



Maphumulo Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2021

General Information

Mayoral committee

Mayor

Cllr. Z.F. Khuzwayo Dlamini

Councillors

Cllr C.Z. Ncalane (ANC Deputy Mayor)

Cllr C.S. Shange (ANC Speaker)

Cllr P.N. Nxumalo (IFP Exco Member) (01 Jul 20 -10 Jan 21)

Cllr M.L Ngidi (IFP Exco Member) (01 Apr - 30 Jun 21)

Cllr M.L Ngidi (IFP Councillor)(01 Jul 20 - 30 Mar 21)

Cllr M.H. Khoza (ANC Councillor)

Cllr D.B Luthuli (ANC Councillor)(01 Jul - 25 Dec 20)

Cllr T.P Mchunu (IFP Councillor)

Cllr Z.G. Mthembu (IFP Councillor)

Cllr M.F. Ncalane (ANC Councillor)

Cllr N.H. Ngcobo (ANC Councillor)

Cllr S. Nyathikazi (IFP Councillor)

Cllr K.P. Ninela (IFP Councillor)

Cllr J.N. Ntuli (ANC Councillor)

Cllr N.S. Ntuli (ANC Councillor)

Cllr S.Z.M. Nzuzi (ANC Councillor)

Cllr N. Sithole (IFP Councillor)

Cllr K.M. Xhakaza (ANC Councillor)

Cllr T.J. Zungu (IFP Councillor)

Cllr J.M. Khathi (IFP Councillor)

Ilr T.R. Ngema (ANC Councillor)

Cllr. Z.W. Ninela (ANC Councillor)

Cllr. S.H. Zulu (ANC Councillor) (21 Apr- 30 Jun 21)

Cllr T.C. Mathibela (ANC Councillor) (21 Apr - 30 Jun 21)

Grading of local authority

Three

Accounting Officer

PN Mhlongo

Chief Finance Officer (CFO)

N Duma

Business address

MR 711 LOT 152

Maphumulo

4470

Postal address

Private Bag X9205

Maphumulo

4470

Bankers

First National Bank

250255

Auditors

Auditor General of South Africa

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COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

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

I certify that the salaries, allowances and benefits of Councillors, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the financial year ended 30 June 2020 and current financial position, in the light of this reviews and the, the accounting officer is satisfied that the municipality has adequate resources or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing the municipality's financial statements and express an opinion on whether the financial statement are fairly presented.

The annual financial statements set out on pages 4 to 57, have been prepared on the going concern basis, were approved by the council on 31 August 2021 and were signed on its behalf by:

Accounting Officer
PN Mhlongo

Maphumulo Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rands	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	2	133 627	246 287
VAT receivable	3	7 624 674	4 519 882
Prepayments	4	279 152	676 685
Receivables from non- exchange transactions	5	-	800 192
Staff Debtors	6	20 045	-
Accrued Interest Investment	7	-	1 880
Cash and cash equivalents	8	8 191 629	16 624 251
		16 249 127	22 869 177
Non-Current Assets			
Investment property	9	26 026 000	22 665 611
Property, plant and equipment	10	291 700 359	269 199 029
Intangible assets	11	357 958	481 900
		318 084 317	292 346 540
Total Assets		334 333 444	315 215 717
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	16 858 813	15 547 363
Unspent conditional grants and receipts	13	1 615 351	13 276 207
Provisions	14	180 000	92 383
		18 654 164	28 915 953
Non-Current Liabilities			
Provisions	14	2 126 000	1 286 449
Total Liabilities		20 780 164	30 202 402
Net Assets		313 553 280	285 013 315
Accumulated surplus		313 553 280	285 013 315

* See Note 48 & 49

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Statement of Financial Performance

Figures in Rands	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Refuse removal	16	268 084	187 287
Rental of facilities and equipment	17	1 155 710	1 123 976
Interest charged on trade and other receivable	18	349 904	977 469
Agency services	19	171 892	105 792
Licences and permits	20	37 985	849
Other income	21	1 237 225	480 481
Interest received - investment	22	692 740	1 630 846
Fair value adjustments	23	3 360 389	3 945 000
Total revenue from exchange transactions		7 273 929	8 451 700
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	17 940 417	23 165 617
Transfer revenue			
Government grants and subsidies	25	152 426 856	129 842 865
Total revenue from non-exchange transactions		170 367 273	153 008 482
Total revenue		177 641 202	161 460 182
Expenditure			
Employee related costs	27	(48 477 384)	(46 588 310)
Remuneration of councillors	28	(8 330 529)	(8 520 712)
Auditor's remuneration	29	(4 561 857)	(3 417 688)
Rental debtors straight line reversal	30	-	(201 683)
Depreciation and amortisation	31	(14 884 881)	(13 934 773)
Impairment loss	32	(7 280)	(597 762)
Petty cash written off	33	-	(3 653)
Finance costs	34	(18 253)	(7 172)
Debt Impairment and Bad debts written-off	35	(2 847 164)	(9 038 936)
WIP Written-Off	36	(3 377 552)	(3 872 706)
Contracted services	37	(24 570 139)	(24 069 949)
Transfers and subsidies	38	(12 079 311)	(7 470 199)
General expenses	39	(25 492 844)	(19 206 212)
Donation expense	40	(2 642 398)	(1 093 200)
Total expenditure		(147 289 592)	(138 022 955)
Surplus for the year from continuing operations		30 351 610	23 437 227
Gain or loss on disposal of assets	41	-	(481 696)
Surplus for the year		30 351 610	22 955 531

* See Note 48 & 49

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Statement of Changes in Net Assets

Figures in Rands	Accumulated surplus	Total net assets
Opening balance as previously reported	252 797 582	252 797 582
Adjustments		
Prior year adjustment : Depreciation on PPE	(1 811 644)	(1 811 644)
Balance at 01 July 2019	250 985 938	250 985 938
Changes in net assets		
Surplus for the year	22 955 531	22 955 531
Gains (losses) from mergers or transfer of functions between entities under common control	6 860 610	6 860 610
Total changes	29 816 141	29 816 141
Opening balance as previously reported	280 802 079	280 802 079
Adjustments		
Prior year adjustment : Retention and gaurantee	2 399 591	2 399 591
Balance at 01 July 2020 (Restated)	283 201 670	283 201 670
Changes in net assets		
Surplus for the year	30 351 610	30 351 610
Total changes	30 351 610	30 351 610
Balance at 30 June 2021	313 553 280	313 553 280
Note(s)		

* See Note 48 & 49

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Annual Financial Statements for the year ended 30 June 2021

Statement of Cash Flow

Figures in Rands	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash Receipts from Ratepayers, Government & Others		160 132 810	157 573 147
Interest income		692 740	1 630 846
		<u>160 825 550</u>	<u>159 203 993</u>
Payments			
Employee costs and councillors remuneration		(56 807 913)	(55 109 022)
Suppliers		(67 782 557)	(62 097 184)
Finance costs		(18 253)	(7 172)
		<u>(124 608 723)</u>	<u>(117 213 378)</u>
Net cash flows from operating activities	42	<u>36 216 827</u>	<u>41 990 615</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(44 631 283)	(41 655 953)
Proceeds from sale of property, plant and equipment	10	-	34 483
(Increase)/ Decrease in Staff Debtors		(20 046)	-
Proceeds from sale of other asset		1 880	42 981
		<u>(44 649 449)</u>	<u>(41 578 489)</u>
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		16 624 251	16 212 125
Cash and cash equivalents at the end of the year	8	<u>8 191 629</u>	<u>16 624 251</u>

