(202 143)
Payables from exchange transactions	(10 035 924)	(12 213 852)
Vat	3 495 822	(266 907)
Payables from non exchange transactions	(4 879 526)	5 000 000
Unspent conditional grants and receipts	478	(27 503)
Bad debts written off	-	(6 733 144)
	56 446 044	64 606 521
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	21 746 897	54 491 733
Total capital commitments	21 746 897	54 491 733
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational Commitments	22 098 825	33 508 463
Total commitments	22 098 825	33 508 463
Total commitments		
Total commitments		
Authorised capital expenditure	21 746 897	54 491 733
Authorised operational expenditure	22 098 825	33 508 463
	43 845 722	88 000 196

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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42. Related parties

The two related party transaction in the current year are for municipalities councilors and s57 employees as per GRAP 20.

Remuneration of management

Management class: Councillors

2023

	Basic salary	Total
Councillors	15 558 951	15 558 951

2022

	Basic salary	Total
Councillors	13 878 599	13 878 599

Management class: Executive management

2023

	Basic salary	Post-employment benefits	Total
Name			
Municipal Manager- SDG Khuzwayo	347 764	154 279	502 043
Chief Financial Officer-S Majola	254 707	89 912	344 619
Director Technical Services -DH Mzolo	553 381	283 197	836 578
Director Local Economic Development and Planning-SDG Khuzwayo	284 958	171 374	456 332
Director Community Services-PP Mbonambi	611 297	213 636	824 933
	2 052 107	912 398	2 964 505

2022

	Basic salary	Post-employment benefits	Total
Name			
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 Services-PP Mbonambi	611 297	213 636	824 933
	3 102 737	1 201 258	4 303 995

Ndwedwe Local Municipality

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43. Contingency liabilities and assets

Litigations that are in the process against the municipality that occurred during the 2022/2023 financial year were as follows:

Litigations Asset	Nature of litigation	2023	2022
Dr MG Ntuli- (asset)	Breach of municipal code of conduct	122 054	-
<hr/>			
Litigations Liabilities	Nature of litigation	2023	2022
Africa Directory Service- (liability)	Bogus advertising company	83 784	83 784
Mtungakhohlwa Mngadi - (liability)	Relinquish of property	30 000	30 000
Ngonyama Trust Board- (liability)	Transfer of ownership of land	1	-
Esicogweni - (liability)	Breach of contract	1	-
SAMWU - (liability)		1 200 000	1 200 000
Dr MG Ntuli- (liability)	Breach of municipal code of conduct	-	40 000
DlaminDlovu Consulting Engineers CC - (liability)	Dispute on tender conditions	2 500 000	-
AIANA Consulting Engineers (Pty)Ltd - (liability)	Dispute on tender conditions	3 000 000	-
Phumelelo Shezi and Another - (liability)	Labour dispute	1 500 000	-
Lindiwe Jele- (liability)	Civil Claim	200 000	-
Clives Transport CC t/a JCR Transport- (liability)	Dispute on tender conditions	700 000	-
Thabani Timothy Mbambo-(liability)	Labour dispute	500 000	-
Various -Employees under SAMWU Union- (liability)		-	500 000
Miss K Mapipa- (liability)		-	150 000
		9 713 786	2 003 784

African Directory Services and Mtungakhohlwa Mngadi are previous years litigation cases, however no monetary value was assigned for these cases in the current year.

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

SAMWU employee matter is in court and in progress.

Dr M.G Ntuli was ordered to pay the municipality an estimated amount of R122 053.50

DlaminiDlovu Consulting Engineers CC matter is in court and in progress.

AIANA Consulting Engineers (Pty)Ltd matter is in court and in progress.

Phumelele Shezi and Another matter is in court and in progress.

Lindiwe Jele matter is in court and in progress.

Clives Transport CC t/a JCR Transport matter is in court and in progress

Thabani Timothy Mbambo matter is in court and in progress.

44. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

Ndwedwe Local Municipality

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Figures in Rand 2023 2022

44. Financial instruments disclosure (continued)

	At amortised cost	Total
Trade and other receivables from exchange transactions	2 505 384	2 505 384
Other receivables from non-exchange transactions	11 147 519	11 147 519
Cash and cash equivalents	80 357 289	80 357 289
	94 010 192	94 010 192

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	17 676 817	17 676 817

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	4 188 238	4 188 238
Other receivables from non-exchange transactions	5 865 501	5 865 501
Cash and cash equivalents	103 666 243	103 666 243
	113 719 982	113 719 982

Financial liabilities

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

45. 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.

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.

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45. Risk management (continued)

Credit risk

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

	2023	2022
Financial instrument		
Consumer Debtors	11 147 519	5 865 501
Cash and cash equivalent	80 357 289	103 666 243
Trade and other receivables from exchange transaction	2 184 444	4 188 238

Market risk

Interest rate risk

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

46. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 548 088 112 and that the municipality's total liabilities exceed its assets by 548 088 112.

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

Cash to settle total liabilities

Total Non-Current Liabilities	(3 365 324)	(2 946 324)
Total Current Liabilities	(26 328 709)	(38 575 747)
Cash and Cash Equivalent	80 357 289	103 666 243
	50 663 256	62 144 172

Add: Grants to be received in 2023/2024 financial year

Equitable share	194 116 000	181 613 000
Financial Management Grant	3 100 000	3 100 000
Municipal Infrastructure Grant	34 995 000	33 627 000
Library Grant	2 004 000	2 004 000
Integrated National Electrification Programme	10 000 000	10 000 000
Expanded Public Works Programme	1 760 000	2 277 000
Municipal Employment Initiative	-	1 000 000
Disaster Management Programme	-	3 000 000
Electrification Programme	-	5 000 000
	245 975 000	241 621 000

Revenue expected to be generated by the municipality in 2023/24

Property rates	19 470 843	12 519 000
Refuse collection	685 440	500 000
Other Income	1 815 000	1 070 000
Rent Income	707 354	1 397 000

Ndwedwe Local Municipality

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Figures in Rand	2023	2022
46. Going concern (continued)		
Investment Income	8 417 682	4 994 000
	31 096 319	20 480 000
Total cash and cash equivalent available for 2023/24		
Total revenue (grants to be received and revenue generated)	277 071 319	262 101 000
Add: Cash at the beginning of the year	80 357 289	103 666 243
	357 428 608	365 767 243
Total Budgeted Cost 2023/24		
Budgeted operating expenditure 2023/24	232 008 039	218 534 000
Budgeted capital expenditure 2023/24	74 984 786	78 450 000
	306 992 825	296 984 000
Commitment for 2023/24 financial year		
Total cash and cash equivalent available for 2023/24	357 428 608	365 767 243
Cash and cash equivalent available after settling all commitments for 2023/24	(306 992 825)	(296 984 000)
	50 435 783	68 783 243
<ul style="list-style-type: none"> According to the assessment above, the municipality will have R50 663 256 in the Cash and Cash equivalents after settling its total liabilities as at the end of 30 June 2023. For 2023/24 financial year, the municipality will have R277 071 319 total revenue, made up by R245 975 000 (total grants) and R31 096 000 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 2023/24 financial year are R306 992 825, made up by R232 008 039 for operational expenditure budget and R74 984 786 for capital expenditure budget as shown above. <p>Total cash and cash equivalent to be received for 2023/24 financial year is R357 428 608 when you subtract 2023/24 commitments R306 992 825, the municipality will remain with R50 435 783 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.</p>		
47. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	996 126	455 696
Amount paid - current year	(626 882)	(455 696)
	369 244	-
Audit fees		
Current year subscription / fee	1 892 777	1 319 756
Amount paid - current year	(1 892 777)	(1 319 756)
	-	-
PAYE and UIF		
Current year subscription / fee	22 779 846	11 919 498
Amount paid - current year	(22 779 846)	(11 919 498)
	-	-

Ndwedwe Local Municipality

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

Pension and Medical Aid Deductions

Current year subscription / fee	16 605 250	15 743 358
Amount paid - current year	(16 605 250)	(15 743 358)
	-	-

VAT

VAT payables	(8 181 843)	(4 686 021)
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VAT payables are shown in note 14.

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

48. Irregular expenditure

Opening balance as previously reported	56 682 795	69 541 125
Add: Irregular expenditure - current	3 104 785	-
Less: Irregular expenditure - written off.	-	(12 858 330)
Closing balance	59 787 580	56 682 795

Supplier Name	Description	Nature for Noncompliance	Amount
Esaethusipho	Retention Payment – Appelsbosch Electrical Upgrade	Contract Management (amount exceeded value and no proper documentation)	504 563
Capital Power	Retention Payment – Electrification (ward12, 14,16 &1)	Contract Management (amount exceeded value and no proper documentation)	630 164
A1 Electrical	Retention Payment – Electrification (Mcathu)	Contract Management (amount exceeded value and no proper documentation)	488 823
A1 Electrical	Retention Payment – Electrification (Esidumbini)	Contract Management (amount exceeded value and no proper documentation)	668 488
Momentive (PTY)LTD	Drafting of Annual Report for 2021/2022 financial year	Tax matters were not declared to be in order by SARS	198 750
Xolo General Traders	Supply of manage engine service desk software	Tax matters were not declared to be in order by SARS	154 241
Bargain Uniforms	Supply and deliver of tracksuits T-shirts for SALGA games 2022	Tax matters were not declared to be in order by SARS	171 810
Mntimande Holdings International (PTY)LTD	Provision of capacity building training	Tax matters were not declared to be in order by SARS	187 946
Izindlu Zodaka (PTY)LTD	Supply and delivery of NDW stores stationery	Tax matters were not declared to be in order by SARS	100 000

The opening balance of irregular expenditures is made up of tenders that were awarded without following the requirement of the SCM regulations and MFMA. Amongst them is regulation 44, MBD 4 (declaration of interest), regulations 16 & 17, section 116 of the MFMA. The MPAC is still investigating these cases.

49. Unauthorised expenditure

Opening balance as previously reported	19 064 460	7 271 267
Written off of unauthorised expenditure	(7 271 267)	-
Add: Unauthorised expenditure - current period	16 040 754	11 793 193
Closing balance	27 833 947	19 064 460

Ndwedwe Local Municipality

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Notes to the Annual Financial Statements

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49. Unauthorised expenditure (continued)

After the council committee investigations, the council adopted the council committee recommendation to write-off an amount of R7 271 267 from the total of unauthorised expenditure. It was proven without reasonable doubt that the amount was not recoverable.

The over expenditure incurred by municipality during the year is attributed to the following categories:

Non-cash	15 932 948	11 793 193
Cash	107 806	-
	16 040 754	11 793 193

Analysed as follows: non-cash

Depreciation and amortisation	5 718 490	-
Impairment loss	9 991 227	4 591 105
Loss on disposal of asset	124 824	468 944
Inventory Losses/write downs	23 395	-
Increase in leave provision	75 012	-
Bad debt written off	-	6 733 144
	15 932 948	11 793 193

Analysed as follows: cash

Contracted services	107 806	-
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50. Fruitless and wasteful expenditure

Opening balance	4 901 880	4 899 795
Add: Current year addition	10 133	2 085
Closing balance	4 912 013	4 901 880

The fruitless and wasteful expenditure relates to the consultantants and contractors payments arising from an investigation,the matter is still with the MPAC process.It also relate to the penalties charged on late Eskom payment however discussion between the Eskom and Municipality is ongoing to resolve this matter.

51. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial performance - extract	Line item description	Comparative figures previously reported	Reclassification	After reclassification
Remuneration of councillors	Travel local	14 718 989	(840 390)	13 878 599
Contracted services	Hire charges	49 337 810	(45 130)	49 292 680
General expenses	Travel local	4 457 516	840 390	5 297 906
General Expenses	Gift and promotional items	1 629 966	45 130	1 675 096
		70 144 281	-	70 144 281

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52. Events after the reporting date

Bhamshela Thusong center was burnt on the 13 July 2023, the municipality conducted an assessment to determine the damages costs. The preliminary report was issued to municipality with the following estimates.

The demolition cost are estimated to be R7 263 756.50.

Construction cost are estimated to be R16 553 486.

The estimated overall costs for demolition and reconstruction amounts to R23 817 242.

Proceeds of R320 940 from an insurance claim were received during the month of August 2023.

53. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2021

	Note	As previously reported	Adjustments	Restated
Net Asset		471 126 681	13 338 460	484 465 141

2022

	Note	As previously reported	Adjustments	Restated
Property, plant and equipment		432 274 648	11 858 268	444 132 916
VAT receivables		810 599	(810 599)	-
VAT payables		-	(4 686 021)	(4 686 021)
		433 085 247	6 361 648	439 446 895

Statement of financial performance

2022

	Note	As previously reported	Adjustments	Restated
Remuneration of councillors	28	14 718 989	(840 390)	13 878 599
Depreciation and amortisation	29	22 914 918	3 863 068	26 777 986
Impairment loss	30	4 591 105	2 935 781	7 526 886
Contracted services	34	49 337 810	132 830	49 470 640
General expenditure	39	32 490 908	885 520	33 376 428
Surplus for the year		124 053 730	6 976 809	131 030 539

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53. Prior period errors (continued)

2022

	Note	As previously reported	Adjustments	Restated
Ndwedwe Municipality LLF Training		250 125	(250 125)	-
Going Concern (Cash to settle total liabilities :Total Current Liabilities)		36 836 050	1 739 697	38 575 747
Going Concern(Cash at the beginning of the year)		67 279 614	36 386 629	103 666 243
Surplus for the year		104 365 789	37 876 201	142 241 990

Cash flow statement

2022

	Note	As previously reported	Adjustments	Restated
Cash flow from operating activities				
Interest income		5 111 996	(202 143)	4 909 853
Empolyee Cost		(77 615 989)	840 390	(76 775 599)
Suppliers		(92 236 268)	(3 663 753)	(95 900 021)
		(164 740 261)	(3 025 506)	(167 765 767)

Cash flow from investing activities

Purchase of property ,plant and equipment		(77 543 560)	177 955	(77 365 605)
Other cash movements		-	2 920 618	2 920 618
		(77 543 560)	3 098 573	(74 444 987)

	Note	As previously reported	Adjustments	Restated
Cash flow from operating activities				
Surplus for the year		38 899 853	(6 976 809)	31 923 044
Depreciation and amortisation		22 914 918	3 863 068	26 777 986
Impairment of Assets		4 591 105	2 935 781	7 526 886
Other non- cash items		-	(54)	(54)
		66 405 876	(178 014)	66 227 862

Change in working capital:

Receivables from exchange transactions		(1 909 585)	202 143	(1 707 442)
Accrued Interest		-	(202 143)	(202 143)
Payables from exchange transactions		(9 293 181)	(2 920 671)	(12 213 852)
		(11 202 766)	(2 920 671)	(14 123 437)

Nature of errors

Depreciation and Amortization

Completed projects: During the 2022/23 compilation of a GRAP compliant AFS, it was noted that there are projects which were completed in the 2021/22 FY. The completion certificates for these projects were received in 2022/23 therefore the projects were capitalised as a prior year correction and therefore, there's an adjustment to depreciation for prior year.

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53. Prior period errors (continued)

Conditional Assessments: During the 2021/22 compilation of AFS, there were assets that had nil carrying values. The Municipality had an intention to replace these assets in the 2022/23 FY and therefore disclosed the assets instead of reassessing the useful lives. In 2022/23 however, it was noted that the Municipality does not have the budget to replace the assets and the assets are still in use. The assets were then assessed for condition and therefore adjusted the depreciation for 2021/22 and 2020/21

Impairment loss

During the year 2021/22, Etsheni Access Road was completed and transferred from Work in Progress. In the same year, the road was washed out during the floods that affected the greater parts of KZN. The impairment of the road was erroneously omitted during the assessment of impairment of the infrastructure affected by the floods. The impairment of Etsheni Access Road was recorded as a prior year adjustment in the 2022/23 Annual Financial Statements

Vat receivables/payables

The actual VAT receivable from SARS as at reporting date is R 1,382,401.81 as supported by the VAT Statement of Account (VATSA). This balance is also supported by the VAT control account. The reconciling balances are caused by prior-year transactions that are not due or claimable from SARS. These balances include VAT transactions on Integrated National Electrification Programme (INEP) that were historically claimed from SARS.

Remuneration of councillors

Travel and subsistence cost: During the preparation of 2022/2023 AFS we noted that travel and subsistence cost of councillors were mapped under remuneration of councillors and this is not inline with MSCOA. The municipality made a decision to reclassify these cost to general expenses.

Contracted services

Gift and promotional item: During the preparation of 2022/2023 AFS we noted that gift and promotional item cost were mapped under contracted services and this is not inline with MSCOA. The municipality made a decision to reclassify these cost to general expenses

Repairs and maintenance: During the preparation of 2023/2023 AFS, it was noted that there is an expenditure relating to Dikwayo Community Hall. This expenditure was incorrectly recorded in Property Plant and Equipment. The amount was reclassified to Repairs and Maintenance from PPE.

General expenses

During the preparation of 2022/2023 AFS we noted that both travel & subsistence, gift and promotional items were incorrectly mapped. The municipality made a decision to reclassify these cost to general expenses.

The above changes will also impact the movements in the cashflow.

Contigent liability

Ndwedwe Municipality LLF training: The transaction was incorrectly included on contingent liabilities, upon further investigation as per Nxumalo and partners attorney it was discovered that the matter does not exist hence it is removed.

Going concern

Cash to settle liabilities: Current liabilities: During the preparation of AFS the municipality discovered that the VAT that relates to INEP Grant was incorrectly accounted for and the adjustment had to be made to correct this.

Cash at the beginning of the year: During the preparation of AFS the municipality incorrectly used the projected cash at the beginning of year hence it was changed to actual cash as at 30 June 2023.

Reclassifications

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54. Change in estimate

Property, plant and equipment

A change in the estimated remaining useful life of various assets of the Municipality based on their conditional assessment conducted as at 30 June 2022 will result in the following increases/decreases in depreciation and amortisation for the 2023 financial year end and future periods

There were 1471 assets which had a zero carrying value in the 2022 financial year but which were still in use and disclosed in the 2022 Annual Financial Statements. The Municipality had planned to replace these assets in the current financial year however, the budget could not accommodate the replacement of the assets and the Municipality continues to use them. Therefore, the assets useful life was reassessed which resulted in the decrease in depreciation for the 2022 financial year.

The impact on the statement of financial performance in the 2022 and 2023 financial year and future periods:

Machinery and Equipment	2 349	158 476
Furniture and Office Equipment	2 354	479 391
Computer Equipment	21 387	205 482
Community Assets	5 785	6 798
Infrastructure	2 993	14 307 433
Computer Software	17 829	-
	52 697	15 157 580

The impact on the statement of financial performance in the 2022 financial year and future periods:

Asset class		
Computer Equipment	21 387	-
Furniture and Office Equipment	2 354	-
Machinery and Equipment	2 349	-
Community Asset	5 785	-
Infrastructure	2 993	-
Intangible	17 829	-
	52 697	-

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55. Segment information

Segment surplus or deficit, assets and liabilities

2023

Revenue	Community halls, Sports Grounds and Roads	Youth Development	Waste Management	Sport and Recreation	Social Cohesion	Economic Development and town Planning	Disaster Management and fire Fighting	Libraries and Archives	unallocated segments	Total
Revenue from non-exchange transactions	43 904 000	-	-	-	-	999 523	-	2 004 000	203 246 199	250 153 722
Revenue from exchange transactions	-	-	579 998	-	-	-	-	1 876	1 888 610	2 470 484
Interest revenue	-	-	-	-	-	-	-	-	9 278 226	9 278 226
Total segment revenue	43 904 000	-	579 998	-	-	999 523	-	2 005 876	214 413 035	261 902 432
Entity's revenue										261 902 432
Expenditure										
Salaries and wages	8 866 491	-	-	-	-	5 797 233	-	2 513 345	51 266 128	68 443 197
Depreciation and amortisation	-	-	-	-	-	-	-	-	30 028 726	30 028 726
Impairment loss	2 975 082	-	-	-	-	-	-	-	7 016 145	9 991 227
Other expenses	4 336 181	2 937 553	1 440 214	4 267 754	4 329 604	6 672 856	1 839 206	133 937	95 782 050	121 739 355
Total segment expenditure	16 177 754	2 937 553	1 440 214	4 267 754	4 329 604	12 470 089	1 839 206	2 647 282	184 093 049	230 202 505
Total segmental surplus/(deficit)										31 699 927
Assets										
Segment assets	-	-	-	-	-	-	-	-	498 064 576	498 064 576
Additions	72 445 023	-	1 600 734	-	-	1 725 750	2 382 634	-	1 562 987	79 717 128
Total segment assets	72 445 023	-	1 600 734	-	-	1 725 750	2 382 634	-	499 627 563	577 781 704

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Notes to the Annual Financial Statements

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55. COVID reserve (continued)		
Total assets as per Statement of financial Position		577 781 704
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Liabilities		
Segment liabilities		
Total liabilities as per Statement of financial Position	-	29 694 033
	-	29 694 033
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Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2022

	Community halls, Sports Grounds and Roads	Youth Development	Waste Management	Sport and Recreation	Social Cohesion	Economic Development and town Planning	Disaster Management and fire Fighting	Libraries and Archives	unallocated segments	Total
Revenue										
Revenue from non- exchange transactions	42 743 000	-	-	-	-	-	-	1 909 999	187 039 354	231 692 353
Revenue from exchange transactions	-	-	515 477	-	27 502	97 000	-	2 113	2 063 622	2 705 714
Interest revenue	-	-	-	-	-	-	-	-	6 227 149	6 227 149
Total segment revenue	42 743 000	-	515 477	-	27 502	97 000	-	1 912 112	195 330 125	240 625 216
Entity's revenue										240 625 216

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55. COVID reserve (continued)

Expenditure										
Salaries and wages	7 939 074	-	-	-	-	5 860 603	-	1 892 048	47 669 276	63 361 001
Depreciation and amortisation	-	-	-	-	-	-	-	-	26 777 986	26 777 986
Impairment loss	-	-	-	-	-	-	-	-	7 526 886	7 526 886
Other expenses	1 669 677	1 997 995	1 388 805	3 082 975	3 195 413	3 513 003	1 615 223	148 770	94 424 438	111 036 299
Total segment expenditure	9 608 751	1 997 995	1 388 805	3 082 975	3 195 413	9 373 606	1 615 223	2 040 818	176 398 586	208 702 172
Total segment surplus/(deficit)										31 923 044

Assets

Segment assets	-	-	-	-	-	-	-	-	480 545 077	480 545 077
Additions	66 974 925	-	197 766	-	-	999 650	-	-	9 193 264	77 365 605
Total segment assets	66 974 925	-	197 766	-	-	999 650	-	-	489 738 341	557 910 682
Total assets as per Statement of financial Position										557 910 682

Liabilities

Segment liabilities	-	-	-	-	-	-	-	-	41 522 071	41 522 071
Total liabilities as per Statement of financial Position										41 522 071