



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

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## General Information

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### Executive committee

Mayor

Cllr Z.F. Khuzwayo Dlamini (ANC) (23 February -30 June 2023) and Exco member (01 July 2022-22 February 2023)

Cllr S.Z. Nyathikazi (IFP) (01 July 2022 - 22 February 2023) Councillor (23 February - 30 June 2023)

Councillors

Cllr C.S. Shange (ANC) Deputy Mayor (2 March 2023 to 30 June 2023) exco member (01 July 2022 to 01 March 2023)

Cllr S.T. Chili (EFF) Deputy Mayor (01 July 2022 to 14 March 2023 ) and Speaker (15 March to 30 June 2023)

Cllr M.L. Ngidi (IFP) Speaker (01 July 2022 to 14 February 2023) and Councillor (15 February 2022 to 30 June 2023)

Cllr L.N. Nkosi (ANC) Chief WHIP (23 February 2023 to 20 June 2023) and Councillor (01 July 2022 to 22 February 2023)

Cllr E.S. Maphumulo (IFP) Chief WHIP (01 July 2022 to 22 February 2023) Councillor (23 February 2023 to 30 June 2023)

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 (ANC) Councillor

Cllr I.M. Biyela (IFP) Councillor

Cllr W.M.S. Ntanzi (IFP) Councillor

Cllr Z.C. Khuzwayo (ANC) Councillor (Deseased 24 September 2023)

Cllr F.B. Khuzwayo (ANC) Councillor

Cllr N.M. Mhlongo (IFP) Councillor

Cllr N.N. Ngidi (IFP) Councillor

Cllr N.L. Mhlongo (IFP) Councillor

Cllr S.F. Phungula (IA) Councillor

Cllr B.E. Gumede (IFP) councillor

Cllr H.H. Mhlongo (ANC) councillor (30 November 2022 to 30 June 2023)

Cllr H.N. Ngcobo(ANC)(28 November 2022 to 30 June 2023)

### Grading of local authority

Three

### Accounting Officer

Mr. T khuluse (23 February 2023 to June 2023)

Mr. CS Mhlongo (11 November 2022 to 10 February 2023)

Mr. PN Mhlongo (01 July 2022 to 31 October 2022)

### Chief Finance Officer (CFO)

Mr. SI Manqele ( 03 January 2023 to 30 June 2023)

Mr. N Duma (01 July 2022 to 31 December 2022)

### Business address

MR 711 LOT 152

Maphumulo

4470

### Postal address

Private Bag X9205

Maphumulo

4470

### Bankers

Nedbank Limited

198765

# **Maphumulo Local Municipality**

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## **General Information**

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**Auditors**

Auditor General of South Africa

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Index

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 14
Appropriation Statement	15 - 17
Accounting Policies	18 - 33
Notes to the Annual Financial Statements	34 - 73

### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
SALGA	South African Local Government Association
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
SAIPA	South African Institute of Professional Accountants
IRMSA	Institute of Risk Management South Africa

# **Maphumulo Local Municipality**

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Officer's Responsibilities and Approval**

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As an accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is 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, 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 2024 and, in the light of this review and the current financial position, I am 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 5.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on the 21 August 2023 and were signed on its behalf by:

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**Accounting Officer**  
**Mr. T Khuluse**

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	2	718 351	231 036
Receivables from non-exchange transactions	3	27 936	430 081
VAT receivable	4	5 797 291	4 399 029
Prepayments	5	1 450 175	1 153 398
Rental Debtors straight lining	6	25 426	25 426
Staff Debtors	7	46 366	18 650
Cash and cash equivalents	8	17 081 406	6 297 228
		<b>25 146 951</b>	<b>12 554 848</b>
<b>Non-Current Assets</b>			
Investment property	9	29 935 640	30 625 000
Property, plant and equipment	10	331 397 763	324 729 078
Intangible assets	11	110 073	234 015
		<b>361 443 476</b>	<b>355 588 093</b>
<b>Total Assets</b>		<b>386 590 427</b>	<b>368 142 941</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	12	18 790 164	19 617 690
Unspent conditional grants and receipts	13	-	1 076 385
Provisions	14	385 745	148 508
		<b>19 175 909</b>	<b>20 842 583</b>
<b>Non-Current Liabilities</b>			
Provisions	14	2 642 998	2 734 137
<b>Total Liabilities</b>		<b>21 818 907</b>	<b>23 576 720</b>
<b>Net Assets</b>		<b>364 771 520</b>	<b>344 566 221</b>
Accumulated surplus		364 771 523	339 246 221
<b>Total Net Assets</b>		<b>364 771 523</b>	<b>339 246 221</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Refuse removal	15	228 094	201 509
Construction Revenue	16	26 137 500	14 130 435
Rental of facilities and equipment	17	919 544	906 036
Interest charged on trade and other receivable	18	48 855	187 486
Agency services	19	173 605	171 576
Licences and permits	20	61 121	13 768
Reversal of impairment	21	352 948	1 275 371
Reversal of provision	22	91 139	278 097
Other income	23	1 228 939	1 034 907
Interest received - investment	24	1 831 293	973 721
Fair value adjustments	25	1 816 640	5 320 000
<b>Total revenue from exchange transactions</b>		<b>32 889 678</b>	<b>24 492 906</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	22 254 403	22 059 434
<b>Transfer revenue</b>			
Government grants & subsidies	27	141 980 385	137 046 966
Public contributions and donations	28	2 250 000	4 677 139
<b>Total revenue from non-exchange transactions</b>		<b>166 484 788</b>	<b>163 783 539</b>
<b>Total revenue</b>		<b>199 374 466</b>	<b>188 276 445</b>
<b>Expenditure</b>			
Employee related costs	29	(54 348 277)	(51 055 651)
Remuneration of councillors	30	(9 095 891)	(8 894 918)
Donation expense	31	-	(17 573)
Construction Contract Cost	32	(26 137 500)	(14 130 435)
Depreciation and amortisation	33	(18 678 188)	(15 267 574)
impairment loss	34	(868 967)	(4 402 332)
Finance costs	35	(9 288)	(9 671)
Debt Impairment and Bad debts written off	21	(1 415 093)	(203 496)
Contracted services	36	(24 981 468)	(25 360 916)
Transfers and Subsidies	37	(5 434 828)	(6 500 474)
Loss on disposal of assets and liabilities	38	(1 443 161)	(551 253)
General Expenses	39	(33 686 202)	(29 889 461)
Auditors' remuneration	40	(3 070 295)	(3 590 833)
<b>Total expenditure</b>		<b>(179 169 158)</b>	<b>(159 874 587)</b>
<b>Surplus for the year</b>		<b>20 205 308</b>	<b>14 271 423</b>

\* See Note 41

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
<b>Balance at 01 July 2021</b>	<b>315 845 662</b>	<b>315 845 662</b>
Changes in net assets		
Surplus for the year	28 401 858	28 401 858
Total changes	28 401 858	28 401 858
Opening balance as previously reported	344 247 520	344 247 520
Adjustments		
Prior year adjustment : Retention and gaurantee 41	318 695	318 695
<b>Balance at 01 July 2022</b>	<b>344 566 215</b>	<b>344 566 215</b>
Changes in net assets		
Surplus for the year	20 205 308	20 205 308
Total changes	20 205 308	20 205 308
<b>Balance at 30 June 2023</b>	<b>364 771 523</b>	<b>364 771 523</b>
Note(s)		

\* See Note 41



# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		163 010 671	164 568 845
Interest income		1 831 293	973 721
		<u>164 841 964</u>	<u>165 542 566</u>
<b>Payments</b>			
Employee costs		(63 444 168)	(59 950 569)
Suppliers		(67 835 270)	(62 268 887)
Finance costs		(9 288)	(9 671)
		<u>(131 288 726)</u>	<u>(122 229 127)</u>
<b>Net cash flows from operating activities</b>	42	<b><u>33 553 238</u></b>	<b><u>43 313 439</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(27 508 200)	(45 207 841)
Proceeds from sale of property, plant and equipment	10	2 233 141	-
Proceeds from sale of investment property	9	2 506 000	-
<b>Net cash flows from investing activities</b>		<b><u>(22 769 059)</u></b>	<b><u>(45 207 841)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10 784 179</b>	<b>(1 894 402)</b>
Cash and cash equivalents at the beginning of the year		6 297 228	8 191 630
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>17 081 407</u></b>	<b><u>6 297 228</u></b>