* See Note 48 & 49

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rands						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	136 000	132 084	268 084	268 084	-	
Rental of facilities and equipment	1 308 670	(185 599)	1 123 071	1 155 710	32 639	
Interest received (trading)	1 141 724	(647 688)	494 036	349 904	(144 132)	A
Agency services	100 000	-	100 000	171 892	71 892	B
Licences and permits	2 400	56 068	58 468	37 985	(20 483)	C
Other income	381 000	370 435	751 435	1 237 225	485 790	D
Interest received - investment	945 000	(139 173)	805 827	692 740	(113 087)	E
Total revenue from exchange transactions	4 014 794	(413 873)	3 600 921	3 913 540	312 619	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23 693 570	(1 137 900)	22 555 670	17 940 417	(4 615 253)	F
Transfer revenue						
Government grants & subsidies	124 657 000	28 467 618	153 124 618	152 426 856	(697 762)	
Total revenue from non-exchange transactions	148 350 570	27 329 718	175 680 288	170 367 273	(5 313 015)	
Total revenue	152 365 364	26 915 845	179 281 209	174 280 813	(5 000 396)	
Expenditure						
Employee Related Cost	(47 315 298)	60 258	(47 255 040)	(48 477 384)	(1 222 344)	
Remuneration of councillors	(8 512 864)	343 643	(8 169 221)	(8 330 529)	(161 308)	
Depreciation and amortisation	(14 463 000)	-	(14 463 000)	(14 884 881)	(421 881)	
Impairment loss/ Reversal of impairments	-	-	-	(7 280)	(7 280)	H
Finance costs	-	-	-	(18 253)	(18 253)	
Bad debts Impairment	(2 500 000)	(10 976 131)	(13 476 131)	(2 847 164)	10 628 967	I
Repairs and Maintenance	-	-	-	(3 377 552)	(3 377 552)	J
Other materials	(1 235 000)	(200 000)	(1 435 000)	(1 346 703)	88 297	
Contracted services	(35 025 041)	(6 663 360)	(41 688 401)	(29 132 002)	12 556 399	K
Transfers and subsidies	(2 190 500)	(4 592 500)	(6 783 000)	(12 079 311)	(5 296 311)	L
General Expenses	(18 752 709)	(1 139 210)	(19 891 919)	(26 788 533)	(6 896 614)	M
Total expenditure	(129 994 412)	(23 167 300)	(153 161 712)	(147 289 592)	5 872 120	
Operating surplus	22 370 952	3 748 545	26 119 497	26 991 221	871 724	
Loss on disposal of assets and liabilities	-	(335 467)	(335 467)	-	335 467	N
Fair value adjustments	-	-	-	3 360 389	3 360 389	
	-	(335 467)	(335 467)	3 360 389	3 695 856	
Surplus before taxation	22 370 952	3 413 078	25 784 030	30 351 610	4 567 580	
Surplus for the year from continuing operations	22 370 952	3 413 078	25 784 030	30 351 610	4 567 580	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rands						
Capital Assets	(29 265 000)	(26 304 312)	(55 569 312)	44 631 283	100 200 595	O
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(6 894 048)	(22 891 234)	(29 785 282)	74 982 893	104 768 175	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

A. Interest charged on trade and other receivables -29% under performance

The variance is due to the fact that the interest on trade and other receivable was under budget.

B. Agency services 72% over performance

The reason for the over collection is because during the hard lock down we did not closed licence department while other municipalities were closed, therefore we ended up servicing more people coming from different municipalities.

C. Licences and permits -35% under performance

This variance is due to the fact that there are Business owners who did not renew their business licenses for this financial year.

D. Other income 65% over performance

The reason for over performance is because municipality received insurance refunds which was not budgeted for .

E. Interest received: Investments -14% under performance

Reason for this short fall is due to the fact that when we preparing our final budget we anticipated that certain portion of equitable share received will be invested for a certain period of time but we actually withdraw those investments before planed date.

F. Property rates -20% under performance

reason for under billing is because during the final budget we didn't anticipated 100% exemption of Ingonyama Trust properties

G. Impairment Loss -100% over expenditure

There was no budget for impairment loss .

H. Finance cost -100% over expenditure

The reason of this variance is due to the fact that we did not provide the budget for finance cost..

I. Bad debts impairment 79% under expenditure

The reason for variance is because during final budget, we've plan that there will have an addition in impairment that will result in increase in movement for the current year.

J. Repairs and maintenance 100 % over expenditure

The reason of this variance is because budget for Repairs and maintenance is part of contracted services. the expenditure is inline with the budget.

K. Contracted services -30% under expenditure

The reason for variance is that we over budgeted contracted services.

L. Transferees and subsidies 78% over expenditure

The reason for variance is the electrification projects paid exceeded the budget value

M. General expenses 31 % over expenditure

The reason of this variance is due to the fact that we did not provide the budget for Bad debts written off..

N. Loss on disposal -100% over expenditure

budget for loss on disposal was not provided for

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Appropriation Statement

Figures in Rands

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	23 693 570	(1 137 900)	22 555 670	-		22 555 670	17 940 417		(4 615 253)	80 %	76 %
Service charges	136 000	132 084	268 084	-		268 084	268 084		-	100 %	197 %
Investment revenue	945 000	(139 173)	805 827	-		805 827	692 740		(113 087)	86 %	73 %
Transfers recognised - operational	102 202 000	16 772 000	118 974 000	-		118 974 000	118 543 799		(430 201)	100 %	116 %
Other own revenue	2 933 794	(71 317)	2 862 477	-		2 862 477	6 313 105		3 450 628	221 %	215 %
Total revenue (excluding capital transfers and contributions)	129 910 364	15 555 694	145 466 058	-		145 466 058	143 758 145		(1 707 913)	99 %	111 %
Employee costs	(47 315 298)	60 258	(47 255 040)	-	-	(47 255 040)	(48 477 384)	-	(1 222 344)	103 %	102 %
Remuneration of councillors	(8 512 864)	343 643	(8 169 221)	-	-	(8 169 221)	(8 330 529)	-	(161 308)	102 %	98 %
Debt impairment	(2 500 000)	(10 976 131)	(13 476 131)			(13 476 131)	(2 847 164)	-	10 628 967	21 %	114 %
Depreciation and asset impairment	(14 463 000)	-	(14 463 000)			(14 463 000)	(14 892 161)	-	(429 161)	103 %	103 %
Finance charges	-	-	-	-	-	-	(18 253)	-	(18 253)	DIV/0 %	DIV/0 %
Transfers and grants	(2 190 500)	(4 592 500)	(6 783 000)	-	-	(6 783 000)	-	-	6 783 000	- %	- %
Other expenditure	(55 012 750)	(8 002 570)	(63 015 320)	-	-	(63 015 320)	(72 724 101)	-	(9 708 781)	115 %	132 %
Total expenditure	(129 994 412)	(23 167 300)	(153 161 712)	-	-	(153 161 712)	(147 289 592)	-	5 872 120	96 %	113 %
Surplus/(Deficit)	(84 048)	(7 611 606)	(7 695 654)	-		(7 695 654)	(3 531 447)		4 164 207	46 %	4 202 %

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Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rands

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	22 455 000	11 695 779	34 150 779	-		34 150 779	33 883 057		(267 722)	99 %	151 %
Surplus (Deficit) after capital transfers and contributions	22 370 952	4 084 173	26 455 125	-		26 455 125	30 351 610		3 896 485	115 %	136 %
Surplus/(Deficit) for the year	22 370 952	4 084 173	26 455 125	-		26 455 125	30 351 610		3 896 485	115 %	136 %
Capital expenditure and funds sources											
Total capital expenditure	(29 265 000)	(26 304 312)	(55 569 312)	-		(55 569 312)	31 924 398		87 493 710	(57)%	(109)%
Cash flows											
Net cash from (used) operating	33 645 882	8 732 600	42 378 482	-		42 378 482	36 216 827		(6 161 655)	85 %	108 %
Net cash from (used) investing	(33 939 000)	(21 630 311)	(55 569 311)	-		(55 569 311)	(44 649 449)		10 919 862	80 %	132 %
Net increase/(decrease) in cash and cash equivalents	(293 118)	(12 897 711)	(13 190 829)	-		(13 190 829)	(8 432 622)		4 758 207	64 %	2 877 %
Cash and cash equivalents at the beginning of the year	7 698 797	8 793 406	16 492 203	-		16 492 203	16 624 251		132 048	101 %	216 %
Cash and cash equivalents at year end	7 405 679	(4 104 305)	3 301 374	-		3 301 374	8 191 629		(4 890 255)	248 %	111 %

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Accounting Policies

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.

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 Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. This basis presumes that funds would be available to finance future operation, the realisation of assets and settlement of liabilities, contingent obligations and commitments would occur in the ordinary course of business see note 47.

1.3 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:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time. They are determined by the judgement of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighing all possible outcomes by their associated probabilities.

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost to fulfilling it and any compensation penalties arising from failure to fulfil it. This unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and are measured as the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

Depreciation useful life the municipality depreciate all depreciable assets on a straight line method of depreciation over the assigned useful operating life of an assets.

Post employment benefits municipality would recognise the cost of those benefits over the period of the employee's services, consistently with accounting for other employee benefit.

Value in use cash generated assets should not be carried at amount higher than their service potential from use by the municipality unlike value in use the market value in use, a market value does not necessarily reflect the service potential of an assets.

Impairment loss should be recognised if it is considered probable that an asset is impaired that if it is probable that the municipality will not recover the carrying amount of the assets (probability criterion)

Interest effective, all arrears in respect of accounts for rates and municipal services bear interest after days after due date at a rate prescribed. Accounts for rates that are billed yearly will bear interest after 60 days from the invoice or statement date.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- Use in the production or supply of goods or services or for
- Administrative purposes, or
- Sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations
- Land held for a currently undetermined future use (if the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);

Investment property is unrecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Investment property is subsequent at cost less accumulated depreciation and impairment of an assets over the useful life of an investment property which is 30 years. The impairment test of investment property are done on annual bases for every year.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Biological assets that form part of an agricultural activity

The municipality maintains Reserves from fair value adjustment of vacant land and Accumulated Surplus.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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1.6 Property, plant and equipment (continued)

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

Item	Depreciation method	Average useful life
Land and Buildings	Straight line	10-30 years
Plant and machinery	Straight line	10 - 55 years
Furniture and fixtures	Straight line	10-20 years
Motor vehicles	Straight line	5-15 years
Office equipment	Straight line	5-20years
IT Equipment	Straight line	3-10 year
Infrastructure	Straight line	10-50 years

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

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

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

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

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

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

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

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1.6 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.7 Intangible assets

An intangible asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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, internally generated	Straight line	5 years

Intangible assets are derecognised:

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

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1.7 Intangible assets (continued)

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

1.8 Trade and Other receivables

Trade and other receivables are categorised as financial assets: loans and 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 yearend. 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.

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 uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.9 Financial assets

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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1.9 Financial assets (continued)

Classification

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

Class	Category
Loan1	Financial asset measured at amortised cost

Class	Category
Loan1	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

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.

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1.9 Financial assets (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.9 Financial assets (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

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

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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1.10 Statutory receivables (continued)

- 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.

Derecognition

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

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

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

1.11 Leases

Finance leases - lessee

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

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

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

Operating leases - lessee

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

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1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

The defined benefit obligation, the related current cost and where applicable, pastservice, is determine by using the projected unit credit method. A portion of the actuarial gains and losses is recognized as revenue or expense, provided the net cumulative actuarial gains and losses at the end of the previopus reporting period exceed greater of.

10% of the present value of the defined benefit obligation at that date before deducting plan assets; and
10% of the fair value of the plan assets.

The portion of the actuarial gains and losses to be recognized is equal to the excess calculated, using the above limits and divided by the expected average remaining working lives of the employees participating in the plan. Unvested past service costs are recognized as an expense in the Statement of Financial Performance.

Pension, Provident, Retirement Benefits and Group Life Scheme

The municipality provides retirement benefits for its employees in the form of both defined benefit and defined contribution. The municipality is no longer providing retirement benefits for the Councillors as they are now getting a total cost to company package.

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement. A defined contribution plan is a plan under which the municipality pays a fixed contribution into a separate entity. The municipality has no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior period.

The contributions to fund obligations for the payment of retirement benefits are charged against the revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognized as a liability and are recovered through lump- sum payments or increased future contributions on a proportional basis to all participating municipalities.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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1.13 Commitments

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

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-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are shown in the disclosure note to the extent that such amounts have been recorded in the financial statements.

Commitments disclosed in the notes to the financial amounts represent the aggregate amount of capital and current expenditure at the reporting date.

1.14 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- 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.

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Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Interest earned on investments

The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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1.15 Revenue from non-exchange transactions (continued)

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

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

Recognition

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

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

Measurement

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

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.16 Comparative figures

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

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Accounting Policies

1.17 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.

1.18 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.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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 expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Budget information (continued)

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.21 Related parties

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

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

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

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

1.22 Events after reporting date

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

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

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

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

1.23 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued:

Standard or Interpretation

GRAP 20: Related parties

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Accounting Policies

1.23 Standards, amendments to standards and interpretations issued but not yet effective (continued)

GRAP 32: Service Concession Arrangements: Grantor

GRAP 105: Transfers of functions between entities under common control

GRAP 106: Transfers of functions between entities not under common control

GRAP 107: Mergers

GRAP 108: Statutory Receivables

Notes to the Annual Financial Statements

Figures in Rands 2021 2020

2. Receivables from exchange transactions

Trade debtors - Rentals	332 673	347 270
Refuse	74 693	32 881
Debts impairment Rental debtors	(313 708)	(159 290)
Sundry Debtors	-	458 155
Rental Debtors Straight line	-	25 426
unknown debit order	39 969	-
Debts Impairment -Sundry debtors	-	(458 155)
	133 627	246 287

Ageing for Rental Debtors

Current (0 -30 days)	18 989	74 244
31 - 60 days	58 965	26 659
61 - 90 days	28 523	60 924
91-120 days	17 826	21 514
120 -/>365 days	267 358	-
	391 661	183 341

Ageing for refuse

Current (0 -30 days)	14 439	14 541
31 - 60 days	-	7 320
61 - 90 days	-	7 320
91-120 days	-	100
	14 439	29 281

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2. Receivables from exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

Trade and other receivables is made of rental debtors and refuse. Trade and other receivables which are less than 2 months are not considered to be impaired. Only trade debtors (rentals) which are from 3 months upwards due are considered to be impaired. Rental debtors due but not impaired as at 30 June 2021, R92 394 (2020: R137 196) (these amounts is made of the different between rental debtors and the Debts impairment).

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

Rental Debtors

1 month past due	-	-
	18 989	88 676
2 months past due	58 965	26 659
	<u>77 955</u>	<u>137 196</u>

Refuse

1 month past due	14 439	14 541
2 months past due	-	7 320
	<u>14 439</u>	<u>21 861</u>

Receivables from exchange transactions impaired

As of 30 June 2021, trade and other receivables of R406 461 - (2020: R212 612) were impaired and provided for.

The amount of the provision was R313 7078 - as of 30 June 2021 (2020: R 159 290).

The ageing of these provision is as follows:

Rental Debtors

3 to 6 months	-	-
	84 500	95 662
Over 6 months	229 207	56 207
	<u>313 707</u>	<u>151 869</u>

Refuse

3 to 5 months	-	7 421
	<u>-</u>	<u>7 421</u>

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(159 290)	(1 323 051)
Impairment (charge)/ reversal	(154 417)	1 163 761
	<u>(313 707)</u>	<u>(159 290)</u>

3. VAT receivable

VAT	<u>7 624 674</u>	<u>4 519 882</u>
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Mphumulo Municipality accounts for VAT on cash basis.

4. Prepayments

Lateral Insurance Policy	236 412	189 734
SALGA Membership Fee	-	486 951
Sage software license renewal	42 739	-
	<u>279 151</u>	<u>676 685</u>

Maphumulo Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rands	2021	2020
5. Receivables from non-exchange transactions		
Gross balances		
Rates	2 240 986	10 130 028
Less: Allowance for impairment		
Rates	(2 240 986)	(9 329 836)
Net balance		
Rates	-	800 192
Receivables from Non-exchange transactions past due but not impaired		
Receivable from non-exchange transactions are divided into three groups of debtors which are Government debtors, Commercial debtors and Other debtors. Commercial debtors which are due from 2 months upwards are considered to be impaired and commercial debtors which are due for less than 2 months are not considered to be impaired. Government and Other debtors which are due from 5 months upwards are considered to be impaired and Government and Other debtors which are due less than 5 months are not considered to be impaired. At 30 June 2021 total Creditors control were impaired(2020:R599 813) were past due but not impaired.		
Balance of receivables from non exchange transactions due but not impaired		
Commercial Debtors	-	154 927
Government Debtors	-	443 637
Other Debtors	-	1 249
	-	599 813
Receivables from non exchange transactions past due but not impaired		
Current (0 -30 days)	-	384 590
31 - 60 days	-	152 649
61 - 90 days	-	28 002
91 - 120 days	-	27 989
121 - 365 days	-	6 683
> 365 days	-	200 279
	-	800 192
Commercial Debtors		
Current (0 -30 days)	-	30 345
31 - 60 days	-	124 583
	-	229 954
Government Debtors		
Current (0 -30 days)	-	358 994
31 - 60 days	-	26 370
61 - 90 days	-	26 314
91 - 120 days	-	26 339
121 - 365 days	-	5 721
	-	189 132

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Figures in Rands	2021	2020
5. Receivables from non-exchange transactions (continued)		
Other Debtors		
Current (0 -30 days)	-	(4 748)
31 - 60 days	-	1 697
61 - 90 days	-	1 688
91 - 120 days	-	1 650
121 - 365 days	-	963
	<u>-</u>	<u>1 716 720</u>
Ageing of gross Rates		
Current (0 -30 days)	25 379	384 590
31 - 60 days	4 003	152 649
61 - 90 days	2 338	151 586
91 - 120 days	2 338	148 474
121 - 365 days	2 606	130 017
> 365 days	2 204 322	9 162 711
	<u>2 240 968</u>	<u>10 130 027</u>
Ageing of provision is as follows		
61 - 90 days	(1 897)	(123 585)
91 - 120 days	(1 897)	(120 585)
121 - 365 days	(1 547)	(123 334)
> 365 days	(2 235 646)	(8 962 333)
	<u>(2 240 987)</u>	<u>(9 329 837)</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(9 329 836)	(28 371 816)
Contributions to allowance	7 088 850	19 041 980
	<u>(2 240 986)</u>	<u>(9 329 836)</u>
6. Staff Debtors		
Employee No.2195	3 925	-
Employee No.2174	5 710	-
Employee No.2104	5 460	-
Employee No.2085	4 950	-
	<u>20 045</u>	<u>-</u>
<p>Staff debtors is derived from municipal study aid policy, which state that , if the employee withdrawn their study or abandon the course for any reasons then he/she shall be required to repay the municipality money.</p> <p>Therefore staff debts is made of those employees who received study aid in prior years and withdrawn their studied and are not intended to re-register what they've started</p>		
7. Accrued interest investment		
Nedbank investment account 563 095 54919981	-	203
Nedbank Investment account 56 398012179 996	-	1 670
Nedbank Invetstment account 56398012179996	-	7
	<u>-</u>	<u>1 880</u>

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Notes to the Annual Financial Statements

Figures in Rands 2021 2020

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 366	1 337
Bank balances	1 750 153	3 777 980
Short-term Investments	6 440 110	12 844 934
	8 191 629	16 624 251

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
FNB BANK MAIN 620 238 6899 98	(173 946)	1 064 770	(398 236)	411 157
FNB BANK INVESTMENT ACCOUNT 710 44 3426 67	530 311	503 975	530 311	503 975
FNB BANK INVESTMENT ACCOUNT 741 056 039 86	2 778 686	2 707 211	2 778 686	2 707 211
FNB BANK INVESTMENT ACCOUNT 623 467 553 01	27 563	26 778	27 563	26 778
ABSA BANK CURRENT ACCOUNT 405 610 286 6	2 148 523	3 234 775	2 148 521	3 234 775
ABSA BANK CALL ACCOUNT 915 984 753 2	-	92 889	-	92 889
STANDARD BANK 30 DAYS ACCOUNT 268 693 404	1 354 665	1 312 260	1 354 665	1 312 260
NEDBANK BANK INVESTMENT ACCOUNT 563 095 549 199 81	-	993 231	-	993 231
NEDBANK BANK INVESTMENT ACCOUNT 56 309 554 919 997	79 697	77 369	79 697	77 369
NEDBANK BANK INVESTMENT ACCOUNT 56 398 012 179 996	-	621 879	-	621 879
ABSA BANK INVESTMENT ACCOUNT 929 323 815 4	-	6 509 320	-	6 509 320
FNB BANK INVESTMENT ACCOUNT 625 756 885 13	-	22	-	22
NEDBANK INVESTMENT ACCOUNT 037 881 154 381	1 669 188	-	1 669 188	-
NEDBANK MAIN ACCOUNT 121 285 889 1	(132)	-	(132)	-
Total	8 414 555	17 144 479	8 190 263	16 490 866

9. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	26 026 000	-	26 026 000	27 312 145	(4 646 534)	22 665 611

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	22 665 611	3 360 389	26 026 000

Reconciliation of investment property - 2020

	Opening balance	Transfers received	Transfers	Depreciation	Total
Investment property	10 434 054	13 826 000	(1 226 126)	(368 317)	22 665 611
Fair value of investment properties			26 326 000		22 326 000

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rands	2021	2020
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9. Investment property (continued)

Fair Value measurements

The Investment Property was valued on the 30th of June 2020, this valuation has been undertaken in accordance with International Valuation Standards by BPG Mass Appraisals (Pty) Ltd. The Property legal description is Erf 358,359 and Maphumulo vacant piece of land. The market values of these properties are follows.

Thusong centre : land	200 000	200 000
Thusing centre : building	12 300 000	12 300 000
Vacant land	13 826 000	13 826 000

There were no assets pledged as security for the year ended 30 June 2021.

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

Income generated from investment property	1 029 820	915 174
Total expenditure incurred maintaining Investment property	(406 667)	(178 947)
	<u>623 153</u>	<u>736 227</u>

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10. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	157 661 088	(31 003 868)	126 657 220	153 685 605	(26 608 724)	127 076 881
Plant and machinery	21 857 171	(8 640 756)	13 216 415	20 785 680	(8 650 396)	12 135 284
Furniture and fixtures	6 337 624	(3 713 574)	2 624 050	6 073 395	(3 758 321)	2 315 074
Motor vehicles	5 338 654	(2 217 790)	3 120 864	5 338 654	(1 609 887)	3 728 767
Office equipment	5 625 123	(2 686 032)	2 939 091	4 290 427	(2 354 732)	1 935 695
IT equipment	3 180 637	(1 143 508)	2 037 129	2 408 713	(1 457 611)	951 102
Infrastructure	200 596 606	(59 491 016)	141 105 590	173 520 968	(52 464 742)	121 056 226
Total	400 596 903	(108 896 544)	291 700 359	366 103 442	(96 904 413)	269 199 029

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rands

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Transfers	Donation	Depreciation	Impairment loss	Write-off	Total
Buildings	127 076 880	5 243 093	7 053 990	(7 053 990)	-	(4 515 673)	(7 280)	(1 139 799)	126 657 221
Plant and machinery	12 135 284	4 129 991	-	-	-	(1 417 660)	-	(1 631 200)	13 216 415
Furniture and fixtures	2 315 074	882 252	-	-	-	(346 933)	-	(226 342)	2 624 051
Motor vehicles	3 728 767	-	-	-	-	(607 903)	-	-	3 120 864
Office equipment	1 935 696	1 538 361	-	-	-	(526 238)	-	(8 728)	2 939 091
IT equipment	951 101	2 005 350	-	-	-	(547 839)	-	(371 483)	2 037 129
Infrastructure	120 828 664	30 832 236	28 102 547	(28 102 547)	(3 756 598)	(6 798 712)	-	-	141 105 590
	268 971 466	44 631 283	35 156 537	(35 156 537)	(3 756 598)	(14 760 958)	(7 280)	(3 377 552)	291 700 361

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Reclassifications	Donations	Depreciation	Impairment loss	Impairment reversal	Total
Land	9 881 000	-	-	-	-	(9 881 000)	-	-	-	-	-
Buildings	121 940 379	10 401 717	-	21 545 156	(28 180 584)	1 228 464	6 106 456	(3 977 576)	(5)	(1 987 127)	127 076 880
Plant and machinery	13 582 524	-	(94 369)	-	-	-	-	(1 349 463)	(3 408)	-	12 135 284
Furniture and fixtures	1 533 536	764 302	(13 221)	-	-	-	441 505	(395 324)	(15 724)	-	2 315 074
Motor vehicles	2 263 000	2 158 042	(375 820)	-	-	-	-	(316 455)	-	-	3 728 767
Office equipment	1 747 255	579 173	(28 975)	-	-	-	194 379	(482 479)	(73 657)	-	1 935 696
IT equipment	861 008	297 162	(3 794)	-	-	-	119 091	(312 486)	(9 880)	-	951 101
Infrastructure	95 845 415	27 455 557	-	35 744 798	(29 630 476)	-	-	(5 942 363)	(531 125)	(1 885 579)	121 056 227
	247 654 117	41 655 953	(516 179)	57 289 954	(57 811 060)	(8 652 536)	6 861 431	(12 776 146)	(633 799)	(3 872 706)	269 199 029

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Notes to the Annual Financial Statements

Figures in Rands

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10. Property, plant and equipment (continued)

work-in-progress taking significant longer to complete

The following projects takes significant longer to complete because of the following reasons.

OKHUKHO BLACKTOP ROAD - There is a delay of eight weeks from the programme. The delays are due to bad weather and looting that took place in KZN & GP & the contractor has not yet caught up with the programme of works. Contractor is busy with G2 stabilisation on site and has reached the required standard. There is a shortage of G2 from the supplier and this is causing further delaying with laying of asphalt. Construction is estimated at 72% to date. Sub-Contractors will start as at mid-January. The delay of sub-contractors is based on the delays on site. Award letters and a notification has been sent to them

MVOZANE COMMUNITY SERVICES CENTRE- The Consultant has been appointed as a Turnkey Award. The contractor started on the 24th of August and is set to be completed on the 15th of December 2021. The only delay is the installation of the roof as there as a national backlog from NUMSA.

Reconciliation of Work-in-Progress 2021

	Opening balance	Additions	Completed Projects	write-offs	Closing Balance
Buildings	14 780 482	5 043 229	(7 053 990)	(1 055 383)	11 714 338
Infrastructure	29 432 899	29 785 417	(28 102 547)	-	31 115 769
	44 213 381	34 828 646	(35 156 537)	(1 055 383)	42 830 107

Reconciliation of Work-in-Progress 2020

2020

	Opening Balance	Additions	Completed projects	Impairment loss	Closing Balance
Buildings	35 360 307	10 401 717	(28 180 584)	(5)	17 581 435
Infrastructure	33 501 408	27 455 557	(29 630 476)	-	31 326 489
	68 861 715	37 857 274	(57 811 060)	(5)	48 907 924

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by nature and type of expenditure - 2021

	Direct Costs Contracted services
Buildings	2 034 044
Plant and machinery	2 899 910
Motor vehicles	1 480 000
	6 413 954

Maintenance of property, plant and equipment by nature and type of expenditure - 2020

	Direct Costs Contracted services
Buildings	1 640 890
Plant and machinery	1 863 014
Motor vehicles	534 658
	4 038 562

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Notes to the Annual Financial Statements

Figures in Rands

2021

2020

10. Property, plant and equipment (continued)

11. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	867 597	(509 639)	357 958	1 133 927	(652 027)	481 900

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	481 900	(123 942)	357 958

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	625 369	(143 469)	481 900

12. Payables from exchange transactions

Retention and Gaurantees	6 844 759	4 552 492
Trade Payables	2 530 290	3 796 133
Accrued Leave Pay	5 910 468	5 706 400
Accrued Bonuses	1 329 625	1 262 221
Insurance received onbehalf of deceased Councillor	215 000	215 000
Other payables	28 671	15 034
Indemnity	-	83
	16 858 813	15 547 363

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

CoGTA Grant Mvozane	1 615 351	5 089 779
Library Grant	-	896 839
Disaster Relief Grant	-	500 000
Municipal Infrastructure Grant (MIG)	-	6 789 589
	1 615 351	13 276 207

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Figures in Rands 2021 2020

14. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Long service award - short term	92 383	87 617	180 000
Long service award - long term	1 286 449	839 551	2 126 000
	1 378 832	927 168	2 306 000
Non-current liabilities		2 126 000	1 286 449
Current liabilities		180 000	92 383
		2 306 000	1 378 832

Long service award provision

In line with the guidelines of the Bargaining Council, the municipality remunerates its employees for the long service rendered to the municipality. The estimates of the present obligation are determined through the use of Actuarial expertise. Such estimates are reviewed annually at the end of each financial year.

The municipality offers bonuses for every 5 years of completed service from 10 to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or wholly or partially cashed. In most cases employees exercise the option to wholly convert their accumulative leave bonus days into cash.

Key assumptions (%)	2021	2020
Discount rate	9.77%	8.55%
General earbing inflation rate(long- term)	5.98%	4.47
Net discount rate	3.58%	3.91%
Mortality	SA85-90	SA85-90
Normal retirement age	62	65

15. Revaluation Surplus

The fair value adjustment for assets available-for-sale reserve comprises fair value adjustments on vacant land available-for-sale. When an asset or liability is derecognised, the fair value adjustments relating to that asset or liability is transferred to surplus or deficit.

Revaluation surplus- Property, plant and equipment	3 360 389	3 945 000
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16. Refuse removal

Refuse removal	268 084	187 287
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17. Rental of facilities and equipment

Premises

Rental	1 133 106	1 099 628
Hall hire	22 604	24 348
	1 155 710	1 123 976

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Figures in Rands	2021	2020
18. Interest charged on trade and other receivables		
Interest on receivables from Non Exchange transaction	325 307	934 829
Interest on receivables from Exchange transaction	24 597	42 640
	349 904	977 469
19. Agency services		
Vehicle Registration	171 892	105 792
20. Licenses and permits		
Licenses and permits	37 985	849
21. Other income		
Tender Document Sale	268 695	153 369
Sundry income	94 337	215 574
Admin Fee and Commission	365 337	111 538
Insurance Refund	483 560	-
Study aids re-payments	25 296	-
	1 237 225	480 481
22. Interest Received - Investments		
Interest revenue		
Other financial assets (Investments)	99 435	736 928
Bank (Main and Current)	593 305	893 918
	692 740	1 630 846
23. Fair value adjustments		
Investment property (Fair value model)	3 360 389	3 945 000

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24. Property rates

Rates

Billings	32 478 717	28 800 849
Less: Income forgone	(14 538 300)	(5 635 232)
	<u>17 940 417</u>	<u>23 165 617</u>

Property Rates per category

	Billings	Rebates	Total
Residential' s	149 483	(66 983)	82 500
Commercial	1 488 767	-	1 488 767
State	18 131 667	(1 791 267)	16 340 400
Rural Communal Land (RCL)	12 651 300	(12 651 300)	-
Agricultural	57 500	(28 750)	28 750
	<u>32 478 717</u>	<u>(14 538 300)</u>	<u>17 940 417</u>

Property rates levied in terms of the Local Government : Municipal Property Rates Act No. 6 of 2004 with effect from 1 July 2009. The current valuation roll was implemented on 01 July 2019. The council approved randage for this financial year are; Commercial R0.050, Mutli-Purpose properties R0.050, PSI R0.030, Residential Properties R0.010, Places of worship and other PBO properties R0.010, Agricultural R0.025, Mining properties R0.040 and Vacant sites R0.040 . All Public Service Properties receives 10% rebates and the residential properties receives R15 000 exemption and 40% rebate, Farming and Agriculture properties received 50% and residentail properties received 40%.

The summary of property valuation roll category and market values are as follows:-

Valuations

Residential	14 980 000	14 980 000
Commercial	47 076 000	47 076 000
State	295 100 000	295 100 000
Municipal	33 868 000	33 868 000
Specialized Property	85 980 000	85 980 000
Rural Communal Land (RCL)	253 038 000	253 038 000
Agricultural	2 300 000	2 300 000
Public Service Infrastruture	720 000	720 000
	<u>733 062 000</u>	<u>733 062 000</u>

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Figures in Rands	2021	2020
25. Government grants and subsidies		
Operating grants		
Equitable Share	113 278 000	90 716 000
Disaster Relief Grant	500 000	245 000
Financial Management Grant (FMG)	1 900 000	1 900 000
Expanded Public Works Program (EPWP)	1 282 000	1 325 000
Library Grant	1 583 799	1 674 466
	118 543 799	95 860 466
Capital grants		
CoGTA Grant - Mvozane	3 474 428	6 375 074
Municipal Infrastructure Grant (MIG)	28 712 589	27 607 325
Library Grant	1 696 040	-
	33 883 057	33 982 399
	152 426 856	129 842 865
Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of :		
Municipal Infrastructure Grant	-	12 061 527
CoGTA Grant Mvozane	1 615 351	5 089 779
Library Grant	-	896 839
Disaster Relief Grant	-	500 000
	1 615 351	18 548 145
CoGTA Grant - Mvozane		
Balance unspent at beginning of year	5 089 779	4 464 853
Current-year receipts	-	7 000 000
Conditions met - transferred to revenue	(3 474 428)	(6 375 074)
	1 615 351	5 089 779
Library Grant		
Balance unspent at beginning of year	896 839	939 305
Current-year receipts	2 383 000	1 632 000
Conditions met - transferred to revenue	(3 279 839)	(1 674 466)
	-	896 839
Financial Management Grant (FMG)		
Current-year receipts	1 900 000	1 900 000
Conditions met - transferred to revenue	(1 900 000)	(1 900 000)
	-	-
Expanded Public Works Program (EPWP)		
Current-year receipts	1 282 000	1 325 000
Conditions met - transferred to revenue	(1 282 000)	(1 325 000)
	-	-

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Figures in Rands	2021	2020
25. Government grants and subsidies (continued)		
Disaster Relief Grant		
Balance unspent at beginning of year	500 000	-
Current-year receipts	-	745 000
Conditions met - transferred to revenue	-	(245 000)
Other	(500 000)	-
	<u>-</u>	<u>500 000</u>
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	6 789 589	5 576 913
Current-year receipts	21 923 000	28 820 000
Conditions met - transferred to revenue	(28 712 589)	(27 607 324)
	<u>-</u>	<u>6 789 589</u>
26. Agent and Principal Transactions		
Integrated National Electrification Programme (INEP) Grant		
Current year receipts	7 000 000	9 180 000
Conditions met	(7 000 000)	(9 180 000)
	<u>-</u>	<u>-</u>

Maphumulo Municipality received Integrated National Electrification grant funding from Department of Mineral Resources and Energy, to address the electrification backlog for all residential dwelling with in municipal jurisdiction. Maphumulo Municipality does not have electricity distribution license therefore Maphumulo Municipality is acting as an Agent of the Principal, Department of Mineral Resources and Energy.

During the current financial year we've received a funding of R7 000 000 and this amount was full spent with in the current financial year.

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Figures in Rands	2021	2020
27. Employee related costs		
Basic	30 314 483	27 421 232
Bonus	2 330 392	2 207 826
Medical aid - company contributions	1 757 835	1 597 900
UIF	229 404	217 395
SDL	380 617	451 188
Defined contribution plans	4 676 503	4 103 852
Overtime payments	192 500	145 395
Long-service awards	-	13 222
Car allowance	2 082 415	2 221 572
Housing benefits and allowances	73 788	71 051
Cellphone Allowance	199 738	180 392
Non-Pensionable Allowance	235 950	270 233
Stand-By Allowance	67 946	89 858
Leave Accrued	839 964	2 834 541
Membership Fees	15 334	14 483
	43 396 869	41 840 140
Remuneration of Municipal Manager		
Annual Remuneration	761 000	761 000
Car Allowance	326 143	326 143
	1 087 143	1 087 143
Remuneration of Municipal Manager is a annual remuneration paid to Municipal Manager: Mr.P.N Mhlongo as from July 2020 to June 2021.		
Remuneration of Chief Finance Officer		
Annual Remuneration	570 544	570 544
Car Allowance	244 519	244 519
	815 063	815 063

Remuneration of Chief Financial Officer is a annual remuneration paid to CFO as from July 2020 to June 2021.

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Figures in Rands

	2021	2020
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27. Employee related costs (continued)

Remuneration of Director: Technical Services

Annual Remuneration	498 461	280 549
Car Allowance	234 659	120 235
	<u>733 120</u>	<u>400 784</u>

Remuneration of Technical Director is a remuneration paid to Director from August 2020 to June 2021.

Remuneration of Director : Community Services

Annual Remuneration	570 544	570 544
Car Allowance	244 519	244 519
	<u>815 063</u>	<u>815 063</u>

Remuneration of Director: Community services is a annual remuneration paid to Director as from July 2020 to June 2021

Remuneration of Director: Corporate Services

Annual Remuneration	570 544	570 544
Car Allowance	244 519	244 519
	<u>815 063</u>	<u>815 063</u>

Remuneration of Director: Corporate services is a annual remuneration paid to Director as from July 2020 to June 2021

Remuneration of Director: Economic, Development and Planning (EDP)

Annual Remuneration	570 544	570 544
Car Allowance	244 519	244 519
	<u>815 063</u>	<u>815 063</u>

Remuneration of Director: Economic, Development and Planning is a annual remuneration paid to Director as from July 2020 to June 2021

28. Remuneration of Councillors

Mayor	901 659	901 659
Deputy Mayor	729 488	729 488
Chief Whip	313 230	313 230
Speaker	729 488	729 488
Councillors	3 642 209	3 834 229
Skills Development Levy	-	4 146
Cellphone Allowance	700 137	730 342
Travel Allowance	1 214 070	1 278 130
Mayoral Committee Members	100 248	-
	<u>8 330 529</u>	<u>8 520 712</u>

In-kind benefits

The Mayor is a full time councillor and she received secretarial services and the use of a municipal vehicle paid by the municipality.

The Deputy Mayor and Speaker received the use of municipal vehicle and municipal drivers paid for by the municipality.

The Mayor has three full-time bodyguards paid by the municipality.

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Figures in Rands	2021	2020
29. Auditors Remuneration		
Auditors Remuneration	<u>4 561 857</u>	<u>3 417 688</u>
30. Rental debtors straight line reversal		
Rental debtors straight line reversal	<u>-</u>	<u>201 683</u>
31. Depreciation and amortisation		
Property, plant and equipment	14 760 939	13 422 988
Investment property	-	368 317
Intangible assets	123 942	143 468
	<u>14 884 881</u>	<u>13 934 773</u>
32. Impairment of assets		
Impairments		
Property, plant and equipment	<u>7 280</u>	<u>597 762</u>
33. Petty cash written off		
Petty cash written off	<u>-</u>	<u>3 653</u>
34. Finance costs		
Other Interest Paid	<u>18 253</u>	<u>7 172</u>
35. Debt impairment and Bad debts written-off		
Contributions to debt impairment provision - Receivable from exchange transactions	154 417	(1 163 761)
Contribution to debt impairment provision - Receivables from non-exchange transactions	(7 088 850)	(19 041 980)
Bad debts written off Receivables from exchange transaction	458 155	1 582 819
Bad debts written off Receivables from non exchange transactions	9 323 442	27 661 858
	<u>2 847 164</u>	<u>9 038 936</u>
36. WIP Written Off		
Buildings	1 139 799	1 987 127
Infrastructure	-	1 885 579
Computers	371 483	-
Plant and machinery	1 631 200	-
Furniture and fixtures	235 070	-
	<u>3 377 552</u>	<u>3 872 706</u>
37. Contracted services		
Presented previously		
Operating Leases	462 262	392 640

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Figures in Rands	2021	2020
37. Contracted services (continued)		
Outsourced Services		
Catering Services	462 431	694 152
Cleaning Services	2 605 002	3 191 376
Hygiene Services	534 178	245 000
Refuse Removal	48 780	247 123
Security Services	6 242 936	6 715 932
Transport Services	367 850	345 867
Consultants and Professional Services		
Business and Advisory	4 826 061	4 368 565
Legal Cost	603 233	606 508
Contractors		
Event Promoters	573 344	1 880 150
Interior Decorator	-	9 000
Maintenance of Buildings and Facilities	2 034 044	1 398 775
Maintenance of Equipment	2 899 910	1 851 314
Maintenance of Unspecified Assets	1 480 000	1 204 830
Stage and Sound Crew	1 430 108	918 717
	24 570 139	24 069 949
38. Transfers and subsidies		
Free basic services	12 079 311	7 470 199
39. General expenses		
Advertising and communications	3 931 605	3 733 128
Bank charges	66 211	97 323
Consumables	1 346 703	1 550 302
Donations	2 642 398	-
Interest and penalties	4 708	10 382
Healthy and safety	152 613	51 305
Hire charges	142 904	124 022
Insurance	1 077 923	713 606
Community development and training	4 414 903	1 344 488
Fleet	59 186	274 627
Medical expenses	43 022	12 200
Fuel and oil	1 260 134	1 697 084
Software expenses	65 290	57 400
Bursaries	434 523	576 968
Subscriptions and membership fees	507 966	538 776
Telephone and fax	1 027 096	851 433
Training	261 005	554 399
Travel - local	2 732 208	2 777 394
Waterborne sewer	-	235 200
Water and electricity	1 546 469	2 003 979
Uniforms	1 868 057	543 370
IDP Review	166 370	-
Audit committee	434 377	291 866
Licenses	1 949 213	1 287 676
LED projects	1 303 197	972 484
Planning and Development	697 161	-
	28 135 242	20 299 412

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Figures in Rands	2021	2020
40. Donation Expense		
Donation expense		
openig expenditure	1 093 200	-
Total construction cost	3 756 598	-
Expenditure incurred prior year (Accummulated surplus)	(1 093 200)	-
Expenditure	-	1 093 200
	3 756 598	1 093 200

Donation expense is made total expenditure incurred for the construction of P711 road. this construction cost is not capitalised because P711 belong to Department of transport. total construction cost is R3 756 598, of which R2 642 398 incurred in the current financial year and R1 093 200 in previous years.

41. Gain or Loss on disposal of assets

Disposal assets

Computers		481 696
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42. Cash generated from operations

Surplus	30 351 610	22 955 531
Adjustments for:		
Depreciation and amortisation	14 884 881	13 934 773
Profit on disposal of assets and liabilities	-	481 696
Fair value adjustments	(3 360 389)	(3 945 000)
Impairment loss	7 280	597 762
Debt impairment	2 847 164	9 038 936
WIP written off	3 377 552	3 872 705
Movements in provisions	927 168	(52 572)
Petty Cash write off	-	3 653
Rental Debtors straightline revesal	-	201 683
Changes in working capital:		
Receivables from exchange transactions	112 660	264 657
Receivable from non-exchange transation	802 188	(7 213 468)
Prepayments	397 533	(62 027)
Payables from exchange transactions	634 828	1 761 649
VAT	(3 104 792)	(2 144 499)
Unspent conditional grants and receipts	(11 660 856)	2 295 136
	36 216 827	41 990 615

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Figures in Rands	2021	2020
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	26 668 236	21 261 617
• Investment property	2 078 767	291 664
	28 747 003	21 553 281
Total capital commitments		
Already contracted for but not provided for	28 747 003	21 553 281
Authorised operational expenditure		
Total operational commitments		
Already contracted for but not provided for	553 343	7 721 737
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	111 959	335 876
- in second to fifth year inclusive	-	111 959
	111 959	447 835

Operating lease payments represent rentals payable by the municipality for printing machinery. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable. the municipality will pay Konica Minolta the total monthly minimum charge and additional copy or scan if any, calculated at a rate specified in the schedule without demand.

44. Fruitless and wasteful expenditure

Opening balance as previously reported	3 429 702	559 772
Opening balance as restated	3 429 702	559 772
Add: Expenditure identified - current	39 888	3 094 971
Less: Amounts recoverable - prior period	-	(225 041)
Closing balance	3 469 590	3 429 702

Reason for Fruitless and wasteful Expenditure

Included in the fruitless and wasteful expenditure of R 629 is interest charged by SARS due to differences identified in the reconciliation of EMP 201 & EMP, R11 830 due to the late payment of invoices which was received late and R23 711 penalties charged by KZN Department of transport due to delayed payment for renewals of municipal vehicles .

Included in the fruitless and wasteful expenditure for previous year is R 10 179 interest charged by SARS due to the late submission of EMP 201 and VAT 201 filed to the incorrect period, R203 due to the late payment of water bill, R3 081 072 discontinued projects and R3 509 due to the cancellation of booked accommodation.

Fruitless and wasteful expenditure for the current year is not yet recoverable as at the year end.

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Figures in Rands	2021	2020
45. Irregular expenditure		
Opening balance as previously reported	40 771 163	38 906 812
Add: Irregular Expenditure - current year	159 540	-
Add: Irregular expenditure incurred in current year but identified in prior year	40 930 703	38 906 812
Add: Irregular Expenditure - current	-	1 864 351
Closing balance	40 930 703	40 771 163

Summary of Cases

Current year	2	16
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Details of irregular expenditure – current year

GRAP standard 3.32 issued not yet effective.

Incident 1	-	-
Non compliance with section 116(2)(a) of the Municipal Finance Management Act, Act no. 56 of 2003 state that the accounting officer of the municipality must take all the reasonable steps to ensure that a contract or agreement procure through supply chain management policy of the municipality or municipal entity is properly enforced.	125 040	1 693 404
Incident 2	-	-
Non compliance with section 116(1)(a) of the Municipal Finance Management Act (MFMA), Act no. 56 of 2003 which states that a contract or agreement procured through the supply chain management system of municipal or municipal entity must be in writing	34 500	28 463
Incident 3	-	-
False declaration of interest by the service provider	-	142 484
	-	-
	159 540	1 864 351

46. Deviation from supply chain management regulations

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

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

Goods and services of R799 070 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

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2021

2020

47. Employee benefit obligations

Multi Employer Retirement Fund

All fulltime employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes

All of these aforementioned funds are multiemployer plans and are subject to either a triannual, biannual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons.

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers..

It is therefore seen that each fund operates as a single entity and is not divided into subfunds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions.

Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions..

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

Defined Benefit Plan

Retirement Fund

The scheme is subject to a triannual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen actuarial solutions.

The interim actuarial valuation performed as at 30 March 2018 revealed that the fund had a increase of R174.2 (31 March 2017: increase of R 144.7) million, with a funding level of 90,2% (31 March 2015: 96.1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (28.37%) should be sufficient to eradicate the shortfall in the fund by 30 June 2018. However, the basic contribution payable is 2.95% less than the required contribution rate

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 21.65% of pensionable emoluments, of which 1,65% is payable by members and 20% is payable by the local authority. This surcharge is payable until 2020. It is necessary that the basic employer contribution be increased by 15.85% to 20 % and the surcharge be increased to 17.5% and extended by a further 3 years to 30 June 2020. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 35% with effect from 1 July 2018 for a period of 8 year

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund

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47. Employee benefit obligations (continued)

Long Term Services Awards

A long term service awards is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2019 may become entitled to in future, based on an actuarial valuation performed at that date

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2021 by the Arch actuarial consulting a member of the Actuarial Society of South Africa

A summary of the actuarial valuation results is as follows:

Key financial assumptions used for the purposes of the actuarial valuation

Defined Contribution Plan

Municipal Councillors Pension Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011. The interim valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R 1 483,786 381 (30 June 2010: R 1 123,672 020) million. The contribution rate paid by the members (13.75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future. As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2011.

Provident Fund

The KwaZulu Natal Joint Municipal Provident Fund scheme is subject to a triannual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen Actuarial Solution.

The interim actuarial valuation performed as at 31 March 2018 revealed that the market value of the fund was R 4 105 682. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2018.

None of the above mentioned plans are State Plans.

Key financial assumptions used for the purposes of the actuarial valuation

Discount rate	9.77 %	8.55 %
Net effect discount rate	3.58 %	3.91 %
General earnings inflation rate (long-term)	5.98 %	4.47 %
	<u>-</u>	<u>-</u>

Movements in the defined benefit obligation is as follows:

Opening balance	1 378 832	1 431 404
Service Cost	168 714	187 470
Actuarial (gains)/losses	378 896	(153 565)
Interest Cost	113 941	111 139
Benefit payments	(92 383)	(197 616)
Addition of pro-rata LSA	358 000	-
	<u>2 306 000</u>	<u>1 378 832</u>

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47. Employee benefit obligations (continued)

Key assumptions used

Key demographic assumptions used for withdrawals from services:	Female	Male
Age of 20	9.00 %	9.00 %
Age of 30	6.00 %	6.00 %
Age of 40	5.00 %	5.00 %
Age of 50	3.00 %	3.00 %

48. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Thusong Centere

During the year 2020, the municipality changed its accounting policy with respect to the treatment of Investment property. In order to conform with the benchmark treatment in of GRAP 16 – investment property. The reason for change in accounting policy it because we want to measure all investment property at fair value.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2020 is as follows:

Statement of financial position

Accumulated Depreciation on investment property

Previously stated	-	(4 646 535)
Adjustment	4 646 535	-
	4 646 535	(4 646 535)

Investment property

Previously stated	-	26 026 000
Adjustment	26 026 000	-
	26 026 000	26 026 000

49. Prior period errors

Retention and Guarantees

During 2020 financial year municipality had reported R6 952 084 retention and guarantees, included in trade and other payables. Through detailed review of GL and individual suppliers, we noted that in 2020 financial year we made an error by not write-off all untraceable retention which amount to R 2 399 592. Therefore correction of this error results in decrease retention and guarantees and increase accumulated surplus by R2 399 592

During the preparation of 2021 financial statements, we note that there are reconciling differences if e comparing the GL and FAR, this differences is from prior 2020 financial year, the differences is coming from prior 2020 financial year. We've correct the reconciling item, and the correction of this error results in an increase in PPE and a decrease in Accumulated surplus R1 811 644

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

Statement of financial position

Payables from Exchange transactions	-	(2 399 592)
Property, Plant and Equipment	-	1 811 644
Opening accumulated Surplus	-	2 399 592
prior opening accumulated surplus	-	(1 811 644)

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2021

2020

50. Comparative figures

Licences and permits & Agency services

Prior year Agency services were reported together with Licences and permits in Statement of financial performance as R106 640, during the preparation of 2021 annual financial statement we restated 2020 financial year, Licences and permits R849 and Agency services R105 792.

Contracted services & Transfers and subsidies

Prior year transfers and subsidies were reported as part of contracted services in Statement of financial performance as R30 714 929, during the preparation of 2021 annual financial statement we restated 2020 financial year, contracted services R24 069 949 and transfers and subsidies R7 470 199.

Statement of financial Position -Extract.

	Comparative figures previously reported	Reclassification	After reclassification
Agency services	-	105 792	105 792
Licenses and permits	106 640	(105 792)	848
Contracted services	30 714 429	(8 294 918)	22 419 511
Transfers and Subsidies	-	7 470 199	7 470 199
	30 821 069	(824 719)	29 996 350

51. Related parties

Related party transactions

Interest paid to (received from) related parties

Halamnqo General Trading & Communications	-	7 890
Mabanga consulting Pty Ltd	-	19 295

Through the review of employees and councillors signed declaration of interest forms and GL transactions, nothing were found for the current financial year.

The above payments for the previous year were made by the municipality without knowing that these companies have a relationship with municipal employees

Key management information

Class	Description	Number
Municipal Manager	Mr. Phakama Mhlongo	1
Chief Financial Officer	Mr. Ntando Duma	1
section 57 employees	Mr. Thulani Khuluse; Mr. Chris Mhlongo; Mr. Sibusiso Mngoma and Mrs Sikhululekile Mhlongo	4

52. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

At fair value	At amortised cost	Total
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52. Financial instruments disclosure (continued)

Trade and other receivables from exchange transactions	-	133 627	133 627
Cash and cash equivalents	8 191 629	-	8 191 629
	8 191 629	133 627	8 325 256

Financial liabilities

Trade and other payables from exchange transactions	At cost	Total
	2 530 290	2 530 290

2020

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	313 312	313 312
Trade and other payables from non-exchange transactions	-	800 192	800 192
Cash and cash equivalents	16 483 910	-	16 483 910
	16 483 910	1 113 504	17 597 414

Financial liabilities

Trade and other payables from exchange transactions	At cost	Total
	3 796 133	3 796 133

53. Contingencies

Case 1.

Maphumulo Municipality // Only If Management CC.

Litigation is in the process between the municipality and Only If Management CC under the case number 10108/2013 Plaintiff claims to have been appointed by the Municipality to do refuse removal within the Maphumulo area of jurisdiction. The claim is for R8 609 993.32

Case 2

Maphumulo Municipality // Sibgem Management & Consulting.

Attorney's was appointed by Maphumulo municipality to defend the claim of R1 864 476.11 for the non payment of invoices for the electrification work at Ziqgayini, Mphise and Mzulwini ward.

Attorney's issued the appearance to defend and filed a plea in which they raised the points in limine as follows:

1. There had been no contract between the Municipality,
2. In terms of the letter of appointment dated 21 May 2014, there were conditions that had to be adhered to before the commencement of the work, which were not complied with..
3. Thereafter filed a claim in Reconvension for the amount of R1 628 357.34, after which plaintiff filed a plea to the Claim in Reconvension denying our claim.

54. Segment Reporting

General information

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54. Segment Reporting (continued)

Segment Reporting

The municipality is planning to organised and reports to management only the direct service delivery to the community as economic benefit and service potential. direct service delivery to the community as economic benefit and service potential. And for which separate financial information is available. during the current financial year no Segments were aggregated for reporting purposes because necessary information is not available and the cost to develop it would be excessive, but going forward we will budget to get these information and start to report all reportable segments .

55. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The table below analyses the municipality's financial liabilities balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The municipality would be able to pay all obligation due within 12 months as listed in the face of the balance sheet Current liabilities which are Trade and other payables from exchange transactions , Unspent conditional grants and Provision for long term service awards

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	2 530 290	-	-	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3 796 133	-	-	-

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. Consumer debtors comprise of a large number of ratepayers dispersed across different sectors and geographical areas. Management evaluated credit risk relating to customers on an ongoing basis. Credit exposure is managed by application of the municipality's policies regarding credit control and debt collection. The municipality has made a provision for doubtful debts in accordance to its policies. The carrying amount of financial assets is the maximum exposure to credit risk in relation to these assets

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

Financial instrument	2021	2020
Trade and other receivables from exchange transactions	133 627	246 287
Trade and other receivables from non exchange transactions	-	800 192
Cash and cash equivalents/bank balances	8 191 629	16 624 651

Market risk

Interest rate risk

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

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56. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 313 553 280 and that the municipality's total assets exceed its liabilities by R 313 553 280.

The municipality's current liabilities are not secured against the municipal current assets as it can be seen that current assets are less than current liabilities and there is a deficit of R2 405 037 (R16 249 127 current assets less R18 654 164 current liabilities). This shows a decrease in deficit compared to last financial year where there was a deficit of R8 446 368.

Included in the current liabilities are unspent conditional grants of R1 615 351 that always need to be cash backed. Current Assets includes VAT receivables of R7 624 674 which would be received from SARS during next financial year.

The going concern of the municipality is negative since the municipality relying on its cash and cash equivalents of R8 191 629 to settle the current liability of R18 654 164.

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	486 951	486 951
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There is no adjustment event after reporting date.

Audit fees

Opening balance	63 904	1 529
Current year subscription / fee	5 251 490	3 419 217
Amount paid - current year	(4 995 302)	(3 356 842)
	<u>320 092</u>	<u>63 904</u>

Only R320 092 audit fee amount were outstanding at the end of the year

PAYE and UIF

Amount paid - current year	8 030 450	6 643 720
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There is no outstanding PAYE and UIF at the financial year end

Pension and Medical Aid Deductions

Amount paid - current year	9 485 357	7 593 870
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There is no outstanding Pension and Medical aid were outstanding at as at the financial year end

VAT

VAT receivable	7 624 674	4 519 882
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There were no Councillors in arrears for more than 90 days at any time during the year ended 30 June 2021: