



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

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2022

General Information

Mayoral committee

Mayor

Cllr S.Z. Nyathikazi (IFP) (25 November 2021 - 30 June 2022) & Councillor (1 July- 24 November 2021)

Councillors

Cllr Z.F. Khuzwayo Dlamini (ANC) (01 July - 08 November 2021) & Exco Member (25 November 2021 -30 June 2022)

Cllr S.T. Chili (EFF) Deputy Mayor (25 November 2021 - 30 June 2022)

Cllr C.Z. Ncalane (ANC) Deputy Mayor (01 July - 08 November 2021)

Cllr M.L. Ngidi (IFP) Speaker (25 November 2021 - 30 June 2022) and Exco Member (01 July - 08 November 2021)

Cllr C.S. Shange (ANC) Speaker (01 July 2021 - 08 November 2022) & Exco Member (25 November 2021-30 June 2022)

Cllr M.H. Khoza (ANC) Councillor

Cllr N.S. Ntuli (ANC) Councillor

Cllr N. Sithole (IFP) Councillor

Cllr. S.H. Zulu (ANC) Councillor

Cllr T.C. Mathibela (ANC) Councillor

Cllr M.P. Bhengu (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr I.M. Biyela (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr B.E. Biyela (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr W.M.S. Ntanzu (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr E.S. Maphumulo (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr Z.C. Khuzwayo (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr F.B. Khuzwayo (ANC) Councillor (09 November 2021- 30 June 2022)

Cllr L.N. Nkosi (ANC) Councillor (09 November 2021- 30 June 2022)

Cllr N.M. Mhlongo (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr N.N. Ngidi (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr N.L. Mhlongo (IFP) Councillor (09 November 2021- 30 June 2022)

Cllr S.F. Phungula (IA) Councillor (09 November 2021- 30 June 2022)

Grading of local authority

Three

Accounting Officer

P.N. Mhlongo

Chief Finance Officer (CFO)

N. Duma

Business address

MR 711 LOT 152
Maphumulo
4470

Postal address

Private Bag X9205
Maphumulo
4470

Bankers

Nedbank Limited
198765

Auditors

Auditor General of South Africa

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Abbreviations used:

MFMA	Municipal Finance Management Act
UNISA	University of South Africa
GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association
SAIPA	South African Institute of Professional Accountants
IRMSA	Institute of Risk Management South Africa
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers

SACPLAN	The South African Council for Planners
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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 of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

I, as the accounting officer acknowledges i am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have 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.

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

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

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern, and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although they are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the on the 31 August 2022 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 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Receivables from exchange transactions	2	231 036	113 184
Receivables from non-exchange transactions	3	430 081	-
VAT receivable	4	4 399 029	7 624 673
Prepayments	5	1 153 398	279 152
Rental Debtors straight lining	6	25 426	20 444
Staff Debtors	7	18 650	20 045
Cash and cash equivalents	8	6 297 228	8 191 629
		12 554 848	16 249 127
Non-Current Assets			
Investment property	9	30 625 000	26 026 000
Property, plant and equipment	10	324 729 078	293 992 727
Intangible assets	11	234 015	357 958
		355 588 093	320 376 685
Total Assets		368 142 941	336 625 812
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	19 936 385	16 858 813
Unspent conditional grants and receipts	13	1 076 385	1 615 351
Provisions	14	148 508	180 000
		21 161 278	18 654 164
Non-Current Liabilities			
Provisions	14	2 734 137	2 126 000
Total Liabilities		23 895 415	20 780 164
Net Assets		344 247 526	315 845 648
Reserves			
Revaluation Surplus		5 320 000	-
Accumulated surplus		338 927 526	315 845 648
Total Net Assets		344 247 526	315 845 648

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Refuse removal	15	201 509	268 084
Rental of facilities and equipment	16	906 036	1 155 710
Interest charged on trade and other receivable	17	187 486	349 904
Agency services	18	171 576	171 892
Licences and permits	19	13 768	37 985
Reversal of impairment	20	1 275 371	-
Reversal of leave provision	21	278 097	-
Other income	22	1 034 907	1 237 225
Interest received - investment	23	973 721	692 740
Fair value adjustments	24	-	3 360 389
Total revenue from exchange transactions		5 042 471	7 273 929
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	22 059 434	17 940 417
Transfer revenue			
Government grants and subsidies	26	137 046 966	152 426 856
Government contributions and donations	27	4 677 139	-
Total revenue from non-exchange transactions		163 783 539	170 367 273
Total revenue		168 826 010	177 641 202
Expenditure			
Employee related costs	28	(51 055 651)	(48 477 384)
Remuneration of councillors	29	(8 894 918)	(8 330 529)
Donation expense	30	(17 573)	(2 642 398)
Depreciation and amortisation	31	(15 267 574)	(14 884 881)
Impairment loss	32	(4 402 332)	(7 280)
Finance costs	33	(9 671)	(18 253)
Debt Impairment and bad debts written-off	20	(203 496)	(2 847 164)
Assets write-off	34	(551 253)	(3 377 552)
Contracted services	35	(25 360 916)	(24 570 139)
Transfer and subsidies	36	(6 500 474)	(12 079 311)
Auditors remuneration	37	(3 590 833)	(4 561 857)
General expenses	38	(29 889 461)	(25 492 844)
Total expenditure		(145 744 152)	(147 289 592)
Surplus for the year		23 081 858	30 351 610

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Statement of Changes in Net Assets

	Fair value adjustment assets- available-for- sale reserve	Accumulated surplus / deficit	Total net assets
Figures in Rand			
Opening balance as previously reported	-	283 201 670	283 201 670
Adjustments			
Prior year adjustment : Depreciation on PPE	-	420 502	420 502
Prior year adjustment: Work-In-Progress Buildings	-	1 871 886	1 871 886
Balance at 01 July 2020	-	285 494 058	285 494 058
Changes in net assets			
Surplus for the year	-	30 351 610	30 351 610
Total changes	-	30 351 610	30 351 610
Balance at 01 July 2021	-	315 845 668	315 845 668
Changes in net assets			
Revaluation of investment property	5 320 000	-	5 320 000
Net income (losses) recognised directly in net assets	5 320 000	-	5 320 000
Surplus for the year	-	23 081 858	23 081 858
Total recognised income and expenses for the year	5 320 000	23 081 858	28 401 858
Total changes	5 320 000	23 081 858	28 401 858
Balance at 30 June 2022	5 320 000	338 927 526	344 247 526

Note(s)

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Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Cash Receipts from Ratepayers, Government & Others		164 568 845	160 132 810
Interest income		973 721	692 740
		<u>165 542 566</u>	<u>160 825 550</u>
Payments			
Employee costs and councillors remuneration		(59 950 569)	(56 807 913)
Suppliers		(62 268 887)	(67 782 557)
Finance costs		(9 671)	(18 253)
		<u>(122 229 127)</u>	<u>(124 608 723)</u>
Net cash flows from operating activities	39	<u>43 313 439</u>	<u>36 216 827</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(45 207 841)	(44 631 283)
Increase of staff debtors		-	(20 045)
Proceeds from sale of other asset		-	1 880
		<u>(45 207 841)</u>	<u>(44 649 448)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1 894 402)</u>	<u>(8 432 621)</u>
Cash and cash equivalents at the beginning of the year		8 191 630	16 624 251
Cash and cash equivalents at the end of the year	8	<u>6 297 228</u>	<u>8 191 630</u>

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	268 088	(66 579)	201 509	201 509	-	
Rental of facilities and equipment	1 127 493	(220 405)	907 088	906 036	(1 052)	
Interest received (trading)	136 500	70 000	206 500	187 486	(19 014)	
Agency services	115 000	-	115 000	171 576	56 576	A
Licences and permits	37 000	(27 000)	10 000	13 768	3 768	B
Impairment reversal	-	-	-	1 275 371	1 275 371	C
Municipal Revenue UD2	-	-	-	278 097	278 097	
Other income	269 542	114 000	383 542	1 034 907	651 365	D
Interest received - investment	799 206	(296 595)	502 611	973 721	471 110	E
Total revenue from exchange transactions	2 752 829	(426 579)	2 326 250	5 042 471	2 716 221	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	24 001 951	(1 543 556)	22 458 395	22 059 434	(398 961)	
Transfer revenue						
Government grants & subsidies	136 508 000	-	136 508 000	137 046 966	538 966	
Public contributions and donations	-	-	-	4 677 139	4 677 139	F
Total revenue from non-exchange transactions	160 509 951	(1 543 556)	158 966 395	163 783 539	4 817 144	
Total revenue	163 262 780	(1 970 135)	161 292 645	168 826 010	7 533 365	
Expenditure						
Employee Related Cost	(50 723 847)	110 852	(50 612 995)	(51 055 651)	(442 656)	
Remuneration of councillors	(9 140 644)	(411 465)	(9 552 109)	(8 894 918)	657 191	
Donation expense	-	-	-	(17 573)	(17 573)	
Depreciation and amortisation	(16 456 400)	-	(16 456 400)	(15 267 574)	1 188 826	G
Finance costs	(10 000)	-	(10 000)	(9 671)	329	
Bad debts Impairment	(5 357 546)	3 298 610	(2 058 936)	(203 496)	1 855 440	H
Repairs and Maintenance	-	-	-	(551 253)	(551 253)	
Other materials	(1 904 397)	138 733	(1 765 664)	(1 310 192)	455 472	I
Contracted services	(36 439 080)	1 234 798	(35 204 282)	(25 360 916)	9 843 366	J
Transfers and subsidies	(4 058 695)	1 233 094	(2 825 601)	(6 500 474)	(3 674 873)	K
General Expenses	(19 239 774)	(945 065)	(20 184 839)	(36 572 434)	(16 387 595)	L
Total expenditure	(143 330 383)	4 659 557	(138 670 826)	(145 744 152)	(7 073 326)	
Surplus before taxation	19 932 397	2 689 422	22 621 819	23 081 858	460 039	
Deficit for the year from continuing operations	19 932 397	2 689 422	22 621 819	23 081 858	460 039	
Capital Assets	(33 587 122)	(9 236 997)	(42 824 119)	(45 207 841)	(2 383 722)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(13 654 725)	(6 547 575)	(20 202 300)	(22 125 983)	(1 923 683)	

A. Agency services 150%

The reason for the over collection is because during license department was opened during December holidays when other municipalities were closed, therefore we ended up servicing more people coming from different municipalities.

B. Licence and Permits 138%

This variance is due to the fact when we preparing budget we don't budget for business owners who normally do not renew their business licenses, therefore during this financial year we received from those who were not budgeted for.

C. Impairment Reversal 100%

The reason for variance is that were no budget provision for Bad debt impairment reversal. The reason for reversal of bad debt impairment is because during this financial year the ingonyama Trust debtors category were given a 100% rebate, Government debtors is not impaired because nothing is outstanding for more than 2 months.

D. Other income 269%

The reason for over performance is because municipality raised the invoice for Planning department which was not budgeted for, and this invoice has not yet paid as at the end of financial year.

E. Interest received investment 192%

Reason for this over collection is due to the fact that when we preparing our final budget we anticipated that we will not manage to invest our portion of equitable share for the length period of time and we actual manage to invest and accumulate interest.

F. Public contribution and donation 100%

This was not budgeted for. this income is received as a part of donation from Arts and Culture for new modular library handed over to the municipality.

G. Depreciation and amortisation 92%

The reason for variance is because our budget was overstated.

H. Bad debts impairment 6%

The reason for small bad debt impairment is because during this financial year the ingonyama Trust debtors category were given a 100% rebate, Government debtors is not impaired because nothing is outstanding for more than 2 months

I. Other materials 74%

The reason for variance is that we over budgeted contracted services

J. Contracted services 72%

The reason for variance is that budget was understated

K. Transfers and subsidies 230%

The reason for variance is that this account was under budgeted.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

L. General Expenses 160%

The reason for variance is that we under budgeted for general expenses

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Receivables from exchange transactions	-	-	-	231 036	231 036
Receivables from non-exchange transactions	-	-	-	430 081	430 081
VAT receivable	4 873 647	(1 685 028)	3 188 619	4 812 111	1 623 492
Prepayments	-	-	-	1 153 398	1 153 398
Consumer debtors	2 674 690	(2 347 729)	326 961	25 426	(301 535)
Staff Debtors	-	20 045	20 045	18 650	(1 395)
Cash and cash equivalents	10 205 761	(7 752 849)	2 452 912	6 297 228	3 844 316
	17 754 098	(11 765 561)	5 988 537	12 967 930	6 979 393

Non-Current Assets

Investment property	25 335 611	45 389	25 381 000	30 625 000	5 244 000
Property, plant and equipment	326 255 861	(7 576 885)	318 678 976	324 729 074	6 050 098
Intangible assets	986 000	(593 942)	392 058	234 015	(158 043)
	352 577 472	(8 125 438)	344 452 034	355 588 089	11 136 055

Total Assets

	370 331 570	(19 890 999)	350 440 571	368 556 019	18 115 448
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Liabilities

Current Liabilities

Payables from exchange transactions	13 201 247	(8 745 712)	4 455 535	19 936 385	15 480 850
VAT payable	-	-	-	413 082	413 082
Unspent conditional grants and receipts	-	-	-	1 076 385	1 076 385
Provisions	102 000	239 387	341 387	148 508	(192 879)
	13 303 247	(8 506 325)	4 796 922	21 574 360	16 777 438

Non-Current Liabilities

Provisions	1 086 449	1 039 551	2 126 000	2 734 137	608 137
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Total Liabilities

	14 389 696	(7 466 774)	6 922 922	24 308 497	17 385 575
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Net Assets

	355 941 874	(12 424 225)	343 517 649	344 247 522	729 873
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Fair value adjustment assets-available-for-sale reserve	-	-	-	5 320 000	5 320 000
Accumulated surplus	355 941 874	(12 424 225)	343 517 649	338 927 522	(4 590 127)
Total Net Assets	355 941 874	(12 424 225)	343 517 649	344 247 522	729 873

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	21 948 000	(1 371 369)	20 576 631	22 059 434	1 482 803	
Service charges - refuse	308 000	(76 265)	231 735	268 084	36 349	
Grants	152 808 000	-	152 808 000	136 508 000	(16 300 000)	
Interest income	799 999	(297 388)	502 611	965 957	463 346	
Rental of facilities and equipment	1 297 000	(960 543)	336 457	906 036	569 579	
Agency services	132 000	(17 000)	115 000	171 576	56 576	
Other revenue	5 775 000	5 287 000	11 062 000	1 437 669	(9 624 331)	
	183 067 999	2 564 435	185 632 434	162 316 756	(23 315 678)	

Payments

Employee costs and Remuneration of councillors	(61 686 000)	9 838 287	(51 847 713)	(50 823 084)	1 024 629	
other inventory	(1 904 000)	138 336	(1 765 664)	(8 894 918)	(7 129 254)	
Finance costs	(10 000)	-	(10 000)	(9 671)	329	
Transfers and grants	(4 059 000)	1 233 399	(2 825 601)	(6 500 474)	(3 674 873)	
Other expenditure	(75 623 000)	(14 991 112)	(90 614 112)	(58 985 989)	31 628 123	
	(143 282 000)	(3 781 090)	(147 063 090)	(125 214 136)	21 848 954	

Net cash flows from operating activities

39 785 999 (1 216 655) 38 569 344 37 102 620 (1 466 724)

Cash flows from investing activities

Purchase of property, plant and equipment	(35 486 000)	(8 822 061)	(44 308 061)	(45 207 841)	(899 780)	
Proceeds from sale of property, plant and equipment	-	-	-	(551 251)	(551 251)	
Proceeds from sale of staff debtors	-	-	-	1 395	1 395	
Purchase of unisa	-	-	-	(14 477)	(14 477)	

Net cash flows from investing activities

(35 486 000) (8 822 061) (44 308 061) (45 772 174) (1 464 113)

Net increase/(decrease) in cash and cash equivalents	4 299 999	(10 038 716)	(5 738 717)	(8 669 554)	(2 930 837)	
Cash and cash equivalents at the beginning of the year	5 938 000	2 253 629	8 191 629	8 191 629	-	
Effect of exchange rate movement on cash balances	-	-	-	6 827 669	6 827 669	

Cash and cash equivalents at the end of the year

10 237 999 (7 785 087) 2 452 912 6 349 744 3 896 832

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Appropriation Statement

Figures in Rand

	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
2022											
Financial Performance											
Property rates	24 001 951	(1 543 556)	22 458 395	-		22 458 395	22 059 434		(398 961)	98 %	92 %
Service charges	268 088	(66 579)	201 509	-		201 509	201 509		-	100 %	75 %
Investment revenue	799 206	(296 595)	502 611	-		502 611	973 721		471 110	194 %	122 %
Transfers recognised - operational	105 126 000	-	105 126 000	-		105 126 000	104 049 615		(1 076 385)	99 %	99 %
Other own revenue	1 685 535	(63 405)	1 622 130	-		1 622 130	3 867 241		2 245 111	238 %	229 %
Total revenue (excluding capital transfers and contributions)	131 880 780	(1 970 135)	129 910 645	-		129 910 645	131 151 520		1 240 875	101 %	99 %
Employee costs	(50 723 847)	110 852	(50 612 995)	-	-	(50 612 995)	(51 055 651)	-	(442 656)	101 %	101 %
Remuneration of councillors	(9 140 644)	(411 465)	(9 552 109)	-	-	(9 552 109)	(8 894 918)	-	657 191	93 %	97 %
Debt impairment	(5 357 546)	3 298 610	(2 058 936)			(2 058 936)	(203 496)	-	1 855 440	10 %	4 %
Depreciation and asset impairment	(16 456 400)	-	(16 456 400)			(16 456 400)	(19 669 906)	-	(3 213 506)	120 %	120 %
Finance charges	(10 000)	-	(10 000)	-	-	(10 000)	(9 671)	-	329	97 %	97 %
Transfers and grants	-	-	-	-	-	-	(6 500 474)	-	(6 500 474)	DIV/0 %	DIV/0 %
Other expenditure	(61 641 946)	1 661 560	(59 980 386)	-	-	(59 980 386)	(59 410 036)	-	570 350	99 %	96 %
Total expenditure	(143 330 383)	4 659 557	(138 670 826)	-	-	(138 670 826)	(145 744 152)	-	(7 073 326)	105 %	102 %
Surplus/(Deficit)	(11 449 603)	2 689 422	(8 760 181)	-		(8 760 181)	(14 592 632)		(5 832 451)	167 %	127 %

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Appropriation Statement

Figures in Rand

	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	31 382 000	-	31 382 000	-		31 382 000	32 997 351		1 615 351	105 %	105 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	4 677 139		4 677 139	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	19 932 397	2 689 422	22 621 819	-		22 621 819	23 081 858		460 039	102 %	116 %
Surplus/(Deficit) for the year	19 932 397	2 689 422	22 621 819	-		22 621 819	23 081 858		460 039	102 %	116 %

Capital expenditure and funds sources

Total capital expenditure	(33 587 122)	(9 236 997)	(42 824 119)	-		(42 824 119)	79 768 862		122 592 981	(186)%	(237)%
Sources of capital funds											
Transfers recognised - capital	27 219 131	69 564	27 288 695	-		27 288 695	-		(27 288 695)	- %	- %
Public contributions and donations	-	1 422 801	1 422 801	-		1 422 801	-		(1 422 801)	- %	DIV/0 %
Internally generated funds	6 367 991	7 744 632	14 112 623	-		14 112 623	-		(14 112 623)	- %	- %
Total sources of capital funds	33 587 122	9 236 997	42 824 119	-		42 824 119	-		(42 824 119)	- %	- %

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Figures in Rand

	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
Cash flows											
Net cash from (used) operating	39 735 999	(1 166 655)	38 569 344	-		38 569 344	43 313 439		4 744 095	112 %	109 %
Net cash from (used) investing	(35 486 000)	(8 822 061)	(44 308 061)	-		(44 308 061)	(45 207 841)		(899 780)	102 %	127 %
Net increase/(decrease) in cash and cash equivalents	4 249 999	(9 988 716)	(5 738 717)	-		(5 738 717)	(1 894 402)		3 844 315	33 %	(45)%
Cash and cash equivalents at the beginning of the year	5 938 000	2 253 629	8 191 629	-		8 191 629	8 184 129		(7 500)	100 %	138 %
Cash and cash equivalents at year end	10 187 999	(7 735 087)	2 452 912	-		2 452 912	6 289 727		(3 836 815)	256 %	62 %

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Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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.

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:

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

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-specific 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. The municipality has a memorandum of agreement (MOA) with the department and implementing agents (hereinafter referred to as the contractors) for each project and Department of Energy.

Additional information is disclosed in Note .

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:

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Accounting Policies

1.4 Investment property (continued)

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Land	Straight-line	10 - 30 years
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 - 20 years
IT equipment	Straight-line	3 - 10 years
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.

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

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Accounting Policies

1.5 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).

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

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.

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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Accounting Policies

1.6 Intangible assets (continued)

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, other	Straight-line	5 years

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

1.7 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

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

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Accounting Policies

1.7 Statutory receivables (continued)

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

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

1.8 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 instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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Accounting Policies

1.9 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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Accounting Policies

1.9 Financial instruments (continued)

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

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

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

Class	Category
Loan1	Financial liability measured at amortised cost

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

1.10 Leases

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

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

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1.10 Leases (continued)

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 .

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.

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

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.

1.11 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.

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Accounting Policies

1.11 Employee benefits (continued)

Defined benefit plans

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

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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.

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

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.

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Accounting Policies

1.11 Employee benefits (continued)

1.12 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-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 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, royalties and dividends

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.14 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.

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

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Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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

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

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

Stipulations on transferred assets are terms in laws or 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.

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

Taxes are economic benefits or service potential 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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Taxation revenue are not grossed up for the amount of tax expenditures.

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.

1.15 Comparative figures

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

1.16 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.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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Accounting Policies

1.17 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.18 Irregular expenditure

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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.19 Budget information

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

General purpose 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 a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

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.

1.20 Related parties

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

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

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

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

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

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

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Accounting Policies

1.20 Related parties (continued)

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

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

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

1.21 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.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
2. Receivables from exchange transactions		
Rental debtors	541 147	312 229
UNISA	14 477	-
Refuse	11 421	74 693
Refuse impairment	(2 800)	-
Debts impairment- Rental debtors	(514 404)	(313 708)
Other debtors	181 195	39 969
	231 036	113 183
Ageing for Rental Debtors		
Current (0 - 30 days)	21 967	33 428
31 - 60 days	4 774	58 965
61 - 90 days	149 157	28 523
91 - 120 days	3 643	17 826
120 />365 days	361 603	267 358
	541 144	406 100

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2. Receivables from exchange transactions (continued)

Ageing for refuse

Current (0 -30 days)	8 341	14 439
31 - 60 days	280	-
61 - 90 days	280	-
91-120 days	280	-
120-/>365 days	2 240	-
	11 421	14 439
	-	-

UNISA

This is a study assistant paid by the municipality to UNISA on behalf of Manager Human resources(HR). Manager HR cancelled his registration because the municipality delayed the payment.

Municipality wrote a letter to the University to recall the paid amount. the money is not yet refunded as at the end of this financial year.

UNISA has refunded the municipality after 30 June 2022 but before the financial statement submitted to Auditor General.

Other Debtors

Other debtors is made of unknown debit orders debited our main bank account.

Trade and other receivables 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 2022, R26 741 (2021: R92 349) (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:

1 month past due	21 967	18 989
2 months past due	4 774	58 965

Trade and other receivables impaired

As of 30 June 2022, trade and other receivables of R 541 096 (2021: R 406 461) were impaired and provided for.

The amount of the provision was R514 503 as of 30 June 2022 (2021: R 313 707).

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

3 to 6 months	152 922	84 500
Over 6 months	361 481	229 207

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(313 707)	(159 290)
Provision for impairment	(200 696)	(154 417)
	(514 403)	(313 707)

3. Receivables from non-exchange transactions

Consumer debtors - Rates	1 395 670	2 240 986
Allowance for impairment- Rates	(965 615)	(2 240 986)
	430 055	-

Maphumulo Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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3. Receivables from non-exchange transactions (continued)

Commercial debtors are as follows:

Current (0-30 days)	35 085	25 379
31-60 days	34 845	4 003
61-90 days	48 795	1 897
91-120 days	68 288	1 897
121-365 days	848 532	771 072
	1 035 545	804 248

Government debtors are as follows:

31 60 days	(117 498)	-
61 90 days	-	441
91 120 days	-	441
121 365 days	477 649	1 435 856
	360 151	1 436 738

Allowance for impairment

(965 615)	(2 240 986)
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Net receivables from non-exchange transactions

430 081	-
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Receivables from non-exchange transactions impaired

As of 30 June 2022, other receivables from non-exchange transactions of R1 395 670 (2021: R 2 240 986) were impaired and provided for.

The amount of the provision was R 965 615 as of 30 June 2022 (2021: R2 240 986).

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

3 to 6 months	203 880	721 891
Over 6 months	761 735	1 519 095

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

Opening balance	(2 240 986)	(9 329 836)
Reversal of impairment	1 275 372	7 088 850
	(965 614)	(2 240 986)

Receivable from non-exchange transactions are divided into three groups of debtors which are Government debtors, Commercial debtors and ITB 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 debtors are not considered to be impaired because they are paying accordingly. Government debtors were billed at the beginning of the financial year and the outstanding debtors as per age analyses is for 30 June 2022 which is paid in July 2022. ITB debtors are getting a 100% rebate.

At 30 June 2022 total debtors control impaired is R965 615 (Commercial debtors only)(2021:R2 240 986(Government and ITB debtors) were past due but not impaired.

4. VAT receivable

VAT	4 399 029	7 624 673
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Maphumulo Municipality accounts for VAT on cash basis.

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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5. Prepayments

Lateral Insurance Policy	673 903	236 412
SALGA	469 184	-
Sage Pastel	-	42 739
SAIPA	3 886	-
SACPLAN	2 825	-
IRMSA	2 573	-
CIGFARO	1 028	-
	1 153 399	279 151

6. Rental debtor straight lining

Rental debtors straight lining	25 426	20 444
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7. Staff Debtors

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.

Therefore staff debts is made of those employees who received study aid in prior years and withdrawn their studied and are not intended to reregister what they've started.

Employee No.2195	-	3 925
Employee No.2174	910	5 710
Employee No.2104	2 100	5 460
Employee No.2085	2 450	4 950
Employee No. 303	13 190	-
	18 650	20 045

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 637	1 498
Bank balances	1 396 374	1 750 153
Short-term Investments	4 898 217	6 440 110
	6 297 228	8 191 761

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Notes to the Annual Financial Statements

Figures in Rand

2022

2021

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
FNB BANK MAIN 620 238 6899 98	494 020	(173 946)	1 064 770	494 020	(398 236)	411 157
FNB BANK INVESTMENT ACCOUNT 710 44 3426 67	549 499	530 311	503 975	549 499	530 311	503 975
FNB BANK INVESTMENT ACCOUNT 741 056 039 86	2 885 204	2 778 686	2 707 211	2 885 204	2 778 686	2 707 211
FNB BANK INVESTMENT ACCOUNT 623 467 553 01	28 420	27 563	26 778	28 420	27 563	26 778
ABSA BANK CURRENT ACCOUNT 405 610 286 6	105 022	2 148 523	3 234 775	105 012	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	1 484 370	1 354 665	1 312 260	1 403 434	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	31 660	1 669 188	-	31 660	1 669 188	-
NEDBANK MAIN ACCOUNT 121 285 889 1	1 490 538	(132)	-	797 342	(132)	-
Total	7 068 733	8 414 555	17 144 479	6 294 591	8 190 263	16 490 866

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	30 625 000	-	30 625 000	26 026 000	-	26 026 000

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	26 026 000	4 599 000	30 625 000

Reconciliation of investment property - 2021

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

Fair value of investment properties 26 326 000 26 326 000

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.

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9. Investment property (continued)

Details of valuation

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 Thusong Centre situated on Erf numbers 358 and 359 as well as Maphumulo vacant piece of land. The market values of these properties are follows.

Thusong centre : land	200 000	200 000
Thusong 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 2022.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	873 725	1 029 820
Repairs and maintenance	(321 201)	(406 667)
	<u>552 524</u>	<u>623 153</u>

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10. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	174 253 353	(39 160 034)	135 093 319	157 661 088	(30 845 511)	126 815 577
Plant and machinery	23 701 018	(10 094 423)	13 606 595	21 857 171	(8 640 756)	13 216 415
Furniture and fixtures	6 097 830	(3 343 554)	2 754 276	6 337 624	(3 593 965)	2 743 659
Motor vehicles	7 155 055	(2 803 693)	4 351 362	5 338 654	(2 217 790)	3 120 864
Office equipment	5 307 841	(2 787 285)	2 520 556	5 625 123	(2 551 629)	3 073 494
IT equipment	3 445 110	(1 160 122)	2 284 988	3 180 637	(813 485)	2 367 152
Infrastructure	225 246 483	(61 128 501)	164 117 982	196 825 128	(54 169 562)	142 655 566
Total	445 206 690	(120 477 612)	324 729 078	396 825 425	(102 832 698)	293 992 727

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Donation Received	Transfers received	Transfers	Writes-off	Depreciation	Impairment loss	Total
Land	-	-	-	397 683	(397 683)	-	-	-	-
Buildings	126 815 577	12 609 613	3 986 152	-	-	-	(4 636 691)	(3 681 332)	135 093 319
Plant and machinery	13 216 415	1 594 897	248 950	-	-	-	(1 453 667)	-	13 606 595
Furniture and fixtures	2 743 659	173 501	364 038	-	-	(188 555)	(338 367)	-	2 754 276
Motor vehicles	3 120 864	1 816 401	-	-	-	-	(585 903)	-	4 351 362
Office equipment	3 073 494	230 383	78 000	-	-	(251 790)	(609 531)	-	2 520 556
IT equipment	2 367 152	589 278	-	-	-	(110 908)	(560 534)	-	2 284 988
Infrastructure	142 883 153	28 193 768	-	40 697 337	(40 697 337)	-	(6 958 939)	-	164 117 982
	294 220 314	45 207 841	4 677 140	41 095 020	(41 095 020)	(551 253)	(15 143 632)	(3 681 332)	324 729 078

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	127 235 236	5 243 093	7 053 990	(7 053 990)	-	(4 515 673)	(7 280)	(1 139 799)	126 815 577
Plant and machinery	12 135 284	4 129 991	-	-	-	(1 417 660)	-	(1 631 200)	13 216 415
Furniture and fixtures	2 434 684	882 252	-	-	-	(346 934)	-	(226 342)	2 743 660
Motor vehicles	3 728 767	-	-	-	-	(607 903)	-	-	3 120 864
Office equipment	2 070 099	1 538 361	-	-	-	(526 238)	-	(8 728)	3 073 494
IT equipment	1 281 124	2 005 350	-	-	-	(547 839)	-	(371 483)	2 367 152
Infrastructure	122 378 640	30 832 236	28 102 547	(28 102 547)	(3 756 598)	(6 798 712)	-	-	142 655 566
	271 263 834	44 631 283	35 156 537	(35 156 537)	(3 756 598)	(14 760 959)	(7 280)	(3 377 552)	293 992 728

work-in-progress taking significant longer to complete

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10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Buildings	Total
Opening balance	27 359 171	13 586 224	40 945 395
Additions/capital expenditure	28 193 768	12 609 614	40 803 382
Transferred to completed items	(40 697 337)	-	(40 697 337)
	14 855 602	26 195 838	41 051 440

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Building	Total
Opening balance	29 432 899	16 652 368	46 085 267
Additions/capital expenditure	29 785 417	5 043 229	34 828 646
Other movements [write-offs]	(3 756 598)	(1 055 383)	(4 811 981)
Transferred to completed items	(28 102 547)	(7 053 990)	(35 156 537)
	27 359 171	13 586 224	40 945 395

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by nature and type of expenditure - 2022

	Direct Costs Contracted services
Buildings	440 427
Plant and machinery	3 051 184
Motor vehicles	1 210 864
IT equipment	373 665
Storm water	274 550
Roads	436 481
	5 787 171

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

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.

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11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	867 597	(633 582)	234 015	867 597	(509 639)	357 958

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	357 958	(123 943)	234 015

Reconciliation of intangible assets - 2021

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

Pledged as security

There's no intangible assets pledged as security:

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12. Payables from exchange transactions		
Trade payables	6 397 928	2 530 290
Retention and Guarantees	5 713 321	6 844 759
Accrued leave pay	5 579 507	5 910 468
Accrued Bonuses	1 366 259	1 329 625
Human settlement receipts	630 784	-
Other payables	248 586	28 671
Insurance received on behalf of deceased Councillor	-	215 000
	19 936 385	16 858 813
13. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
CoGTA Grant Mvozane	-	1 615 351
Library grant	1 076 385	-
	1 076 385	1 615 351

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14. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Long service award short term	180 000	-	(31 492)	148 508
Long service award long term	2 126 000	608 137	-	2 734 137
	2 306 000	608 137	(31 492)	2 882 645

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

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

Non-current liabilities	2 734 137	2 126 000
Current liabilities	148 508	180 000
	2 882 645	2 306 000

Key assumptions (%)

Discount rate	11.20 %	9.77 %
General earning inflation rate (long term)	7.80 %	5.98 %
Net discount rate	3.15 %	3.91 %
	- %	- %

15. Refuse removal

Refuse removal	201 509	268 084
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16. Rental of facilities and equipment

Premises

Rental	888 179	1 133 106
Hall hire	17 857	22 604
	906 036	1 155 710

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17. Interest charged on trade and other receivable		
Interest on receivables from Non Exchange transaction	158 011	325 307
Interest on receivables from Exchange transaction	29 475	24 597
	187 486	349 904
18. Agency services		
Vehicle Registration	171 576	171 892
19. Licences and permits		
Licenses and permits	13 768	37 985
20. Debt impairment		
Debts impairment receivable from exchange transaction	200 696	2 847 164
Reversal of debts impairment receivable from non- exchange transactions	(1 275 371)	-
Debts impairment refuse	2 800	-
	(1 071 875)	2 847 164
21. Reversal of leave provision		
Reversal of leave provision	278 097	-
22. Other income		
Tender Document Sale	134 082	268 695
Study aids repayments	28 958	25 296
Sundry income	802 047	94 337
Admin Fee and Commission	57 653	365 337
Insurance Refund	-	483 560
Library collection	12 167	-
	1 034 907	1 237 225
23. Interest Received Investments		
Interest revenue		
Other financial assets (Investments)	868 761	99 435
Bank (Main and Current)	104 960	593 305
	973 721	692 740
24. Fair value adjustments		
Investment property (Fair value model)	-	3 360 389

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.

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25. Property rates

Rates received

State	28 897 531	32 478 717
Less: Income forgone	(6 838 097)	(14 538 300)
	22 059 434	17 940 417

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	393 040 000	295 100 000
Municipal	33 868 000	33 868 000
Specialized Property	-	85 980 000
Rural Communal Land (RCL)	253 038 000	253 038 000
Agricultural	2 300 000	2 300 000
Public Service Infrastructure	-	720 000
Public benefit Organisation	11 030 000	-
	755 332 000	733 062 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Property rates levied in terms of the Local Government : Municipal Property Rates Act No. 6 of 2004 with effect from 1 July 2009. The council approved randage for this financial year are; Commercial R0.050, Multi 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 residential properties received 40%.

The new general valuation will be implemented on 01 July 2023.

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26. Government grants & subsidies		
Operating grants		
Equitable share	98 940 000	113 278 000
Disaster Relief Grant	-	500 000
Financial Management Grant (FMG)	1 850 000	1 900 000
Expanded Public Works Program (EPWP)	1 786 000	1 282 000
Library Grant	1 473 615	1 583 799
	104 049 615	118 543 799
Capital grants		
CoGTA Grant Mvozane	1 615 351	3 474 428
Municipal Infrastructure Grant (MIG)	31 382 000	28 712 589
Library Grant	-	1 696 040
	32 997 351	33 883 057
	137 046 966	152 426 856
Unspent conditional grants and receipts		
CoGTA Grant – Mvozane		
Balance unspent at beginning of year	1 615 351	5 089 779
Conditions met - transferred to revenue	(1 615 351)	(3 474 428)
	-	1 615 351
Library Grant		
Balance unspent at beginning of year	-	896 839
Current-year receipts	2 550 000	2 383 000
Conditions met - transferred to revenue	(1 473 615)	(3 279 839)
	1 076 385	-
Financial Management Grant (FMG)		
Current-year receipts	1 850 000	1 900 000
Conditions met - transferred to revenue	(1 850 000)	(1 900 000)
	-	-
Expanded Public Works Program (EPWP)		
Current-year receipts	1 786 000	1 282 000
Conditions met - transferred to revenue	(1 786 000)	(1 282 000)
	-	-
Disaster Relief Grant		
Balance unspent at beginning of year	-	500 000
Conditions met - transferred to revenue	-	(500 000)
	-	-
Municipal Infrastructure Grant (MIG)		

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Figures in Rand	2022	2021
26. Government grants & subsidies (continued)		
Balance unspent at beginning of year	-	6 789 589
Current-year receipts	31 382 000	21 923 000
Conditions met - transferred to revenue	(31 382 000)	(28 712 589)
	<u>-</u>	<u>-</u>
27. Government contributions and donations		
Public contributions received from Arts and Culture	<u>4 677 139</u>	<u>-</u>

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28. Employee related costs

Basic	32 078 988	30 314 483
Bonus	2 533 066	2 330 392
Medical aid - company contributions	1 689 563	1 757 835
UIF	399 381	229 404
SDL	445 126	380 617
Defined contribution plans	4 967 809	4 676 503
Overtime payments	5 811	192 500
Long-service awards	677 996	-
Car allowance	2 062 476	2 082 415
Housing benefits and allowances	102 723	73 788
Cellphone Allowance	198 144	199 738
Non Pensionable Allowance	615 779	235 950
Stand By Allowance	101 005	67 946
Leave Accrued	-	839 964
Membership Fees	15 326	15 334
	45 893 193	43 396 869

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 an annual remuneration paid to Municipal Manager: Mr.PN Mhlongo as from July 2021 to June 2022.

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 an annual remuneration paid to CFO as from July 2021 to June 2022.

Remuneration of Director: Technical Services

Annual Remuneration	570 544	498 461
Car Allowance	244 519	234 659
	815 063	733 120

Remuneration of Technical Director is an remuneration paid to Director from July 2021 to June 2022.

Remuneration of Director : Community Services

Annual Remuneration	570 544	570 544
Car Allowance	244 519	244 519
	815 063	815 063

Remuneration of Director: Community services is an annual remuneration paid to Director as from July 2021 to June 2022.

Remuneration of Director: Corporate Services

Annual Remuneration	570 544	570 544
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28. Employee related costs (continued)

Car Allowance	244 519	244 519
	815 063	815 063

Remuneration of Director: Corporate services is an annual remuneration paid to Director as from July 2021 to June 2022

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

Annual Remuneration	570 544	570 544
Car Allowance	244 519	244 519
	815 063	815 063

Remuneration of Director: Economic, Development and Planning is an annual remuneration paid to Director as from July 2021 to June 2022.

29. Remuneration of councillors

Executive Major	901 531	901 659
Deputy Executive Mayor	702 940	729 488
Mayoral Committee Members	646 027	100 248
Speaker	706 782	729 488
Councillors	5 582 100	5 556 416
Cheif Whip	355 538	313 230
	8 894 918	8 330 529

In-kind benefits

The Executive Mayor, Deputy Executive Mayor and Speaker are full-time. Each is provided with an office. Only Executive Mayor who have a secretarial support at the cost of the Council.

The Executive Mayor, Deputy and Speaker has use of a Council owned vehicle for official duties.

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

30. Donation expense

Donation expense	17 573	2 642 398
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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 753 171, of which R17 573 incurred in current year, R2 642 398 incurred in the prior year and R1 093 200 in prior prior years.

31. Depreciation and amortisation

Property, plant and equipment	15 143 632	14 760 939
Intangible assets	123 942	123 942
	15 267 574	14 884 881

32. Impairment loss

Impairments

Property, plant and equipment	4 402 332	7 280
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		

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Figures in Rand	2022	2021
33. Finance costs		
Other interest paid	9 671	18 253
34. Assets write-off		
Buildings	-	1 139 799
Computers	110 908	371 483
Plant and machinery	-	1 631 200
Furniture and fixtures	188 555	235 070
Office equipment	251 790	-
	551 253	3 377 552
35. Contracted services		
Presented previously		
Operating Leases	441 037	462 262
Outsourced Services		
Catering Services	806 294	462 431
Cleaning Services	2 022 732	2 605 002
Hygiene Services	-	534 178
Refuse Removal	28 900	48 780
Security Services	11 338 420	6 242 936
Transport Services	827 102	367 850
Consultants and Professional Services		
Business and Advisory	3 495 792	4 826 061
Legal Cost	955 247	603 233
Contractors		
Event Promoters	978 757	573 344
Maintenance of Buildings and Facilities	281 430	2 034 044
Maintenance of Equipment	2 088 676	2 899 910
Maintenance of Unspecified Assets	1 631 925	1 480 000
Photographer	58 950	-
Stage and Sound Crew	405 654	1 430 108
	25 360 916	24 570 139
36. Transfer and subsidies		
Other subsidies		
Transfers and Subsidies	6 500 474	12 079 311
37. Auditors' remuneration		
Fees	3 590 833	4 561 857

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38. General expenses		
Advertising	2 922 018	3 931 605
Bank charges	194 547	66 211
Consumables	1 311 172	1 346 703
Fines and penalties	11 887	4 708
Healthy and safety	98 095	152 613
Hire charges	169 400	142 904
Insurance	2 261 434	1 077 923
Community development and training	4 506 085	4 414 903
Fleet	48 961	59 186
Medical expenses	8 653	43 022
Fuel and oil	3 104 474	1 260 134
Software expenses	45 265	65 290
Bursaries	460 979	434 523
Subscriptions and membership fees	666 278	507 966
Telephone and fax	1 314 192	1 027 096
Training	247 332	261 005
Travel - local	4 652 923	2 732 208
Waterborne sewer	1 639 982	1 546 469
Uniforms	1 788 870	1 868 057
IDP Review	1 091 365	166 370
Audit committee	375 961	434 377
Licenses	1 612 996	1 949 213
LED Projects	443 526	1 303 197
Planning and Development	913 066	697 161
	29 889 461	25 492 844
39. Cash generated from operations		
Surplus	23 081 858	30 351 610
Adjustments for:		
Depreciation and amortisation	15 267 574	14 884 881
Fair value adjustments	-	(3 360 389)
Government contribution and donation	(4 677 139)	-
Impairment loss	4 402 332	7 280
Debt impairment	203 496	2 847 164
WIP written off	551 253	3 377 552
Movements in provisions	576 645	927 168
Changes in working capital:		
Receivables from exchange transactions	(676 160)	112 660
Receivable from non-exchange transaction	(302 837)	802 188
Other receivables from non-exchange transactions	(3 587)	-
Prepayments	(874 246)	397 533
Payables from exchange transactions	3 077 572	634 828
VAT	3 225 644	(3 104 792)
Unspent conditional grants and receipts	(538 966)	(11 660 856)
	43 313 439	36 216 827

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Figures in Rand	2022	2021
40. Agent and Principal Transactions		
Integrated National Electrification Programme (INEP) Grant	-	-
Current year receipts	16 250 000	7 000 000
Conditions met	(16 250 000)	(7 000 000)
Human Settlement Grant		
Current year receipts	17 007 388	8 987 844
Conditions met	(16 378 604)	(8 987 844)
	628 784	-

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 R16 350 000 000 and this amount was full spent with in the current financial year.

Maphumulo Municipality received Integrated National Electrification grant funding from Human Settlement Kwa-Zulu Natal. These receipts are for the construction of 1000 rural housing units within Maphumulo Municipality The Department pays the grant to the municipality and the municipality pays over the grant to the contractor based on invoiced amount.

During the current financial year Department treansferedR17 007 388.33 to the municipality and the municipality had paid R16 378 604.19 to the contractor during the current financial year. Amount of R 630 784.14 was not paid to the contractor because the money was received on the last day of the financial year.

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Figures in Rand	2022	2021
41. Commitments		
Authorised capital expenditure		
Capital commitments		
Already contracted for but not provided for		
Property, Plant and Equipment	18 869 636	26 668 236
Investment property	32 766 359	2 078 767
	51 635 995	28 747 003
Operational commitments		
Already contracted for but not provided for	5 448 827	553 343
	5 448 827	553 343
Total commitments	57 084 822	29 300 346
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	-	111 959

2022

There is no operating lease payments for the current financial year because the contract with Konica minolta is expired.

2021

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.

42. Fruitless and wasteful expenditure

Opening balance as previously reported	1 597 704	3 429 702
Add: Fruitless and wasteful expenditure identified - current	3 729	39 888
Less: Amount recovered - current	-	(1 871 886)
Closing balance	1 601 433	1 597 704

Fruitless and wasteful expenditure is presented inclusive of VAT

2022

The fruitless and wasteful expenditure is made of the following interest on overdue account, R6 interest charged by Auditor General, R389 interest charged by Eskom and R423 interest charged by ILembe.

R2 880 is payment paid for accommodation to travelling agent related to municipal councilor who did not checked in.

2021

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

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42. Fruitless and wasteful expenditure (continued)

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

43. Irregular expenditure

Opening balance as previously reported	40 930 703	40 771 163
Opening balance as restated	40 930 703	40 771 163
Add: Irregular Expenditure - current	586 864	159 540
Closing balance	41 517 567	40 930 703
Summary of Cases		

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43. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

Details of irregular expenditure		
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	455 284	125 040
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	131 580	34 500
	586 864	159 540

44. Deviation from supply chain management regulations

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

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

Goods and services of R481 687 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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45. Employee benefit obligations

Defined benefit plan

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 wellt

Defined Benefit Plant

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

Long Term Services Awards

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45. Employee benefit obligations (continued)

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 2022 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 unfounded defined benefit obligation were carried out as at 30 June 2022 by the One Pangaea Expertise Solutions 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

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 31 March 2018. The interim valuation performed as at 31 March 2018 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 31 March 2018.

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.

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 recognised as a liability and are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating municipalities.

Movements in the defined benefit obligation is as follows:

Opening balance	2 306 000	1 378 832
Service Cost	255 000	168 714
Actuarial gains (losses)	284 645	378 896
Interest Cost	217 000	113 941
Benefit payments	(180 000)	(92 383)
Addition of pro rata LSA	-	358 000
	2 882 645	2 306 000

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45. Employee benefit obligations (continued)

Key assumptions used

Key financial assumptions used for the purposes of the actuarial valuation:

Discount rates used	11.20 %	9.77 %
Net effect discount rate	3.15 %	3.58 %
General earnings inflation rate (long term)	7.80 %	5.98 %

Other assumptions

Key demographic assumptions used for withdrawals from services:

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 %

46. Related parties

Employee Name	State where employed	Position/Job title	Supplier name	Column heading
Nkosinathi Christopher Nhlangulela	NAT: Justice and Constitutional Development	Administration Clerk	Ndaloenhle Trading (Pty) Ltd	29 350
Nomfundo Festival Mpungose	Ndaloenhle Trading (Pty) Ltd	Project: Field work operations officer	Xolman Business Enterprise	522 000
Siyabonga Mhlaliseni Msomi	KZN: Health	Expanded public works programme beneficiary	Manga Mahle Construction	160 450
Nokuphiwas Precious Msomi	KZN: Education	PYEI: EA: ICT/E CADRES	Nhleziyela (Pty) Ltd	135 000
				846 800

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 Directors of these companies are the employees of state.

Key management information

Class	Description	Number
Municipal Manager	Mr Phakama Mhlango	1
Chief Financial Officer	Mr. Ntando Duma	1
section 57 employees	Mr. Thulani Khuluse	1
section 57 employees	Mr. Chris Mhlango	1
section 57 employees	Mr. Sbusiso Mngoma	1
section 57 employees	Mrs. Sikhululekile Mhlango	1
Mayor	Cllr. S.Z. Nyathikazi	1
Deputy Mayor	Cllr. S.T. Chili	1
Speaker	Cllr. M.L. Ngidi	1

Remuneration of management

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47. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	231 036	231 036
Other receivables from non-exchange transactions	-	430 081	430 081
Cash and cash equivalents	6 297 228	-	6 297 228
	6 297 228	661 117	6 958 345

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	6 397 924	6 397 924

2021

Financial assets

	At fair value	At amortised cost	Total
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

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

48. Contingencies

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 609 993.3.

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 Reconvention for the amount of R1 628 357.34, after which plaintiff filed a plea to the Claim in Reconvention denying our claim.

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49. Segment information

General information

Identification of segments

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.

50. Risk management

Liquidity risk

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

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2022	Less than 1 year			
• Payables from exchange transactions	6 397 924	-	-	-
At 30 June 2021	Less than 1 year			
• Payables from exchange transactions	2 530 290	-	-	-

Credit risk

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

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

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

Financial instrument	2022	2021
Trade and other receivables from exchange transactions	6 397 924	133 627
Cash and cash equivalents/bank balances	6 297 228	8 191 629

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

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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51. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R338 927 526 and that the municipality's total liabilities exceed its assets by R344 247 526.

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 R8 735 622 (R12 425 652 current assets less R21 161 274 current liabilities). This shows an increase in deficit compared to last financial year where was a deficit of R2 405 037.

Included in the current liabilities are unspent conditional grants of R1 076 385 that always need to be cash backed. Current Assets includes VAT receivables of R4 269 833 which would be received from South African Revenue Services(SARS) during next financial year.

The going concern of the municipality is negative since the municipality relying on its cash and cash equivalents of R6 297 228 to settle the current liability of R21 161 274.

Although the going concern of the municipality is negative if we compare current assets and liabilities as at the end of June 2022. Current liabilities includes R10 292 829 for leave payables and retention which is not payable within the period of 12 months. Leave is payable on the termination of contract and retention is payable after the completion of the project, 50% is due after 6 months and 50% after 12 months. Under current liabilities there is also unspent grant liability of R1 076 385, we are hoping that Department of Arts and Culture will approve application of roll over.

Included in current assets is VAT receivable of R4 269 833 which there is no doubts that SARS will pay the municipality refund within a period of 12 months.

Based on the above last two paragraphs, we have no doubts that the municipality will be financial sustainable and be able to provide service delivery in the next twelve months.

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 195 796	486 951
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Audit fees

Opening balance	320 092	63 904
Current year subscription / fee	3 590 833	5 251 490
Amount paid - current year	(2 823 997)	(4 995 302)
	1 086 928	320 092

PAYE and UIF

Amount paid - current year	8 496 037	8 030 450
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Pension and Medical Aid Deductions

Amount paid - current year	10 803 979	9 485 357
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VAT

VAT receivable	4 812 111	8 061 842
VAT payable	(413 082)	(437 169)
	4 399 029	7 624 673

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

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

Councillors' arrear consumer accounts

There were no Councillors in arrears for more than 90 days at any time during the year ended 30 June 2022:

53. Prior period errors

Extension of Offices: Reversal of Fruitless and Wasteful Expenditure and Impairment Loss

During the auditing the work in progress of the municipality for the year ended 30 June 2020, an amount of R 1,871,886.06 (excluding VAT) relating to payments made on the Maphumulo New Office Extension project was impaired due to the fact that there is no progress on the project. During 2022 audit municipality informed Auditor General that this project is still under way and we must reverse the prior year impairment. Therefore it is apparent that work-in-progress(Buildings) understated and impairment loss was overstated in the prior year. to correct the error we Debit WIP buildings and credit Impairment loss reversal.

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

Statement of financial position

Property, plant and equipment	-	1 871 886
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Statement of financial performance

Accumulated surplus-Reversal of impairment	-	(1 871 886)
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