\* See Note 41

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Refuse removal	201 509	-	<b>201 509</b>	228 094	<b>26 585</b>	
Construction Revenue	-	-	-	26 137 500	<b>26 137 500</b>	R
Rental of facilities and equipment	932 300	20 188	<b>952 488</b>	919 544	<b>(32 944)</b>	
Interest received (trading)	208 600	(78 000)	<b>130 600</b>	48 855	<b>(81 745)</b>	A
Agency services	117 000	-	<b>117 000</b>	173 605	<b>56 605</b>	B
Licences and permits	8 000	-	<b>8 000</b>	61 121	<b>53 121</b>	C
Reversal of impairment	-	-	-	352 948	<b>352 948</b>	D
Reversal of provision	-	-	-	91 139	<b>91 139</b>	E
Other income	348 600	227 394	<b>575 994</b>	1 228 939	<b>652 945</b>	F
Interest received - investment	462 402	200 000	<b>662 402</b>	1 831 293	<b>1 168 891</b>	G
Gains on disposal of assets	-	300 000	<b>300 000</b>	-	<b>(300 000)</b>	H
<b>Total revenue from exchange transactions</b>	<b>2 278 411</b>	<b>669 582</b>	<b>2 947 993</b>	<b>31 073 038</b>	<b>28 125 045</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	24 001 951	(1 825 471)	<b>22 176 480</b>	22 254 403	<b>77 923</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	147 904 000	(5 923 615)	<b>141 980 385</b>	141 980 385	-	
Public contributions and donations	-	-	-	2 250 000	<b>2 250 000</b>	I
<b>Total revenue from non-exchange transactions</b>	<b>171 905 951</b>	<b>(7 749 086)</b>	<b>164 156 865</b>	<b>166 484 788</b>	<b>2 327 923</b>	
<b>Total revenue</b>	<b>174 184 362</b>	<b>(7 079 504)</b>	<b>167 104 858</b>	<b>197 557 826</b>	<b>30 452 968</b>	
<b>Expenditure</b>						
Personnel	(52 889 388)	(1 334 572)	<b>(54 223 960)</b>	(54 348 277)	<b>(124 317)</b>	
Remuneration of councillors	(9 440 021)	(851)	<b>(9 440 872)</b>	(9 095 891)	<b>344 981</b>	
Construction Contract Cost	-	-	-	(26 137 500)	<b>(26 137 500)</b>	S
Depreciation and amortisation	(17 313 799)	-	<b>(17 313 799)</b>	(18 678 188)	<b>(1 364 389)</b>	J
Impairment loss/ Reversal of impairments	-	-	-	(868 967)	<b>(868 967)</b>	K
Finance costs	(16 000)	-	<b>(16 000)</b>	(9 288)	<b>6 712</b>	L
Debt Impairment	(3 006 090)	984 774	<b>(2 021 316)</b>	(1 415 093)	<b>606 223</b>	M
Contracted Services	(33 223 972)	1 803 233	<b>(31 420 739)</b>	(24 981 468)	<b>6 439 271</b>	N
Transfers and Subsidies	(3 640 000)	(460 000)	<b>(4 100 000)</b>	(5 434 828)	<b>(1 334 828)</b>	O
General Expenses	(20 268 614)	(2 731 447)	<b>(23 000 061)</b>	(36 756 497)	<b>(13 756 436)</b>	P
<b>Total expenditure</b>	<b>(139 797 884)</b>	<b>(1 738 863)</b>	<b>(141 536 747)</b>	<b>(177 725 997)</b>	<b>(36 189 250)</b>	
<b>Operating surplus</b>	<b>34 386 478</b>	<b>(8 818 367)</b>	<b>25 568 111</b>	<b>19 831 829</b>	<b>(5 736 282)</b>	
Loss on disposal of assets and liabilities	-	-	-	(1 443 161)	<b>(1 443 161)</b>	Q
Fair value adjustments	-	-	-	1 816 640	<b>1 816 640</b>	

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	-	-	-	373 479	373 479	
<b>Surplus before taxation</b>	<b>34 386 478</b>	<b>(8 818 367)</b>	<b>25 568 111</b>	<b>20 205 308</b>	<b>(5 362 803)</b>	
<b>Deficit for the year from continuing operations</b>	<b>34 386 478</b>	<b>(8 818 367)</b>	<b>25 568 111</b>	<b>20 205 308</b>	<b>(5 362 803)</b>	
Capital Assets	(33 363 297)	7 000 000	<b>(26 363 297)</b>	(27 508 200)	<b>(1 144 903)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1 023 181</b>	<b>(1 818 367)</b>	<b>(795 186)</b>	<b>(7 302 892)</b>	<b>(6 507 706)</b>	

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### A. Interest received (trading) -37%

Reason for under performance is due to the fact that the municipality stop to bill the interest on the non paying debtors because some were untraceable then at the end of the financial year those debtors were written-off.

### B. Agency services 148%

The reason for the over performance 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.

### C. Licence and Permits 763%

This over performance 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.

### D. Reversal of impairment 100%

The reason for variance is that there was no budget provision for Bad debt impairment reversal. The reason for reversal of bad debt impairment is because during this financial year some debtors were written off therefore impairment reversal journal was processed.

### E. Reversal provision 100%

The reason for variance is that there was no budget provision for provision reversal.

### F. Other income 213%

The reason for variance is that were no budget provision for insurance refund and staff recoveries.

### G. Interest received investment 276%

Reason for this over performance is due to the fact that municipality open an investment account with ABSA Bank and invested all the collection from property rates.

### H. Gain on disposal of assets -100%

the municipality budget for gain on disposal but no gain on disposal made during this financial year.

### I. Public contribution and donations 100 %

No budget provision made for public contributions and donations.

### J. Depreciation and amortisation -107%

The reason for variance is because our budget was understated.

### K. Impairment loss or reversal of impairment loss -100%

The reason for variance there was no budget provision for reversal of impairment loss.

### L. Finance cost 58%

The reason for variance is because our budget was overstated.

### M. Debts impairment 70%

Budget was understated.

### N. Contracted services 80%

The reason for variance budget statement is not mapped the same as caseware expenditure hence some expenditure was budgeted under contracted but reported as general expenditure .

### O. Transfers and subsidies -133%

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

### P. General Expenses -160%

The reason for variance budget statement is not mapped the same as caseware expenditure hence some expenditure was budgeted under contracted but reported as general expenditure.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

**Q. Loss on disposal of assets and liabilities -100%**

The reason for variance is that no budget provision made for loss on disposal.

**R. Construction Revenue 100%**

The reason for variance is that no budget provision made for Construction Revenue

**S. Construction Contract Cost -100%**

The reason for variance is that no budget provision made for Construction Contract Cost

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Receivables from exchange transactions	-	-	-	718 351	718 351	
Receivables from non-exchange transactions	-	-	-	27 936	27 936	
VAT receivable	1 353 736	1 584 906	2 938 642	10 880 004	7 941 362	
Prepayments	-	-	-	1 450 175	1 450 175	
Consumer debtors	1 603 754	(154 501)	1 449 253	25 426	(1 423 827)	
Staff Debtors	20 045	(1 395)	18 650	46 366	27 716	
Cash and cash equivalents	18 830 873	(2 944 551)	15 886 322	17 081 406	1 195 084	
	<b>21 808 408</b>	<b>(1 515 541)</b>	<b>20 292 867</b>	<b>30 229 664</b>	<b>9 936 797</b>	
<b>Non-Current Assets</b>						
Investment property	25 381 000	5 244 000	30 625 000	29 935 640	(689 360)	
Property, plant and equipment	335 166 464	(1 273 556)	333 892 908	331 397 763	(2 495 145)	
Intangible assets	277 726	(158 043)	119 683	110 073	(9 610)	
	<b>360 825 190</b>	<b>3 812 401</b>	<b>364 637 591</b>	<b>361 443 476</b>	<b>(3 194 115)</b>	
<b>Total Assets</b>	<b>382 633 598</b>	<b>2 296 860</b>	<b>384 930 458</b>	<b>391 673 140</b>	<b>6 742 682</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	5 486 645	5 170 806	10 657 451	18 790 164	8 132 713	
VAT payable	-	-	-	5 082 713	5 082 713	
Provisions	2 948 001	(1 551 092)	1 396 909	385 745	(1 011 164)	
	<b>8 434 646</b>	<b>3 619 714</b>	<b>12 054 360</b>	<b>24 258 622</b>	<b>12 204 262</b>	
<b>Non-Current Liabilities</b>						
Provisions	2 126 000	701 737	2 827 737	2 642 998	(184 739)	
<b>Total Liabilities</b>	<b>10 560 646</b>	<b>4 321 451</b>	<b>14 882 097</b>	<b>26 901 620</b>	<b>12 019 523</b>	
<b>Net Assets</b>	<b>372 072 952</b>	<b>(2 024 591)</b>	<b>370 048 361</b>	<b>364 771 520</b>	<b>(5 276 841)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	372 072 952	(2 024 591)	370 048 361	364 771 522	(5 276 839)	

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates	20 000 000	(864 034)	<b>19 135 966</b>	22 254 403	<b>3 118 437</b>	
Service charges - refuse	180 000	-	<b>180 000</b>	228 094	<b>48 094</b>	
Grants	178 714 000	(6 999 700)	<b>171 714 300</b>	139 904 000	<b>(31 810 300)</b>	
Interest income	462 402	200 000	<b>662 402</b>	1 831 293	<b>1 168 891</b>	
Other revenue	9 197 068	878 519	<b>10 075 587</b>	2 432 064	<b>(7 643 523)</b>	
	<b>208 553 470</b>	<b>(6 785 215)</b>	<b>201 768 255</b>	<b>166 649 854</b>	<b>(35 118 401)</b>	
<b>Payments</b>						
Employee costs and Remuneration of councillors	(64 014 733)	-	<b>(64 014 733)</b>	(63 444 168)	<b>570 565</b>	
other inventory	(1 557 573)	-	<b>(1 557 573)</b>	(1 534 876)	<b>22 697</b>	
Finance costs	(16 000)	-	<b>(16 000)</b>	(9 288)	<b>6 712</b>	
Contracted services	(40 387 660)	-	<b>(40 387 660)</b>	(39 387 660)	<b>1 000 000</b>	
Transfers and grants	(3 640 000)	(460 000)	<b>(4 100 000)</b>	(5 434 828)	<b>(1 334 828)</b>	
Other expenditure	(54 979 456)	-	<b>(54 979 456)</b>	(23 033 606)	<b>31 945 850</b>	
	<b>(164 595 422)</b>	<b>(460 000)</b>	<b>(165 055 422)</b>	<b>(132 844 426)</b>	<b>32 210 996</b>	
<b>Net cash flows from operating activities</b>	<b>43 958 048</b>	<b>(7 245 215)</b>	<b>36 712 833</b>	<b>33 805 428</b>	<b>(2 907 405)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(34 773 304)	7 649 564	<b>(27 123 740)</b>	(27 508 200)	<b>(384 460)</b>	
Net increase/(decrease) in cash and cash equivalents	9 184 744	404 349	<b>9 589 093</b>	6 297 228	<b>(3 291 865)</b>	
Cash and cash equivalents at the beginning of the year	2 452 912	3 844 316	<b>6 297 228</b>	10 784 177	<b>4 486 949</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>11 637 656</b>	<b>4 248 665</b>	<b>15 886 321</b>	<b>17 081 405</b>	<b>1 195 084</b>	

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## 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
<b>2023</b>											
<b>Financial Performance</b>											
Property rates	24 001 951	(1 825 471)	22 176 480	-	-	22 176 480	22 254 403	-	77 923	100 %	93 %
Service charges	201 509	-	201 509	-	-	201 509	228 094	-	26 585	113 %	113 %
Investment revenue	462 402	200 000	662 402	-	-	662 402	1 831 293	-	1 168 891	276 %	396 %
Transfers recognised - operational	115 918 000	1 076 385	116 994 385	-	-	116 994 385	116 994 385	-	-	100 %	101 %
Other own revenue	1 614 500	469 582	2 084 082	-	-	2 084 082	30 830 291	-	28 746 209	1 479 %	1 910 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>142 198 362</b>	<b>(79 504)</b>	<b>142 118 858</b>	<b>-</b>	<b>-</b>	<b>142 118 858</b>	<b>172 138 466</b>	<b>-</b>	<b>30 019 608</b>	<b>121 %</b>	<b>121 %</b>
Employee costs	(52 889 388)	(1 334 572)	(54 223 960)	-	-	(54 223 960)	(54 348 277)	-	(124 317)	100 %	103 %
Remuneration of councillors	(9 440 021)	(851)	(9 440 872)	-	-	(9 440 872)	(9 095 891)	-	344 981	96 %	96 %
Depreciation and asset impairment	(20 319 889)	984 774	(19 335 115)	-	-	(19 335 115)	(18 132 062)	-	1 203 053	94 %	89 %
Finance charges	(16 000)	-	(16 000)	-	-	(16 000)	(9 288)	-	6 712	58 %	58 %
Inventory consumed and bulk purchases	(1 340 000)	(217 573)	(1 557 573)	-	-	(1 557 573)	-	-	1 557 573	- %	- %
Transfers and grants	(3 640 000)	(460 000)	(4 100 000)	-	-	(4 100 000)	(5 434 828)	-	(1 334 828)	133 %	149 %
Other expenditure	(52 152 586)	(710 641)	(52 863 227)	-	-	(52 863 227)	(89 318 626)	-	(36 455 399)	169 %	171 %
<b>Total expenditure</b>	<b>(139 797 884)</b>	<b>(1 738 863)</b>	<b>(141 536 747)</b>	<b>-</b>	<b>-</b>	<b>(141 536 747)</b>	<b>(176 338 972)</b>	<b>-</b>	<b>(34 802 225)</b>	<b>125 %</b>	<b>126 %</b>
<b>Surplus/(Deficit)</b>	<b>2 400 478</b>	<b>(1 818 367)</b>	<b>582 111</b>	<b>-</b>	<b>-</b>	<b>582 111</b>	<b>(4 200 506)</b>	<b>-</b>	<b>(4 782 617)</b>	<b>(722)%</b>	<b>(175)%</b>



# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## 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 and subsidies - capital (monetary allocations) (National / Provincial and District)	31 986 000	(7 000 000)	24 986 000	-		24 986 000	24 986 000		-	100 %	78 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-		-	2 250 000		2 250 000	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>34 386 478</b>	<b>(8 818 367)</b>	<b>25 568 111</b>	<b>-</b>		<b>25 568 111</b>	<b>23 035 494</b>		<b>(2 532 617)</b>	<b>90 %</b>	<b>67 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>34 386 478</b>	<b>(8 818 367)</b>	<b>25 568 111</b>	<b>-</b>		<b>25 568 111</b>	<b>23 035 494</b>		<b>(2 532 617)</b>	<b>90 %</b>	<b>67 %</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## 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
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	(33 686 956)	7 323 659	(26 363 297)	-		(26 363 297)	106 844 701		133 207 998	(405)%	(317)%
<b>Sources of capital funds</b>											
Transfers recognised - capital	28 726 956	(6 369 999)	22 356 957	-		22 356 957	-		(22 356 957)	- %	- %
Internally generated funds	4 960 000	(953 660)	4 006 340	-		4 006 340	-		(4 006 340)	- %	- %
<b>Total sources of capital funds</b>	<b>33 686 956</b>	<b>(7 323 659)</b>	<b>26 363 297</b>	<b>-</b>		<b>26 363 297</b>	<b>-</b>		<b>(26 363 297)</b>	<b>- %</b>	<b>- %</b>
<b>Cash flows</b>											
Net cash from (used) operating	25 377 961	11 334 872	36 712 833	-		36 712 833	33 553 238		(3 159 595)	91 %	132 %
Net cash from (used) investing	-	-	-	-		-	(22 769 059)		(22 769 059)	DIV/0 %	DIV/0 %
Net cash from (used) financing	(34 773 304)	7 649 564	(27 123 740)	-		(27 123 740)	-		27 123 740	- %	- %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(9 395 343)</b>	<b>18 984 436</b>	<b>9 589 093</b>	<b>-</b>		<b>9 589 093</b>	<b>10 784 179</b>		<b>1 195 086</b>	<b>112 %</b>	<b>(115)%</b>
Cash and cash equivalents at the beginning of the year	2 452 912	6 297 228	8 750 140	-		8 750 140	6 297 228		(2 452 912)	72 %	257 %
<b>Cash and cash equivalents at year end</b>	<b>(6 942 431)</b>	<b>25 281 664</b>	<b>18 339 233</b>	<b>-</b>		<b>18 339 233</b>	<b>17 081 407</b>		<b>1 257 826</b>	<b>93 %</b>	<b>(246)%</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

Figures in Rand	Note(s)	2023	2022
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### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparations

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.

These accounting policies are consistent with the previous period.

#### 1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.3 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.

#### 1.4 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 Human Settlement Department and implementing agents (hereinafter referred to as the contractors) for each project.

Additional information is disclosed in Note 44.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.5 Investment property

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

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

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

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.

### 1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

# **Maphumulo Local Municipality**

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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### **1.6 Property, plant and equipment (continued)**

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

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

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

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

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.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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

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:

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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.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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

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

### 1.7 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.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.7 Intangible assets (continued)

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

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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 ).

### 1.8 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.



# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 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 unutilised 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.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 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:

<b>Class</b>	<b>Category</b>
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:

<b>Class</b>	<b>Category</b>
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.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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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.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 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.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 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.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 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 Construction Revenue

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.14 Construction Revenue (continued)

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

### 1.15 Revenue from non-exchange transactions

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

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

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

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

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

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.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

#### 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.

#### 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.



# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

#### Transfers

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

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

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

#### Gifts and donations, including goods in-kind

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

### 1.16 Comparative figures

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

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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).

### 1.18 Fruitless and wasteful expenditure

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

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).

### 1.19 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).

### 1.20 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 2022/07/01 to 2023/06/30.

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

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.20 Budget information (continued)

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

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

Comparative information is not required.

### 1.21 Related parties

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.

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.

### 1.22 Events after reporting date

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

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

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

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

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>2. Receivables from exchange transactions</b>		
Rentals	188 434	541 147
Impairment - Rentals	(164 256)	(514 404)
Refuse	22 813	11 421
Impairment- Refuse	-	(2 800)
Other debtors	671 360	181 195
UNISA	-	14 477
	<b>718 351</b>	<b>231 036</b>
<b>Rentals</b>		
Current (0-30 days)	15 472	21 967
31 - 60 days	8 707	4 774
61 - 90 days	8 399	149 157
91 - 120 days	9 013	3 643
120 />365 days	146 843	361 603
	<b>188 434</b>	<b>541 144</b>
<b>Rentals past due but not impaired</b>		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2023 R 24 179 (2022:R 26 741) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	15 471	21 967
2 months past due	8 708	4 774
	<b>24 179</b>	<b>26 741</b>
<b>Rentals impaired</b>		
As of 30 June 2023, trade and other receivables of R 188 433 (2022: R 541 096) were impaired and provided for.		
The amount of the provision for impairment was R164 254 as of 30 June 2023 (2022: R 514 503).		
The ageing of amounts impaired is as follows:		
3 to 6 months	23 368	152 922
Over 6 months	140 886	361 481
	<b>164 254</b>	<b>514 503</b>
<b>Reconciliation of provision for impairment on Rentals</b>		
Opening balance	(514 403)	(313 707)
Provision for impairment	350 149	(200 696)
	<b>(164 254)</b>	<b>(514 403)</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>2. Receivables from exchange transactions (continued)</b>		
<b>Refuse</b>		
<b>Refuse</b>		
Current (0 -30 days)	7 634	8 341
31 - 60 days	7 590	280
61 - 90 days	7 546	280
91-120 days	43	280
120-/>365 days	-	2 240
	<b>22 813</b>	<b>11 421</b>
No impairment provided for refuse because we only bill commercial debtors and they are paying accordingly and there is no doubt that the they will settle the outstanding balance as at the end of 30 June 2023.		
<b>Other Debtors</b>		
Other debtors is made of unknown debit orders debited our main bank account which amount to R664 013 and Creditors with debit balance as at the end of the year amount to R7 347.		
<b>3. Receivables from non-exchange transactions</b>		
Consumer debtors - Rates	1 634 616	1 395 670
Allowance for impairment- Rates	(1 606 680)	(965 615)
	<b>27 936</b>	<b>430 055</b>
<b>Commercials</b>		
Current (0-30 days)	13 228	35 085
31-60 days	13 160	34 845
61-90 days	10 286	48 795
91-120 days	9 071	68 288
121-365 days	946 381	848 532
	<b>992 126</b>	<b>1 035 545</b>
<b>State owned</b>		
31-60 days	-	(117 498)
91-120 days	774	-
121-365 days	641 716	477 649
	<b>642 490</b>	<b>360 151</b>
<b>Allowance for impairment</b>	<b>(1 606 680)</b>	<b>(965 615)</b>
<b>Net receivables from non-exchange transactions</b>	<b>27 936</b>	<b>430 081</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 3. Receivables from non-exchange transactions (continued)

#### Receivables from non-exchange transactions impaired

As of 30 June 2023, other receivables from non-exchange transactions of R1 634 616 (2022: R1 395 670) were impaired and provided for.

The amount of the provision was R1 606 680 as of 30 June 2023 (2022:R 965 615).

The ageing of amounts impaired is as follows:

61-90 Days	10 286	-
91-120 Days	9 071	203 880
121-365 Days	1 587 323	761 735
	<u>1 606 680</u>	<u>965 615</u>

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

Opening balance	(965 614)	(2 240 986)
Provision for impairment	(641 065)	-
Reversal of impairment	-	1 275 372
	<u>(1 606 679)</u>	<u>(965 614)</u>

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 which are due from 5 months upwards are considered to be impaired and government debtors which are due for less than 5 months are not considered to be impaired. ITB debtors are getting a 100% rebate.

At 30 June 2023 total debtors control impaired is R1 606 680 (Commercial debtors R965 738) (Government R640 942).

### 4. VAT receivable

VAT	<u>5 797 291</u>	<u>4 399 029</u>
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Maphumulo Municipality accounts for VAT on cash basis.

### 5. Prepayments

Lateral Insurance Policy	977 012	673 903
SALGA	467 467	469 184
SAIPA	3 946	3 886
SACPLAN	1 750	2 825
IRMSA	-	2 573
CIGFARO	-	1 028
	<u>1 450 175</u>	<u>1 153 399</u>

### 6. Rental debtor straight lining

<b>Gross balances</b>		
Rental debtors straight lining	<u>25 426</u>	<u>25 426</u>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 7. Staff debtors

Staff debtors is derived from municipal study aid policy, which state that , if the employee withdrawn their study or abandon 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.

Staff debtors incurred during the current financial year results in the overpayment made to the employee on termination pay out.

Employee No.2174	-	910
Employee No.2104	1 591	2 100
Employee No.2085	2 450	2 450
Employee No. 303	6 595	13 190
Employee No. 2007	200	-
Employee No. 2181	11 628	-
Employee No. 2213	5 509	-
Employee No. 2017	8 042	-
Employee No. 330	3 623	-
Employee No. 2211	6 728	-
	<b>46 366</b>	<b>18 650</b>

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 169	2 637
Bank balances	1 210 772	1 396 374
Short-term Investments	15 865 465	4 898 217
	<b>17 081 406</b>	<b>6 297 228</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB BANK MAIN 620 238 6899 98	3 362 110	494 020	(173 946)	3 362 110	494 020	(398 236)
FNB BANK INVESTMENT ACCOUNT 710 44 3426 67	577 904	549 499	530 311	577 904	549 499	530 311
FNB BANK INVESTMENT ACCOUNT 741 056 039 86	3 068 757	2 885 204	2 778 686	3 068 757	2 885 204	2 778 686
FNB BANK INVESTMENT ACCOUNT 623 467 553 01	30 208	28 420	27 563	30 208	28 420	27 563
ABSA BANK CURRENT ACCOUNT 405 610 286 6	971 507	105 022	2 148 523	971 507	105 012	2 148 521
STANDARD BANK 30 DAYS ACCOUNT 268 693 404	425 027	1 484 370	1 354 665	425 027	1 403 434	1 354 665
INVESTMENT ACCOUNT 56 309 554 919 997	-	-	79 697	-	-	79 697
NEDBANK INVESTMENT ACCOUNT 037 881 154 381	219 360	31 660	1 669 188	219 360	31 660	1 669 188
NEDBANK MAIN ACCOUNT 121 285 889 1	405 714	1 490 538	(132)	405 714	797 342	(132)
ABSA BANK CURRENT ACCOUNT 937 696 396 5	8 015 650	-	-	8 015 650	-	-
<b>Total</b>	<b>17 076 237</b>	<b>7 068 733</b>	<b>8 414 555</b>	<b>17 076 237</b>	<b>6 294 591</b>	<b>8 190 263</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29 935 640	-	29 935 640	30 625 000	-	30 625 000

#### Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	30 625 000	(2 506 000)	1 816 640	29 935 640

#### Reconciliation of investment property - 2022

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

Fair value of investment properties 29 935 640 30 625 000

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.



# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 9. Investment property (continued)

#### Details of valuation

The Investment Property was valued on the 30th of June 2023, 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	570 000	200 000
Thusong centre: building	13 830 000	12 300 000
Vacant land	15 535 640	18 125 000

There were no assets pledged as security for the year ended 30 June 2023.

#### Amounts recognised in surplus or deficit

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	875 342	873 725
Repairs and maintenance	(412 576)	(321 201)
	<u>462 766</u>	<u>552 524</u>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	178 528 557	(43 173 499)	135 355 058	176 125 240	(39 160 032)	136 965 208
Plant and machinery	25 810 518	(11 586 018)	14 224 500	23 701 018	(10 094 423)	13 606 595
Furniture and fixtures	6 121 389	(3 645 327)	2 476 062	6 097 830	(3 343 554)	2 754 276
Motor vehicles	4 910 975	(1 642 692)	3 268 283	7 155 055	(2 803 693)	4 351 362
Office equipment	5 717 154	(3 282 335)	2 434 819	5 307 841	(2 787 285)	2 520 556
IT equipment	3 694 795	(1 532 261)	2 162 534	3 445 110	(1 160 122)	2 284 988
Infrastructure	242 233 685	(70 757 178)	171 476 507	223 374 593	(61 128 500)	162 246 093
<b>Total</b>	<b>467 017 073</b>	<b>(135 619 310)</b>	<b>331 397 763</b>	<b>445 206 687</b>	<b>(120 477 609)</b>	<b>324 729 078</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Donations Received	Disposals	Transfers received	Transfers	Write-off	Depreciation	Impairment loss	Total
Buildings	136 965 210	5 028 833	-	-	24 666 889	(24 666 889)	(781 125)	(4 988 894)	(868 966)	135 355 058
Plant and machinery	13 606 594	62 567	2 250 000	(65 135)	-	-	-	(1 629 526)	-	14 224 500
Furniture and fixtures	2 754 276	104 850	-	-	-	-	(21 036)	(362 028)	-	2 476 062
Motor vehicles	4 351 362	2 195 021	-	(2 621 143)	-	-	-	(656 957)	-	3 268 283
Office equipment	2 520 556	599 179	-	-	-	-	(40 402)	(644 514)	-	2 434 819
IT equipment	2 284 988	658 658	-	-	-	-	(137 461)	(643 651)	-	2 162 534
Infrastructure	162 246 091	18 859 092	-	-	2 843 846	(2 843 846)	-	(9 628 676)	-	171 476 507
	<b>324 729 077</b>	<b>27 508 200</b>	<b>2 250 000</b>	<b>(2 686 278)</b>	<b>27 510 735</b>	<b>(27 510 735)</b>	<b>(980 024)</b>	<b>(18 554 246)</b>	<b>(868 966)</b>	<b>331 397 763</b>

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

	Opening balance	Additions	Donation Received	Transfers received	Transfers	Writes-Off	Depreciation	Impairment loss	Total
Buildings	126 815 577	12 609 613	3 986 152	397 682	(397 682)	-	(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
	<b>294 220 314</b>	<b>45 207 841</b>	<b>4 677 140</b>	<b>41 095 019</b>	<b>(41 095 019)</b>	<b>(551 253)</b>	<b>(15 143 632)</b>	<b>(3 681 332)</b>	<b>324 729 078</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

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

#### work-in-progress taking significant longer to complete

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

Ogagwini Road	211 004	211 004
This amount was for professional services and due to financial constrains and grant dependent the council decided to prioritise other projects, but this doesn't not mean that the council will not resume this project. The project will resume once we have finished the current projects and have proper budget provisions, this will be 2025/26 financial year.		
Esinamfini Bridge	1 274 971	1 274 971
This amount was for professional services and due to financial constrains and grant dependent the council decided to prioritise other projects, but this doesn't not mean that the council will not resume this project. The project will resume once we have finished the current projects and have proper budget provisions, this will be 2025/26 financial year.		
Tsipo Road	753 126	753 126
This amount was for professional services and due to financial constrains and grant dependent the council decided to prioritise other projects, but this doesn't not mean that the council will not resume this project. The project will resume once we have finished the current projects and have proper budget provisions, this will be 2025/26 financial year.		
Waterborne Project	382 500	382 500
This amount was for professional services and due to financial constrains and grant dependent the council decided to prioritise other projects, but this doesn't not mean that the council will not resume this project. The project will resume once we have finished the current projects and have proper budget provisions, this will be 2025/26 financial year		
Office Extension	1 871 886	1 871 886
This amount was for professional services and due to financial constrains and grant dependent the council decided to prioritise other projects, but this doesn't not mean that the council will not resume this project. The project will resume once we have finished the current projects and have proper budget provisions, this will be 2025/26 financial year.		

#### Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Buildings	Total
Opening balance	14 855 602	25 798 160	40 653 762
Additions/capital expenditure	18 859 117	4 875 922	23 735 039
Transferred to completed items	(2 843 846)	(24 666 889)	(27 510 735)
	<b>30 870 873</b>	<b>6 007 193</b>	<b>36 878 066</b>

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

	Included within Infrastructure	Included within Buildings	Total
Opening balance	27 359 171	13 586 228	40 945 399
Additions/capital expenditure	28 193 768	12 609 614	40 803 382
Transferred to completed items	(40 697 337)	(397 682)	(41 095 019)
	<b>14 855 602</b>	<b>25 798 160</b>	<b>40 653 762</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Maintenance of property, plant and equipment

#### Maintenance of property, plant and equipment by nature and type of expenditure - 2023

	<b>Direct Costs Contracted services</b>
Buildings	1 378 497
Plant and machinery	1 822 183
Motor vehicles	563 418
IT equipment	171 778
Infrastructure	296 033
	<b>4 231 909</b>

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

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

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.

#### Pledged as security

- There's no property, plant and equipment asset pledged as security

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	867 597	(757 524)	110 073	867 597	(633 582)	234 015

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	234 015	(123 942)	110 073

#### Reconciliation of intangible assets - 2022

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

#### Pledged as security

Intangible assets with indefinite lives:

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Payables from exchange transactions</b>		
Trade payables	2 770 617	6 397 928
Other payables	254 877	248 586
Accrued leave pay	6 595 934	5 579 507
Accrued Bonuses	1 514 029	1 366 259
Unallocated Deposits	2 674	-
Retention and guarantees	7 439 810	5 394 626
Human settlement receipts	-	630 784
Income received in-advanced	212 223	-
	<b>18 790 164</b>	<b>19 617 690</b>

Other payables is made of accrual of an R203 804.46 raised at 30 June 2023 based on government notice No.48789 dated 14 June 2023, upper limits of total remuneration packages payable to municipal managers and managers directly accountable to municipal managers and R 51 072 COIDA liability

### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Library grant	-	1 076 385
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See note 27 for reconciliation of grants from National/Provincial Government.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 14. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Actuarial Gain/(loss) recognised	Interest Cost/Finance Charges	Service Cost	Total
Long service award short term	148 508	91 139	(282 636)	(164 864)	314 540	279 058	385 745
Long service award long term	2 734 137	(91 139)	-	-	-	-	2 642 998
	<b>2 882 645</b>	<b>-</b>	<b>(282 636)</b>	<b>(164 864)</b>	<b>314 540</b>	<b>279 058</b>	<b>3 028 743</b>

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Actuarial Gain/(loss) recognised	Interest Cost/Finance Charges	Service Cost	Total
Long service award short term	180 000	(38 847)	(180 000)	(284 645)	217 000	255 000	148 508
Long service award long term	2 126 000	608 137	-	-	-	-	2 734 137
	<b>2 306 000</b>	<b>569 290</b>	<b>(180 000)</b>	<b>(284 645)</b>	<b>217 000</b>	<b>255 000</b>	<b>2 882 645</b>

#### 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	2 642 998	2 734 137
Current liabilities	385 745	148 508
	<b>3 028 743</b>	<b>2 882 645</b>



# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>14. Provisions (continued)</b>		
<b>Key assumptions (%)</b>		
Discount rate	11,23 %	11,20 %
CPI	5,69 %	6,80 %
Salary increase rate	6,69 %	7,80 %
	<b>4,26 %</b>	<b>3,15 %</b>
<b>15. Refuse removal</b>		
Service charges	228 094	201 509
<b>16. Construction Revenue</b>		
<b>Intergrated National Eletrification Program (INEP)</b>		
Construction Revenue	26 137 500	14 130 435
<p>Municipality received a Dora 5B INEP allocation of R30 750 000 VAT inclusive for the construction of a bulk electrification infrastructure from DMRE, and DMRE and Municipality enters into a contract in this regard. Municipality is an un-licenced municipality but Municipality appoints service providers to assist with the construction and project management activities required to complete the construction of the infrastructure asset. Transferred amount was fully spent during the financial year received.</p>		
<p>At 30 June 2023, INEP allocation received were 30 750 000 (2022: 16 250 000) inclusive of VAT.</p>		
<b>17. Rental of facilities and equipment</b>		
<b>Premises</b>		
Rentals	905 857	888 179
Hall hire	13 687	17 857
	<b>919 544</b>	<b>906 036</b>
<p>Included in the above rentals are operating lease rentals at straight-lined amounts of R25 426 (2022: R 25 426).</p>		
<b>18. Interest charged on trade and other receivable</b>		
Interest on receivables from Non Exchange transaction	30 620	158 011
Interest on receivables from Exchange transaction	18 235	29 475
	<b>48 855</b>	<b>187 486</b>
<b>19. Agency services</b>		
Vehicle Registration	173 605	171 576
<b>20. Licences and permits</b>		
Licenses and permits	61 121	13 768
<b>21. Debt impairment</b>		
Contributions to debt impairment provision(receivable Non- exchanged transactions)	641 065	200 696
Contributions to debt impairment provision(Rental and Refuse)	(352 948)	(1 275 371)
Bad debts written off	774 028	2 800
	<b>1 062 145</b>	<b>(1 071 875)</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>22. Reversal provision</b>		
Reversal of Innuual leave provision	-	278 097
Reversal of long term bonus provision	91 139	-
	<b>91 139</b>	<b>278 097</b>
<b>23. Other income</b>		
Tender Document Sale	144 478	134 082
Staff recoveries	99 963	28 958
Sundry income	300 986	802 047
Admin Fee and Commission	18 941	57 653
Insurance Refund	654 511	-
Library collection	3 538	12 167
Public advertising	6 522	-
	<b>1 228 939</b>	<b>1 034 907</b>
<b>24. Interest Received Investments</b>		
<b>Interest revenue</b>		
Other financial assets (Investments)	1 745 733	868 761
Bank (Main and Current)	85 560	104 960
	<b>1 831 293</b>	<b>973 721</b>
<b>25. Fair value adjustments</b>		
Investment property (Fair value model)	1 816 640	5 320 000

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>26. Property rates</b>		
<b>Rates billed</b>		
Rates	29 193 111	28 931 405
Less: Income forgone	(6 938 708)	(6 871 971)
	<b>22 254 403</b>	<b>22 059 434</b>
<b>Valuations</b>		
Residential	14 980 000	14 980 000
Commercial	68 326 000	47 076 000
State	-	393 040 000
Municipal	31 047 000	33 868 000
Multi-purpose use properties	253 488 000	-
Rural Communal Land (RCL)	405 240 000	253 038 000
Agricultural	2 300 000	2 300 000
Place of worship	5 230 000	-
Public benefit Organisation	-	11 030 000
	<b>780 611 000</b>	<b>755 332 000</b>

Valuations on land and buildings are performed every 5 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 R0.053928, Multi Purpose properties R0.026964, Residential Properties R0.026964, Places of worship and other PBO properties R0.006741, Agricultural R0.006741, Mining properties R0.053928 and Vacant sites R0.048535 . 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 multi-purpose properties which are mostly owned by the Ingonyama Trust Board receive 100% rebate; agricultural properties receive 100% rebate; residential properties receive R15 000.00 exemption and the R45 000.00 reduction.

The new general valuation will be implemented on 01 July 2024.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	108 314 000	98 940 000
Financial Management Grant (FMG)	1 850 000	1 850 000
Expanded Public Works Program (EPWP)	2 081 000	1 786 000
Library Grant	3 749 385	1 473 615
Municipal Employment initiative (MEI) Grant	1 000 000	-
	<b>116 994 385</b>	<b>104 049 615</b>
<b>Capital grants</b>		
CoGTA Grant Mvozane	-	1 615 351
Municipal Infrastructure Grant (MIG)	24 986 000	31 382 000
	<b>24 986 000</b>	<b>32 997 351</b>
	<b>141 980 385</b>	<b>137 046 966</b>
<b>Unspent conditional grants and receipts</b>		
<b>CoGTA Grant – Mvozane</b>		
Balance unspent at beginning of year	-	1 615 351
Conditions met - transferred to revenue	-	(1 615 351)
	<b>-</b>	<b>-</b>
<b>Library Grant</b>		
Balance unspent at beginning of year	1 076 385	-
Current-year receipts	2 673 000	2 550 000
Conditions met - transferred to revenue	(3 749 385)	(1 473 615)
	<b>-</b>	<b>1 076 385</b>
<b>Financial Management Grant (FMG)</b>		
Current-year receipts	1 850 000	1 850 000
Conditions met - transferred to revenue	(1 850 000)	(1 850 000)
	<b>-</b>	<b>-</b>
<b>Expanded Public Works Program (EPWP)</b>		
Current-year receipts	2 081 000	1 786 000
Conditions met - transferred to revenue	(2 081 000)	(1 786 000)
	<b>-</b>	<b>-</b>
<b>Municipal Infrastructure Grant (MIG)</b>		
Current-year receipts	24 968 000	31 382 000
Conditions met - transferred to revenue	(24 968 000)	(31 382 000)
	<b>-</b>	<b>-</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Government grants &amp; subsidies (continued)</b>		
<b>Municipal Employment initiative (MEI) Grant</b>		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 000 000)	-
	<u>-</u>	<u>-</u>
<b>28. Government contributions and donations</b>		
Public contributions received from Arts and Culture	-	4 677 139
Public contributions received from Environmental Affairs	2 250 000	-
	<u>2 250 000</u>	<u>4 677 139</u>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Employee related costs</b>		
Basic	34 206 399	32 078 988
Bonus	2 796 368	2 533 066
Medical aid - company contributions	1 893 339	1 689 563
UIF	269 060	399 381
SDL	541 245	445 126
Defined contribution plans	5 327 418	4 967 809
Overtime payments	120 227	5 811
Long-service awards	366 079	677 996
Car allowance	2 124 643	2 062 476
Housing benefits and allowances	123 945	102 723
Cellphone Allowance	202 222	198 144
Non Pensionable Allowance	246 143	615 779
Stand By Allowance	140 337	101 005
Leave Accrued	1 767 827	-
Membership Fees	17 042	15 326
	<b>50 142 294</b>	<b>45 893 193</b>
<b>Remuneration of municipal manager</b>		
Annual Salary	507 213	761 000
Car Allowance	215 995	326 143
Acting allowance	27 452	-
Non- pension	14 998	-
	<b>765 658</b>	<b>1 087 143</b>
Remuneration of Municipal Manager is an annual remuneration paid to Municipal Manager: Mr.PN Mhlongo as from July 2022 to October 2022, acting allowance paid to Mr CS Mhlongo from November to February 2023 and annual remuneration paid to Mr T Khuluse from February to June 2023.		
<b>Remuneration of chief finance officer</b>		
Annual Salary	306 796	570 544
Car Allowance	131 484	244 519
Acting allowance	44 229	-
Non- pension	30 510	-
	<b>513 019</b>	<b>815 063</b>
Remuneration of Chief Financial Officer is an annual remuneration paid to CFO: Mr.N Duma as from July 2022 to December 2022, acting allowance paid to Mr SI Manqeke from January to June 2023.		
<b>Remuneration of Director: Technical Services</b>		
Annual Salary	604 987	570 544
Car Allowance	259 280	244 519
Non- pension	40 680	-
	<b>904 947</b>	<b>815 063</b>
Remuneration of Technical Services is an annual remuneration paid to Director: Mrs S Mhlongo as from July 2022 to June 2023.		
<b>Remuneration of Director : Corporates Services</b>		
Annual Salary	405 847	570 544
Car Allowance	173 934	244 519

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Employee related costs (continued)</b>		
Acting allowance	26 220	-
Non-pension	33 476	-
	<b>639 477</b>	<b>815 063</b>

Remuneration of Director:Corporate's Services is an annual remuneration paid to Director: Mr T Khuluse from July 2022 to February 2023 and acting allowance paid to Mr. CS Zulu from March to June 2023.

### Remuneration of Director: Community Services

Annual Salary	605 034	570 544
Car Allowance	259 300	244 519
Non-pension	40 680	-
	<b>905 014</b>	<b>815 063</b>

Remuneration of Director:Community Services is an annual remuneration paid to Director: Mr CS Mhlongo as from July 2022 to June 2023

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

Annual Salary	290 403	570 544
Car Allowance	131 283	244 519
Acting allowance	26 219	-
Non-pension	29 963	-
	<b>477 868</b>	<b>815 063</b>

Remuneration of Director:EDP is an annual remuneration paid to Director: Mr S Mngoma from July 2022 to November 2022 and acting allowance paid to Ms. KO Khuzwayo from March to June 2023

### 30. Remuneration of councillors

Non-executive Mayor	916 420	901 531
Deputy Non-executive Mayor	744 905	702 940
Exeective Committee Member	544 602	646 027
Speaker	733 792	706 782
Councillors	5 751 763	5 582 100
Chief Whip	404 409	355 538
	<b>9 095 891</b>	<b>8 894 918</b>

### 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 two full-time bodyguards. The Deputy Mayor and speaker have one full-time bodyguards.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>31. Donation expense</b>		
Administration and management fees - third party	-	17 573
<b>32. Construction Contract Cost</b>		
<b>Intergrated National Eletrification Program (INEP)</b>		
Construction Contract Cost	26 137 500	14 130 435
<p>Municipality received a Dora 5B INEP allocation of R30 750 000 VAT inclusive for the construction of a bulk electrification infrastructure from DMRE, and DMRE and Municipality enters into a contract in this regard. Municipality is an un-licenced municipality but Municipality appoints service providers to assist with the construction and project management activities required to complete the construction of the infrastructure asset. Transferred amount was fully spent during the financial year received.</p> <p>At 30 June 2023, INEP allocation received were 30 750 000 (2022: 16 250 000) inclusive of VAT</p>		
<b>33. Depreciation and amortisation</b>		
Property, plant and equipment	18 554 246	15 143 632
Intangible assets	123 942	123 942
	<b>18 678 188</b>	<b>15 267 574</b>
<b>34. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	1 044 014	4 402 332
<b>35. Finance costs</b>		
Other interest paid	9 288	9 671
<b>36. Contracted services</b>		
<b>Presented previously</b>		
Operating Leases	477 373	441 037
<b>Outsourced Services</b>		
Catering Services	455 912	806 294
Cleaning Services	2 363 005	2 022 732
Refuse Removal	88 750	28 900
Security Services	11 063 820	11 338 420
Transport Services	291 872	827 102
<b>Consultants and Professional Services</b>		
Business and Advisory	3 067 100	3 495 792
Legal Cost	1 469 560	955 247
<b>Contractors</b>		
Event Promoters	951 915	978 757
Maintenance of Buildings and Facilities	1 378 497	281 430
Maintenance of Equipment	1 822 183	2 088 676
Maintenance of Unspecified Assets	1 049 669	1 631 925
Photographer	-	58 950
Stage and Sound Crew	501 812	405 654
	<b>24 981 468</b>	<b>25 360 916</b>



# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>37. Transfer and subsidies</b>		
<b>Other subsidies</b>		
Transfers and Subsidies	5 434 828	6 500 474
<b>38. Loss on disposal of assets and liabilities</b>		
Loss on disposal of assets	1 443 161	551 253
<b>39. General expenses</b>		
Advertising	4 242 565	2 922 405
Bank charges	79 744	194 547
Consumables	1 573 354	1 311 172
Fines and penalties	20 044	11 887
Healthy and safety	133 980	98 095
Hire charges	194 295	169 400
Insurance	723 206	2 261 434
Community development and training	4 123 583	4 506 085
Fleet	26 124	48 961
Medical expenses	34 196	8 653
Fuel and oil	3 837 695	3 104 474
Software expenses	48 875	45 265
Bursaries	319 726	460 979
Subscriptions and membership fees	771 484	666 278
Telephone and fax	1 416 875	1 314 192
Training	826 331	247 332
Travel - local	5 266 144	4 652 923
Waterborne sewer	1 838 518	1 639 982
Uniforms	1 804 974	1 788 870
IDP Review	1 337 336	1 091 365
Audit committee	265 583	375 961
Licenses	2 426 314	1 612 996
LED Projects	2 375 256	443 526
Planning and Development	-	913 066
	<b>33 686 202</b>	<b>29 889 848</b>
<b>40. Auditors' remuneration</b>		
Fees	3 070 295	3 590 833
<b>41. Prior period errors</b>		

Through detailed review and reconciliation of the retention and guarantees ledger balances, progress certificates and confirmation with suppliers; the municipality discovered that there were numerous misstatements on retention and guarantees ledger balances.

In 2021/22 financial year the retention and guarantees balances were overstated and accumulated surplus was understated in the prior years

During the audit, AG identified that municipality incorrect treatment of INEP grant. Municipality accounted INEP grant using GRAP 109 instead of using GRAP 11 and 23. The correction in the current financial year results in the restatement of prior year figures. The reinstated figures is Construction Revenue by R14 130 435 and Construction Contract Cost by R14 130 435. The net effect is zero therefore no adjustment in prior year accumulated surplus.

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

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 41. Prior period errors (continued)

#### Statement of financial position

Payables from exchange transactions- retention and guarantees	-	318 695
Opening Accumulated Surplus or Deficit	-	(318 695)

	Previously reported	Adjustment	Restated Balance
Payables from exchange transactions- retention and guarantees	(5 713 321)	318 695	(5 394 626)
Opening Accumulated Surplus or Deficit	(344 247 526)	(318 695)	(344 566 220)
	<u>(349 960 847)</u>	<u>-</u>	<u>(349 960 846)</u>

### 42. Cash generated from operations

Surplus	20 205 308	28 401 858
<b>Adjustments for:</b>		
Depreciation and amortisation and impairment loss	19 547 155	18 948 906
Gain or loss on sale of assets and liabilities	462 183	1 272 253
Fair value adjustments	(1 816 640)	(5 320 000)
Government contribution and donation	(2 250 000)	(4 677 139)
Debt impairment	1 415 093	203 496
Movements in provisions	146 098	576 645
reversal of impairment	(352 984)	-
reversal of provision	(91 139)	-
Increase staff debtors	(27 716)	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(487 315)	(676 160)
Consumer debtors	-	(302 837)
Other receivables from non-exchange transactions	402 145	(3 587)
Prepayments	(296 777)	(874 246)
Payables from exchange transactions	(827 526)	3 077 572
VAT	(1 398 262)	3 225 644
Unspent conditional grants and receipts	(1 076 385)	(538 966)
	<u>33 553 238</u>	<u>43 313 439</u>

### 43. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

#### Statement of financial position - extract

	Comparative figures previously	After reclassification
Buildings	135 093 319	136 965 210
Infrastructure	164 117 982	162 246 091
	<u>299 211 301</u>	<u>299 211 301</u>

### 44. Agent and Principal Transactions

Integrated National Electrification Programme (INEP) Grant	-	-
<b>Human Settlement Grant</b>		
Opening balance	628 784	-
Current year receipts	-	17 007 388
Conditions met	(628 784)	(16 378 604)
	<u>-</u>	<u>628 784</u>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 44. Agent and Principal Transactions (continued)

During 2021/22 financial year, Municipality received Housing 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 previous financial year 2021/22 Department of Human settlement transferred R17 007 388.33 to the municipality and the municipality had paid R16 378 604.19 to the contractor during the 2021/23 financial year. Amount of R 628 784.14 was not paid to the contractor because the money was received on the last day of the financial year. The R628 784.14 was paid to the contractor during July 2023.

### 45. Unauthorised expenditure

Add: Unauthorised expenditure - current 43 456 120 -

Unauthorised expenditure is due to the fact that the actual expenditure exceeded the approved final budget on the following expenditure line items.

Functions	Approved budget	Actual Expenditure	Overspending
General Expenses	23 006 061	(36 756 497)	(13 750 436)
Transfers and Subsidies	4 100 000	(5 434 828)	(1 334 828)
Construction Contract Cost	-	(26 137 500)	(26 137 500)
Depreciation and amortisation	17 313 799	(18 678 188)	(1 364 389)
Impairment loss/ Reversal of impairments	-	(868 967)	(868 967)
	<b>44 419 860</b>	<b>(87 875 980)</b>	<b>(43 456 120)</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 46. Commitments

#### Authorised capital expenditure

#### Capital commitments

#### Already contracted for but not provided for

Property, Plant and Equipment	13 541 386	18 869 636
Investment property	2 241 190	32 766 359
	<b>15 782 576</b>	<b>51 635 995</b>

#### Operational commitments

#### Already contracted for but not provided for

5 330 320	5 448 827
<b>5 330 320</b>	<b>5 448 827</b>

#### Total commitments

<b>21 112 896</b>	<b>57 084 822</b>
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#### Operating leases - as lessee (expense)

#### 2023

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

#### 2022

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

### 47. Fruitless and wasteful expenditure

Opening balance as previously reported	1 601 433	1 597 704
Add: Fruitless and wasteful expenditure identified - current	29 658	3 729
Less: Amount written off - current	(3 773)	-
<b>Closing balance</b>	<b>1 627 318</b>	<b>1 601 433</b>

#### 2023

The fruitless and wasteful expenditure is made of the following interest on overdue account R3773 ILembe, R260 SA Post office, R3 900 charges for no show for booked accommodation and R21 725 missed booked flight.

#### 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 and R2880 charges for no show for booked accommodation.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 47. Fruitless and wasteful expenditure (continued)

#### Details of fruitless and wasteful expenditure

	<b>Disciplinary steps taken/criminal proceedings</b>		
Accommodation	Referred to disciplinary board by Council	3 900	-
Depart Flight (DBN to JHB)	Referred to disciplinary board by Council	3 404	-
Depart Flight (DBN to JHB)	Referred to disciplinary board by Council	9 854	-
Return Flight from Johannesburg	Referred to disciplinary board by Council	8 466	-
Vehicle licence renewals	Referred to disciplinary board by Council	261	-
Interest on long overdue account	condoned by Council	3 773	-
Interest on long overdue account		-	849
Accommodation		-	2 880
		<b>29 658</b>	<b>3 729</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 47. Fruitless and wasteful expenditure (continued)

#### Amount written-off

	<b>Condoned by (Council)</b>	
Interest on long overdue account ILembe water		3 773      -

#### Recoverability steps taken/criminal proceedings

No recoverability step taken yet because disciplinary board haven't started the investigations.

#### Disciplinary steps taken/criminal proceedings

Fruitless and wasteful expenditure incurred for the current year was amount to R29 658, only R3 773 interest paid on over due account (ILembe water account) was condoned by the council the rest was referred to disciplinary board committee

### 48. Irregular expenditure

Opening balance as previously reported	41 517 567	40 930 703
Add: Irregular expenditure - current	11 868 839	586 864
Add: Irregular expenditure - related in prior years indentified in current year	5 136 905	-
Less: Amount written off - prior period	(29 040 685)	-
<b>Closing balance</b>	<b>29 482 626</b>	<b>41 517 567</b>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Irregular expenditure (continued)

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

	<b>Disciplinary steps taken/criminal proceedings</b>		
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	Referred to disciplinary board by Council	-	455 284
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	Referred to disciplinary board by Council	17 005 744	131 580
		<b>17 005 744</b>	<b>586 864</b>

### Amount written-off

After the MPAC meeting, council adopted the MPAC recommendation to write-off an amount of R29 040 685 (irregular expenditure incurred during 2017 financial year and prior 2017, from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable because supporting documents were taken by Treasury and never returned).

### Disciplinary steps taken/criminal proceedings

Irregular expenditure incurred during 2018 till 2023 financial year Council recommended investigation by disciplinary board.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand

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### **49. Deviation from supply chain management regulations**

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

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

Goods and services of R4 519 692 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.



# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 50. 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. Councilors have the option to belong to the Pension Fund for Municipal Councilors. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these aforementioned funds are multi employer plans and are subject to either a triennial, 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 sub funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions.

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

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

##### Retirement Fund

The scheme is subject to a triennial 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

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.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 50. Employee benefit obligations (continued)

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 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 lumpsum payments or increased future contributions on a proportional basis to all participating municipalities.

#### Movements in the defined benefit obligation is as follows:

Opening balance	2 882 645	2 306 000
Expected return	279 058	255 000
Actuarial gains (losses)	(164 864)	284 645
Assets distributed on settlements	314 540	217 000
Contributions by employer	(282 636)	(180 000)
	<u>3 028 743</u>	<u>2 882 645</u>

The municipality expects to contribute 385 745 to its defined benefit plans in the following financial year.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 50. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,23 %	11,20 %
CPI	5,69 %	6,80 %
salary increase rate	6,69 %	7,80 %

#### Other assumptions

Key demographic assumptions used for withdrawals rates for Male and Female over the valuation periods:

	- %	- %
Age of 25	8,0 %	- %
Age of 30	6,0 %	- %
Age of 35	5,0 %	- %
Age of 40	5,0 %	- %
Age of 45	4,0 %	- %
Age of 50	3,0 %	- %

The demographic and mortality assumptions are as follows:

	2023	2022			
Normal retirement age (years)	65	65	-	-	-
Average retirement age	62	62	-	-	-

### 51. Related parties

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

#### Related party transactions

#### Key management information

Class	Description	Number
Municipal Manager	Accounting officers	1
Chief Financial Officer	Head of Finance	1
section 57 employee	Head of Community services	1
Section 57 employee	Head of Technical services	1
Section 57 employee	Head of Corporates services	1
Section 57 employee	Head of Economic development and planing(EDP)	1
Mayor	Cllr ZF Khuzwayo-Dlamini	1
Deputy Mayor	Cllr CS Shange	1
Speaker	Cllr ST Chili	1

### 52. Financial instruments disclosure

#### Categories of financial instruments

#### 2023

#### Financial assets

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 52. Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	718 251	718 251
Other receivables from non-exchange transactions	-	27 936	27 936
Cash and cash equivalents	17 081 406	-	17 081 406
	<u>17 081 406</u>	<u>746 187</u>	<u>17 827 593</u>

### Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	<u>2 770 617</u>	<u>2 770 617</u>

### 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
	<u>6 297 228</u>	<u>661 117</u>	<u>6 958 345</u>

### Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	<u>6 397 924</u>	<u>6 397 924</u>

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand

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### 53. 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.

#### **IMATU OBO S.I. MANQELE and N.D Hlongwa // MAPHUMULO LOCAL MUNICIPALITY - CASE REFERENCE NUMBER: KDP032313.**

Litigation is in the process against the employee SI Manqele and ND Hlongwa relating to unfair labour practice whereby the Mr SI Manqele and ND Hlongwa are suing the municipality by not doing the justice during the process of employment of current vacant position for CFO and Corporate Director.

The Arbitrator ruled that parties were to make further submissions , if they so wished, on or before midday August 22. Municipal submission was timeously lodged with the Bargaining Council. Municipality is waiting for the outcome. Please note that we have not dealt with the merits of the matter, only the technical point was argued.

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Segment information

#### General information

#### Identification of segments

The municipality is using Departments which are reportable segment and where performance is measurable. Management uses the same segment for compilation of Annual Budget, monthly and quarterly reporting and SDBIP.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

#### Aggregated segments

The segment of the municipality were not aggregated.

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

<b>Reportable segment</b>	<b>Goods and/or services</b>
Executive and Council	provides political leadership to the municipality for the generation of economic benefits and service potential
Budget and Treasury Office	Provides financial administration to the municipality for generation of economic benefits and service potential
Community Services	Provides social services, libraries, waste management, disaster relief to the municipality for generation of economic benefits and service potential
Economic Development and Planning	Provides town planning, local economic development, integrated development plans and environmental sustainability to the municipality for generation of economic benefits and service potential
Technical Services	Roads contractions and maintenance, implementation of electrification, buildings inspections, projects management unit and all infrastructure services to the municipality for generation of economic benefits and service potential
Corporate's Services	Provides legal and administration management services, including human capital and information and communication technology to the municipality for generation of economic benefits and service potential
Office of the Municipal Manager	Provides for administration, leadership, performance monitoring, risk management and internal audit function to the municipality for generation of economic benefits and service potential

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Segment information (continued)

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

2023

	Executive and Council	Budget and Treasury Office	Community Services	Economic Development and Planning	Technical Services	Corporate's Services	Office of the Municipal Manager	Total
<b>Revenue</b>								
Revenue from non-exchange transactions	-	164 541 745	1 943 043	-	-	-	-	166 484 788
Revenue from exchange transactions	-	32 689 064	-	200 614	-	-	-	32 889 678
<b>Total segment revenue</b>	<b>-</b>	<b>197 230 809</b>	<b>1 943 043</b>	<b>200 614</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199 374 466</b>
<b>Entity's revenue</b>								<b>199 374 466</b>
<b>Expenditure</b>								
Employee Related Cost	-	11 209 927	10 268 108	6 349 935	8 907 777	13 268 027	4 344 493	54 348 267
Remuneration of Councillors	9 095 891	-	-	-	-	-	-	9 095 891
Debt impairment	-	1 415 093	-	-	-	-	-	1 415 093
Construction Contract Cost	-	26 137 500	-	-	-	-	-	26 137 500
Depreciation & asset impairment	-	18 434 928	-	-	-	-	-	18 434 928
Finance charges	-	9 287	-	-	-	-	-	9 287
Inventory consumed	-	212 634	552 901	140 000	76 556	585 795	-	1 567 886
Contracted services	2 439 797	3 943 321	3 061 357	2 772 301	3 340 792	13 195 975	5 847 577	34 601 120
Transfers and subsidies	-	2 014 277	-	987 024	2 433 526	-	-	5 434 827
Other expenditure	8 580 055	9 073 429	957 087	856 839	3 455 399	2 735 147	1 989 031	27 646 987
Operating lease	-	-	32 782	-	-	444 590	-	477 372
<b>Total segment expenditure</b>	<b>20 115 743</b>	<b>72 450 396</b>	<b>14 872 235</b>	<b>11 106 099</b>	<b>18 214 050</b>	<b>30 229 534</b>	<b>12 181 101</b>	<b>179 169 158</b>
<b>Total segmental surplus/(deficit)</b>	<b>(20 115 743)</b>	<b>124 780 413</b>	<b>(12 929 192)</b>	<b>(10 905 485)</b>	<b>(18 214 050)</b>	<b>(30 229 534)</b>	<b>(12 181 101)</b>	<b>20 205 308</b>

#### Information about geographical areas

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 54. Segment information (continued)

The municipality is category B municipality located with in ILembe District municipality in the eastern part of Kwa-Zulu Natal. It is a smallest of four municipality that makes up the district. Management has as per the GRAP standard decided to report on Maphumulo as a single geographical area.

Management is of the opinion that, the cost of developing geographical information will be excessive, secondly that due to the nature of the municipality, it would therefore not on the interest of the users of the financial statement to develop geographical information for reporting.

### 55. 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 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	2 770 617	-	-	-
At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	6 397 924	-	-	-

#### 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	2023	2022
Trade and other receivables from exchange transactions	718 351	231 036
Cash and cash equivalents/bank balances	17 081 406	6 297 228

#### 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.

### 56. Events after the reporting date

- On the 25 of August 2023, strong winds destroyed homes and public buildings. lot of houses were damaged, and some were completely destroyed. some schools were also ruined by the winds. at this stage we cant quantify the number of municipal infrastrure including community halls and other places damaged. Municipal community hall located behind the municipal offices roof were ripped off.



# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 56. Events after the reporting date (continued)

- estimation of financial effect or a statement that such an estimation cannot be made.

### 57. Going concern

We draw attention to the fact that at 30 June 2023 the municipality had an accumulated surplus (deficit) of R363 506 513 and municipality total assets exceed its assets by R365 323 153.

The municipality's current liabilities are secured against the municipal current assets as it can be seen that current assets are greater than liabilities and there is a surplus of R5 971 043(R25 146 952 current assets less R19 175 909 current liabilities). This shows a much improvement compared to previous year where there was a deficit of R8 735 622.

Current Assets includes VAT receivables of R5 797 292 which would be received from South African Revenue Services(SARS) during next financial year.

The going concern of the municipality is positive since the municipality has cash and cash equivalent of R17 081 406 to settle current liability of R19 175 909.

Current liabilities includes R14 035 744 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.

Included in current assets is VAT receivable of R5 797 292 which there is no doubts that SARS will pay the municipality refund within a period of 12 months.

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

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

#### Contributions to organised local government

Current year subscription / fee	623 290	594 300
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#### Audit fees

Opening balance	1 086 928	320 092
Current year subscription / fee	1 983 368	3 590 833
Amount paid - current year	(3 197 475)	(2 823 997)
	<u>(127 179)</u>	<u>1 086 928</u>

#### PAYE and UIF

Amount paid - current year	9 785 889	8 496 037
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#### Pension and Medical Aid Deductions

Amount paid - current year	12 076 587	10 803 979
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#### VAT

VAT receivable	10 880 004	4 812 111
VAT payable	(470 977)	(437 169)
	<u>10 409 027</u>	<u>4 374 942</u>

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

# Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand

2023

2022

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### 58. 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 2023: