Mkhambathini Municipality
Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Delivering of basic services to the community (refuse removal, road and eletricity infrastructure and other community activities)
Mayoral committee	Cllr NW Ntombela (Mayor and EXCO Chair)
	Cllr NP Maphanga (Deputy mayor and EXCO Member)
	Cllr TA Gwala (Speaker)
Councillors	Cllr KR Mofokeng (Executive Member)
	Cllr S Ngidi (Chief Whip)
	Cllr MN Maphumulo (MPAC Member)
	Cllr M Cele (MPAC Member)
	Cllr MR Shandu (MPAC Chair)
	Cllr PM Lushaba (MPAC Member)
	Cllr LZ Lembethe
	Cllr MM Mkhize (MPAC Member)
	Cllr ZF Mbambo
	Cllr SM Mdladla (MPAC Member)
	Cllr MA Ngcongo (MPAC Member)
Chief Finance Officer (CFO)	Mr TE Gambu
Municipal Website	www.mkhambathini.gov.za
Business address	18 Old Main Road Camperdown 3720
Postal address	Private Bag X04 Camperdown 3720
Contact number	031 785 9300
Auditors	Auditor-General
Bank	First National Bank

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The reports and statements set out below comprise the Annual Financial Statements presented to the Provincial Legislature:

PPE	Property,Plant and Equipment
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
INEP	Integrated National Electrification Program
MPRA	Municipal Property Rates act
EPWP	Extended Public Works Program

Accounting Officer Responsibilities and Approval

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The Accounting Officer has reviewed the Municipality’s cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, they are satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 24 of these Annual Financial Statements are withinn the upper limit of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearer Act 20 of 1998 and the Minister of Provincial and Local Government determination in accordance with this Act.

The Annual Financial Statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 June 2023 and were signed on his behalf by.

Accounting Officer
Mr .S. Mngwengwe

Accounting Officer Report

The Accounting Officer submit their report for the year ended 30 June 2023.

1. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

2.

The Accounting officer details during the year and to the date of this report:

Name	Nationality
Mr S Mngwengwe	South African

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	8	37 638	33 415
Receivables from exchange transactions	9	2 358 025	2 132 202
VAT receivable	11	6 346 466	3 701 379
Receivables from non-exchange transections	10	1 114 833	666 309
Cash and cash equivalents	13	44 062 954	53 241 343
		53 919 916	**59 774 648**
Non-Current Assets			
Investment property	3	14 765 000	10 965 000
Property, plant and equipment	4	242 567 587	212 108 858
Intangible assets	5	120 989	207 305
		257 453 576	**223 281 163**
Total Assets		**311 373 492**	**283 055 811**
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	7 370 918	5 488 305
Unspent conditional grants and receipts	14	9 112 285	22 644 068
Provisions	15	3 600 471	3 227 982
		20 083 674	**31 360 355**
Non-Current Liabilities			
Employee benefit obligation	7	6 823 000	7 019 000
Total Liabilities		**26 906 674**	**38 379 355**
Net Assets		**284 466 818**	**244 676 456**
Reserves			
Revaluation reserve		1 253 400	1 253 400
Accumulated surplus		283 213 418	243 423 056
Total Net Assets		**284 466 818**	**244 676 456**

Statement of Financial Performance as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	596 060	555 786
Construction contracts		27 805 740	15 747 826
Interest received (trading)		3 702 602	2 242 303
Agency Services	19	2 650 688	2 388 962
Other income	20	703 295	3 418 573
Actuarial gains		196 000	-
Total revenue from exchange transactions		**35 654 385**	**24 353 450**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	23 937 227	23 651 849
Transfer revenue			
Government grants & subsidies	22	134 775 000	122 734 000
Public contributions and donations		3 800 000	-
Licenses and Permits		4 338 681	3 436 465
Total revenue from non-exchange transactions		**166 850 908**	**149 822 314**
Total revenue	17	**202 505 293**	**174 175 764**
Expenditure			
Employee related costs	23	(50 814 204)	(50 332 150)
Remuneration of councillors	24	(6 288 192)	(5 882 916)
Depreciation and amortisation	25	(11 830 640)	(10 760 986)
Assets impairments	26	(1 137 448)	(1 006 571)
Debt Impairment	27	(2 172 567)	(10 590 459)
Construction contract cost		(27 805 741)	(15 747 826)
Loss on disposal of assets and liabilities / (Transfers to organ of state)		(642 295)	(5 933 913)
Actuarial losses		-	(1 875 000)
General Expenses	28	(61 361 584)	(68 884 475)
External Auditors		(1 663 224)	(1 595 945)
Total expenditure		**(163 715 895)**	**(172 610 241)**
Surplus for the year		**38 789 398**	**1 565 523**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2021	**1 253 400**	**240 913 124**	**242 166 524**
Changes in net assets			
Correction of Errors	-	944 409	944 409
	-	944 409	944 409
Surplus for the year	-	1 565 523	1 565 523
	-	2 509 932	2 509 932
Total changes	-	2 509 932	2 509 932
Restated* Balance at 01 July 2022	**1 253 400**	**244 424 020**	**245 677 420**
Changes in net assets			
Surplus for the year	-	38 789 398	38 789 398
Total changes	-	38 789 398	38 789 398
Balance at 30 June 2023	**1 253 400**	**283 213 418**	**284 466 818**

Cash Flow Statement as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		57 184 777	31 157 581
Grants		121 243 217	144 933 999
Interest income		3 702 602	2 242 303
		182 130 596	178 333 883
Payments			
Employee costs		(50 441 715)	(50 332 150)
Remuneration of Councillors		(6 288 192)	(5 882 916)
Cash paid to Suppliers		(91 597 244)	(67 842 088)
		(148 327 151)	(124 057 154)
Net cash flows from operating activities	31	**33 803 445**	**54 276 729**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(43 982 798)	(51 612 585)
Proceeds from sale of property, plant and equipment	4	-	408 970
Net cash flows from investing activities		**(43 982 798)**	**(51 203 615)**
Cash flows from financing activities			
Other cash item		-	(238 028)
Allocated payment to supplies for contruction cost		1 000 964	-
Net cash flows from financing activities		**1 000 964**	**(238 028)**
Net increase/(decrease) in cash and cash equivalents		**(9 178 389)**	**2 835 086**
Cash and cash equivalents at the beginning of the year		53 241 343	50 406 257
Cash and cash equivalents at the end of the year	13	**44 062 954**	**53 241 343**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	620 551	-	**620 551**	596 060	**(24 491)**	a
Construction contracts	-	-	**-**	27 805 740	**27 805 740**	
Interest received (trading)	1 975 200	1 500 000	**3 475 200**	3 702 602	**227 402**	b
Agency Servies	2 650 688	-	**2 650 688**	2 650 688	**-**	c
Other income - (rollup)	1 797 000	(959 000)	**838 000**	703 295	**(134 705)**	d
Actuarial Gains	-	-	**-**	196 000	**196 000**	
Total revenue from exchange transactions	**7 043 439**	**541 000**	**7 584 439**	**35 654 385**	**28 069 946**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	22 406 108	1 193 000	**23 599 108**	23 937 227	**338 119**	e
Transfer revenue						
Government grants & subsidies	139 675 000	25 619 000	**165 294 000**	134 775 000	**(30 519 000)**	f
Public contributions and donations	-	3 800 000	**3 800 000**	3 800 000	**-**	
Licenses and Permits	-	4 909 000	**4 909 000**	4 338 681	**(570 319)**	
Total revenue from non-exchange transactions	**162 081 108**	**35 521 000**	**197 602 108**	**166 850 908**	**(30 751 200)**	
Total revenue	**169 124 547**	**36 062 000**	**205 186 547**	**202 505 293**	**(2 681 254)**	
Expenditure						
Personnel	(53 083 981)	1 671 000	**(51 412 981)**	(50 814 204)	**598 777**	g
Remuneration of councillors	(6 960 321)	-	**(6 960 321)**	(6 288 192)	**672 129**	h
Depreciation and amortisation	(11 915 634)	(1 398 366)	**(13 314 000)**	(11 830 640)	**1 483 360**	i
Impairment loss/ Reversal of impairments	-	-	**-**	(1 137 448)	**(1 137 448)**	j
Debt Impairment	(5 221 448)	(3 369 011)	**(8 590 459)**	(2 172 567)	**6 417 892**	j
Contracted Services	(15 000 000)	(16 500 000)	**(31 500 000)**	(27 805 741)	**3 694 259**	
Loss on disposal of assets	-	-	**-**	(642 295)	**(642 295)**	
General Expenses	(49 429 712)	(16 004 313)	**(65 434 025)**	(63 024 808)	**2 409 217**	k
Total expenditure	**(141 611 096)**	**(35 600 690)**	**(177 211 786)**	**(163 715 895)**	**13 495 891**	
Surplus before taxation	**27 513 451**	**461 310**	**27 974 761**	**38 789 398**	**10 814 637**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**27 513 451**	**461 310**	**27 974 761**	**38 789 398**	**10 814 637**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	48 233	-	**48 233**	37 638	**(10 595)**	n
Receivables from exchange transactions	1 376 039	-	**1 376 039**	2 358 025	**981 986**	c
VAT receivable	(3 419 460)	(3 210 000)	**(6 629 460)**	6 346 466	**12 975 926**	n
Receivables from no-exchange transaction	37 226 333	(78 678 333)	**(41 452 000)**	1 114 833	**42 566 833**	o
Cash and cash equivalents	42 302 396	9 372 980	**51 675 376**	44 062 954	**(7 612 422)**	
	77 533 541	**(72 515 353)**	**5 018 188**	**53 919 916**	**48 901 728**	
Non-Current Assets						
Investment property	10 965 000	3 800 000	**14 765 000**	14 765 000	**-**	
Property, plant and equipment	220 216 740	21 541 398	**241 758 138**	242 567 587	**809 449**	
Intangible assets	188 000	(87 000)	**101 000**	120 989	**19 989**	
	231 369 740	**25 254 398**	**256 624 138**	**257 453 576**	**829 438**	
Total Assets	**308 903 281**	**(47 260 955)**	**261 642 326**	**311 373 492**	**49 731 166**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	25 494 000	(18 140 068)	**7 353 932**	7 370 918	**16 986**	
Unspent conditional grants and receipts	22 644 068	-	**22 644 068**	9 112 285	**(13 531 783)**	
Provisions	2 905 000	323 000	**3 228 000**	3 600 471	**372 471**	
	51 043 068	**(17 817 068)**	**33 226 000**	**20 083 674**	**(13 142 326)**	
Non-Current Liabilities						
Employee benefit obligation	5 144 000	1 875 000	**7 019 000**	6 823 000	**(196 000)**	
Total Liabilities	**56 187 068**	**(15 942 068)**	**40 245 000**	**26 906 674**	**(13 338 326)**	
Net Assets	**252 716 213**	**(31 318 887)**	**221 397 326**	**284 466 818**	**63 069 492**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	1 253 922	-	**1 253 922**	1 253 400	**(522)**	
Donations and public contributions	-	3 800 000	**3 800 000**	-	**(3 800 000)**	
Accumulated surplus	251 462 291	(35 118 887)	**216 343 404**	283 213 418	**66 870 014**	
Total Net Assets	**252 716 213**	**(31 318 887)**	**221 397 326**	**284 466 818**	**63 069 492**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sales of goods and services	35 000 000	-	**35 000 000**	57 184 777	**22 184 777**	
Interst Income	3 750 000	-	**3 750 000**	3 702 602	**(47 398)**	
Grants	182 162 000	-	**182 162 000**	121 243 217	**(60 918 783)**	
	220 912 000	**-**	**220 912 000**	**182 130 596**	**(38 781 404)**	
Payments						
Employee costs	(53 083 981)	1 671 000	**(51 412 981)**	(50 440 715)	**972 266**	g
Remunaration for Councillors	(6 960 321)	-	**(6 960 321)**	(6 289 192)	**671 129**	h
Cash Paid to Suppliers	(67 842 088)	(9 950 000)	**(77 792 088)**	(90 596 280)	**(12 804 192)**	k
	(127 886 390)	**(8 279 000)**	**(136 165 390)**	**(147 326 187)**	**(11 160 797)**	
Net cash flows from operating activities	**93 025 610**	**(8 279 000)**	**84 746 610**	**34 804 409**	**(49 942 201)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(17 961 742)	(25 994 000)	**(43 955 742)**	(43 982 798)	**(27 056)**	o
Net increase/(decrease) in cash and cash equivalents	75 063 868	(34 273 000)	**40 790 868**	(9 178 389)	**(49 969 257)**	
Cash and cash equivalents at the beginning of the year	53 241 343	-	**53 241 343**	53 241 343	**-**	
Cash and cash equivalents at the end of the year	**128 305 211**	**(34 273 000)**	**94 032 211**	**44 062 954**	**(49 969 257)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

a) Service charges -The budget for refuse removal was R620 551 and the total refuse collection is within the budget since it is R 596 060 for a period of 12 months .The overall collection is within the budget since the average non collection of 3% when we compare with the budget and it is below 10%

b) Interest received - The interest received is still within the budget and also it must be noted that the municipality budget was informed by the current prime rate using the budget preperation and when the municipality qouted for the investment ,the prime rate dropped .The amount of R 30 000 000 was invested to Nedbank and the municipality get R 3 702 602 interest and the interest collected was below 100% collected as per budget .

c) Commission receivable - The Commission receivable is still within the budget

d) Other income -The other income is still within the budget, the changes when we compare with last financial year is made by the low applications for Buildings Plans .
e)Proparty rates-The difference of R 338 119 is made by the Suppliementary Valuation Roll that was submitted to the Municipality in March 2023 as we normally get the amendment on the valuation roll on a quarterly basis.The billing was done based on the latest information on the Suppliementary Valuation Roll.The rate budget for 2022/23 also includes the all changes that was not accommodated in 2022/23 financial year

f) Government Grants - TheMunicipality has received all grant that were gazzetted,the difference on the budget to this line item is the capital grant .The municipality uses the same line item to realize the income for all grants.

g) Employee Related cost -The employee related cost budget excludes all expenditure funded by grants when the budget was done however reporting as per MSCOA requirement as those expenses were reallocated to each item not considering the funding source .The changes on the salaries is made by the following :
Salaries increase as per SALGA agreement.The municipality has increase employees with the addition of security and general workers and filling of some vacant post on the organizational stucture. Payment of the perfomance bonuses for Section 56/57 managers was not done this financail year .

h)Remunaration for councillors -We were looking to get the gazette for allowances increase for councillors but Cogta did not issue that that gazette upper limit

i) Depreciation and Amortisation-This is a non cash item and budget is within the posted expenditure

j) Impairment Loss /reversal of impairment and Debt Impairment - The Debt Impairment budget is within the budget and also note that this transaction does not have an impact on the expenditure for the municipality

k) General Expenses The municipality has implemented the cost containment measures as per the municipality policy

l) Loss on disposal of assets and liabilities,the is no-cash item the municipality proved the budget durring the Adjustment budget

m)Inventory -In the previous financial year ,the municpality had stock on hand as the municipalty had to implement cost methods to reduce expenses
Receivable from exchange transaction -
n)VAT -the municipalty had limited payment that we can claim the vat on it.the muniucipality manage to receive all claims that was submitted to SARS during the year .
o)**Purchase of Propert,Plant and equipment** -the municipalty use this budget for CAPITAL Project and the municipality is within the budget the amount of R 10 406 039 is unspend grant for 2022/23 financial year

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

1.1 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. Estimates were used on the following elements: Property, plant and equipment, Post employment benefits, defined contribution plans, employee benefits, provisions,contigencies and intangible assets

1.2 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.The subsequent measurement of investment properties is carried at (fair value) .

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

1.2 Investment property (continued)

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.

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.
- The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost. Property ,Plant and Equipment is carried at cost less accumulated depreciation and impairment losses (Cost Model)

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

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

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

Property , plant and equipment are depreciated on the straight line basis over their useful lives to their estimates.

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

Item	Depreciation method	Average useful life
Buildings		
• Animal pound and Parkhomes	Straight line	10-30
Plant and machinery		
• Brush cutters and Lawn Mowers	Straight line	2-20
• Tractors	Straight line	2-20
• Guardrains and Boreholes	Straight line	2-20
Furniture and fixtures		
• Chairs and Sofas	Straight line	3-10
• Bookshelves and Cabinet	Straight line	3-10
• Desks and Tables	Straight line	3-10
Motor vehicles		
• Motor Vehicles	Straight line	7 - 20
Office equipment		
• Printers	Straight line	3-5
• Cameras	Straight line	3-5
• Video Cameras	Straight line	3-5
• Airconditioners	Straight line	3-5
IT equipment		
• Laptop	Straight line	3-5
• Desktop	Straight line	3-5
• Central Processing unit	Straight line	3-5
• Computer Software	Straight line	3-5
Infrastructure		
• Roads and Paving	Straight line	10-30
• Stormwater	Straight line	10-30
Community		
• Building (Halls , change rooms ,Taxi rank building and toilets)	Straight line	10-30
• Grand stand and Paved Area	Straight line	10-30
• Sportfield ,combination court ,fences ,Water tanks	Straight line	10-30
Security Measures		
• Security Systems	Straight line	3-10
• Gates and Fencing	Straight line	3-10

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.

1.3 Property, plant and equipment (continued)

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 the cash flows on these assets is included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

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

1.4 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.

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

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

1.4 Intangible assets (continued)

Item	Useful life
Computer software, other	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

1.5 Financial instruments

Initial recognition and measurements

Financial instruments are recognised initially when the Municipality becomes a party to the contractual provisions of the instrument

The municipality classifies financial instruments, or their component parts , on initial recognition as a financial assets, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investments for which a fail value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not fair value through surplus or deficit ,transaction costs are included in the initial measurement of the instrument.

Receivables from exchange transaction. Trade recievables are measured at initial recognition at fair value. Trade and other receivables are classified as recievables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad Debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Payables from exchange transactions

Trade payables are initially measured at fair value ,and are subsequently measured at amortised cost ,using the effective interest rate method liabilities are generally settled within the period of 30 days, Accordingly, any impairment, if any ,are considered to be immaterial.

Cash and cash equivalent: Cash includes cash on hand and cash with banks. Cash equivalents are short - term highly liquid investments that are held with registered banking institutions with matuarities of three months or less and are subject to an insignificant risk of change in Value.

1.6 Tax

Income tax expense

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

VALUE ADDED TAX (VAT) :

The municipality accounts for VAT on the cash / payments basis.VAT output is paid over to SARS once the cash is received from the customer and VAT input is claimed when suppliers are paid.

1.7 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. Operating leases are those leases that are not finance leases.Operating lease rentals are expensed on the straight line basis.

1.7 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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.

1.8 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.9 Impairment of cash-generating assets

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

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

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

1.9 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.9 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.10 Impairment of non-cash-generating assets

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

Accounting Policies

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Accounting Policies

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

Redesignation

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

1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

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

Contributions to Natal Joint Municipal Pension Fund (NJMPF) and are made as follows :
- Provident 1 - 21 Members - 5 % council 9 %
- Provident 2 - 6 Members - 7 % council 18.04 %
- Provident 3 - 52 Members - 9.25 % Council 13.65%
- Retirement 1 Members - 7 % Council - 13.65 %
- Superannuation 36 Members - 9.25 % Council - 25 %

1.13 Provisions and contingencies

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 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.

Accounting Policies

1.14 Commitments (continued)

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

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

1.15 Revenue Recognition

Revenue is recognised at cost and no interest is recognised as a result of any time value of money adjustments.

Measurement

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

1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the minicipality recieved revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related reciept or recievable qualifies for recognition as an asset and there is no liability to repay the amount.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative information

When the presentation or classification of items in the annual financial statements is amended,prior period comparative amounts are reclassified.The nature and reason for the reclassification prior period comparative amounts are reclassified.The nature and the reason for the reclassification is disclosed.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.20 Fruitless and wasteful expenditure

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

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

Accounting Policies

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

1.22 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.23 Conditional Grants and Reciepts

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

1.24 Presentation of budget information

Municipality is typically subjected 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 an accrual 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.

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

1.25 Related parties

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

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

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

1.26 Expenditure

The municipality uses the accrual basis of accounting when expenditure items are recognised (the elements of financial statements) when they satisfy the definitions and recognition criteria for elements in the Framework for the Preparation and Presentation of Annual Financial Statements. The expenditure is recognised in terms of GRAP standards (GRAP 1) and the municipality Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Accounting Policies

1.27 Segment Information

A Segment is an activity of any entity:

-that generates economic benefits or service potential (including economic benefits or services potential relating to transections between activitites of the same entity)

-whose result are regularly reviewed by management to make decisiona about resources to be allocated to that activity and in assessing its performance ; and for which separate financial information is available .

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decision about allocating resources to the segment and assessing its perormance

Adjustment and eliminations made in preparing the entitys financail statements and allocations of revenues and expenses are included in determining reported segment surplus or deficity only if they are included in the measure of the segment s surplus or deficity that is used by the management . Similarly only those assets and liabilities that are included in the measures of sgments assets and segments liabilities that are used by management are reported for that segment . If amount are allocated to reported segment surplus or deficit ,assets or liabilities thase amount are allocated on reasonable basis.

If management uses only one mesure of a segments surplus or dificity ,the segments assets or the segments liabilities in assessing segment perfomance and deciding how to allocate resources , segment surplus or deficit assets and liabilities are reported interms of that measure.If management uses more than one measure of a segments surplus or deficit ,the segment ssets or the segments liabilities,the report measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality expects to adopt the revisions for the first time in the 2022/2023 annual financial statements.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality expects to adopt the revisions for the first time in the 2022/2023 01 April 2023.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time in the 2022/2023 annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

GRAP 2020: Improvements to the standards of GRAP 2020

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
  - Added clarification that investment property is measured at fair value at earliest of:
    - completion of construction or development; or
    - when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - property meets, or ceases to meet definition of investment property and
    - evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive
- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to “financial statements” or “face of the financial statements”

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB’s Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	14 765 000	-	14 765 000	10 965 000	-	10 965 000

Reconciliation of investment property - 2023

	Opening balance	Additions	Total
Investment property	10 965 000	3 800 000	14 765 000

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	10 965 000	10 965 000

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. The addition of R 3 800 000 was done to our Investment property due to donation of land from UDM and the land was transfer to the Municipality.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	728 000	-	728 000	728 000	-	728 000
Buildings	13 073 468	(4 918 401)	8 155 067	13 071 340	(4 530 787)	8 540 553
Furniture and Fixtures	1 741 150	(1 051 414)	689 736	1 736 530	(931 498)	805 032
Capital Work in Progress	59 833 435	-	59 833 435	48 111 915	-	48 111 915
Motor vehicles	9 016 848	(4 167 231)	4 849 617	7 938 900	(3 351 669)	4 587 231
Office equipment	1 528 125	(1 055 688)	472 437	1 381 654	(951 455)	430 199
IT equipment	2 703 720	(1 656 418)	1 047 302	2 409 817	(1 378 287)	1 031 530
Infrastructure	120 180 900	(33 711 829)	86 469 071	98 514 319	(29 049 860)	69 464 459
Community	118 334 730	(38 730 064)	79 604 666	110 782 866	(33 227 917)	77 554 949
Other property, plant and equipment	1 808 810	(1 090 554)	718 256	1 887 634	(1 032 644)	854 990
Total	**328 949 186**	**(86 381 599)**	**242 567 587**	**286 562 975**	**(74 454 117)**	**212 108 858**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	728 000	-	-	-	-	-	728 000
Buildings	8 540 553	14 128	(10 678)	-	(388 936)	-	8 155 067
Furniture and Fixtures	805 032	4 620	-	-	(119 916)	-	689 736
Capital Work in Progress	48 111 915	42 001 698	-	(30 280 178)	-	-	59 833 435
Motor vehicles	4 587 231	1 077 947	-	-	(815 561)	-	4 849 617
Office equipment	430 199	210 542	(7 010)	-	(161 294)	-	472 437
IT equipment	1 031 530	354 420	(7 937)	-	(330 711)	-	1 047 302
Infrastructure	69 464 459	22 853 827	(507 756)	-	(5 341 459)	-	86 469 071
Community	77 554 949	7 551 864	-	-	(4 364 699)	(1 137 448)	79 604 666
Other property, plant and equipment	854 990	193 930	(108 918)	-	(221 746)	-	718 256
	212 108 858	**74 262 976**	**(642 299)**	**(30 280 178)**	**(11 744 322)**	**(1 137 448)**	**242 567 587**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	728 000	-	-	-	-	-	728 000
Buildings	8 802 753	118 531	-	-	(380 731)	-	8 540 553
Furniture and Fixtures	752 016	187 628	(3 181)	-	(131 431)	-	805 032
Capital Work in Progress	12 201 658	49 519 206	(5 567 045)	(8 041 904)	-	-	48 111 915
Motor vehicles	4 433 695	1 217 699	(283 990)	-	(780 173)	-	4 587 231
Office equipment	552 325	35 304	(1 010)	-	(156 420)	-	430 199
IT equipment	1 007 919	345 546	(25 720)	-	(296 215)	-	1 031 530
Infrastructure	67 045 562	8 041 904	(38 889)	-	(4 577 547)	(1 006 571)	69 464 459
Community	81 471 454	250 016	-	-	(4 166 521)	-	77 554 949
Other property, plant and equipment	1 050 164	-	(13 980)	-	(181 194)	-	854 990
	178 045 546	**59 715 834**	**(5 933 815)**	**(8 041 904)**	**(10 670 232)**	**(1 006 571)**	**212 108 858**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	24 637 299	23 474 618	48 111 917
Additions/capital expenditure	20 245 363	21 756 334	42 001 697
Transferred to completed items	(30 280 178)	-	(30 280 178)
	14 602 484	**45 230 952**	**59 833 436**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	2 116 810	10 084 849	-	12 201 659
Additions/capital expenditure	30 562 393	13 389 769	-	43 952 162
Other movements [specify]	-	-	5 567 045	5 567 045
Transferred to completed items	(8 041 904)	-	(5 567 045)	(13 608 949)
	24 637 299	**23 474 618**	**-**	**48 111 917**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Buildings and Facilities	4 723 475	2 498 429
Road Infrastructure	17 832 652	30 313 787
Motor Vehicles	782 097	266 242
	23 338 224	**33 078 458**

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.

Notes to the Annual Financial Statements

Figures in Rand

5. 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	1 271 555	(1 150 566)	120 989	1 271 555	(1 064 250)	207 305

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	207 305	(86 316)	120 989

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	293 622	(86 317)	207 305

6. Operating lease asset (accrual)

7. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

The municipal personnel are member of the Natal Joint Municipal Pension Fund, mainly Superannuation, Retirement and Provident Funds and there are few members who contritbutes to GEPF due to the fact that they were employed before the local government establishment. As the aforementioned funds multi-employer funds, the allocation of any surplus/ deficit to individuals funds cannot be determined. Futhermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific fund and is of no relevance to users of the Annual Financial Statements.

Post retirement medical aid plan

POST RETIREMENT MEDICAL BENEFITS

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post -retirement medical benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

The amounts recognised in the statement of financial position are as follows:

	2023	2022
Carrying value		
Employee Benefit Obligation	3 837 000	4 014 000

	2023	2022
Entity's own financial instruments [state each category]		
Number of in - service members	74	66
Assets used by the entity		
Average age	41.5	40.6
Average past service	10.5	10.3
Average present value of subsidy at retirement	R 2 467	R 2 524

Summary of the in-service membership	Female	Male	Total
Number of in-service members	42	32	74
Average age	40.0	42.5	41.3
Average past service	9.4	8.4	8.0

We assummed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assummed that female spouses would be five years younger than their male spouse.

	2023	2022
Decremental withdrawal rates		
Age 20-24	9 %	9 %
Age 25 - 29	8 %	8 %
Age 30 -34	6 %	6 %
Age 35 - 39	5 %	5 %
Age 40 -44	5 %	5 %
Age 45-49	4 %	4 %
Age 55-59	3 %	3 %
Age 55 +	- %	- %
	0 %	0 %

Figures in Rand	2023	2022

7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Operning accrued liability	4 014 000	3 163 000
Current -Service cost	335 000	270 000
Interest cost	452 000	338 000
Actuarial (gains) losses	(964 000)	243 000
	3 837 000	**4 014 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.60 %	11.25 %
Expected rate of return on assets	8.30 %	8.12 %
Expected rate of return on reimbursement rights	3.97 %	2.89 %
Actual return on reimbursement rights	5.85 %	5.72 %
Medical cost trend rates	6.38 %	5.24 %

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

Pre-retirement Mortality

SA 85 - 90 ultimate table, adjusted for female lives.

Post retirement Mortality

PA (90) ultimate table-1 with a 1% mortality p.a from 2010

Average Retirement Age

The normal retirement age of employees is 65 for both male and females. It has been assumed that in-service members will retire at age 62 on average, which effectively implies that the expected rates of ill-health and early retirement are nil.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Employee benefit obligations (continued)

Long Service Awards and Retirement Gifts

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service.

Accrued liability		
Accrued liability (Non- current Liability)	2 986 000	3 005 000

Comparison of assumption		
Discount rate per annum	11.9 %	10.7 %
General salary inflation rate (long term)	7.2 %	7.1 %
Net effective discount rate	4.4 %	3.3 %
Retirement age (Average)	62	62

Comparison of eligible employee		
Number of eligible employees	124	114
Average annual salaries	236 913	234 890
Salary - weighted average	41.3	40.9
Salary weighthed average age past services	8.9	8.9

Average retirement age	62
Pre-retirement mortality	SA 85 - 90

Withdrawals rates		
Age 20-24	5 %	9 %
Age 25-29	4 %	8 %
Age 30-34	3 %	6 %
Age 35-39	2 %	5 %
Age 40-44	1 %	5 %
Age 45-49	0 %	4 %
Age 50-54	0 %	3 %
Age 55+	0 %	0 %
	-	-

Past year and future projected liability		
Opening accrued liability	3 005 000	1 981 000
Policy Changes	-	698 000
Current Service costs	328 000	222 000
Interest Cost	291 000	185 000
Benefit vesting	(379 639)	(250 396)
Acturial loss/ Gain	(258 361)	169 396
	2 986 000	**3 005 000**

8. Inventories

Stores, materials and fuels	37 638	33 415

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

9. Receivables from exchange transactions

Deposits	964 896	964 896
Other debtors	407 816	213 789
Other debtors - UMDM	119 843	119 843
Consumer debtors - Refuse	865 470	833 674
	2 358 025	**2 132 202**

10. Receivables from non-exchange transactions

Rates	1 114 833	666 309

11. VAT receivable

VAT	6 346 466	3 701 379

12. Consumer debtors

Gross balances		
Rates	34 594 765	31 982 161
Refuse	919 310	879 026
Other debtors UMDM	119 843	119 843
	35 633 918	**32 981 030**
Less: Allowance for impairment		
Rates	(33 479 932)	(31 315 852)
Refuse	(53 840)	(45 352)
	(33 533 772)	**(31 361 204)**
Net balance		
Rates	1 114 833	666 309
Refuse	865 470	833 674
Other debtors UMDM	119 843	119 843
	2 100 146	**1 619 826**
Rates		
Current (0 -30 days)	1 561 423	1 317 803
31 - 60 days	599 090	549 748
61 - 90 days	486 953	461 471
91 - 120 days	445 701	436 028
121 - 365 days	31 516 993	465 983
> 365 days	-	5 731 004
	34 610 160	**8 962 037**
Refuse		
Current (0 -30 days)	47 617	43 869
31 - 60 days	26 326	19 865
61 - 90 days	19 523	16 572
91 - 120 days	16 638	13 042
121 - 365 days	16 095	11 711
> 365 days	450 244	728 615
	576 443	**833 674**

Figures in Rand	2023	2022

12. Consumer debtors (continued)

Other (specify)		
Current (0 -30 days)	-	-
> 365 days	111 269	111 269
	111 269	**111 269**

The amount R 11 269 was raised against uMgungundlovu District Municipality for the electricity usage for sewerage Pump site which was incorrectly paid by Mkhambathini Municipality.

An amount of R 111 269 that was raised as at 30 June 2020 is still outstanding

Reconciliation of allowance for impairment		
Balance at beginning of the year	(31 361 205)	(20 770 746)
Contributions to allowance	(2 172 567)	(10 590 459)
	(33 533 772)	**(31 361 205)**

No councillors were in arreas with the municipality at the end of the financial year.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand /Float	4 000	4 000
Bank balances - FNB 6282 9533 000	33 078 104	23 061 590
FNB Call Account - Account number - 6283 1920 766	10 980 850	30 175 753
	44 062 954	**53 241 343**

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
Cash on hand -Petty Cash	4 000	4 000	3 000	4 000	4 000	3 000
FNB Call Account	10 980 850	30 175 753	16 447 902	10 980 850	30 175 753	16 447 902
FNB - 6282 953300 (Primary Bank account)	33 076 476	23 061 590	33 923 907	33 078 104	23 061 590	33 923 907
Total	**44 061 326**	**53 241 343**	**50 374 809**	**44 062 954**	**53 241 343**	**50 374 809**

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
EPWP grant	-	-
Housing grant	444 068	444 068
Municipal Disaster Relief Grant	-	8 200 000
Department of Transport Grant	8 668 217	-
Small Town Grant	-	14 000 000
	9 112 285	**22 644 068**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Unspent conditional grants and receipts (continued)

Movement during the year

Library Grant		
Current year receipts	2 004 000	1 910 000
Expenditure	(2 004 000)	(1 910 000)
Conditions still to be met - transfer to liabilities	**-**	**-**

The purpose of the grant is to address the Constitutional mandate whereby public libraries are an exclusive provincial competency. The funding assists the municipalities with the provision of library services. The condition of the grant was 100% spent in 2022/23 financial year.

Municipal Excellence Award		
Current year receipts	500 000	-
Expenditure	(500 000)	-
Conditions still to be met - transfer to liabilities	**-**	**-**

The Department of Co-operative Governance and Traditional Affairs allocated a grant to municipality to assist the municipality with the reparirs and maintenance for Maqonqo Community Hall

Department of Transport Grant		
Current year receipts	18 387 000	-
Expenditure	(9 718 782)	-
Conditions still to be met - transfer to liabilities	**8 668 218**	**-**

The Department of Transport allocated a grant to municipality to assist the municipalities with the implementation of the roads maintenance .

Municipal Disaster Relief Grant		
Opening balance	8 200 000	-
Current year receipts	-	8 200 000
Expenditure	(8 200 000)	-
Conditions still to be met - transfer to liabilities	**-**	**8 200 000**

The purpose of the grant is to assist the municipality is attend the damages that done by the disaster . The municipality submitted the activity plan to National Treasury which was approved and the grant need to be spent 100% within 6 months .

The Grant was deposited to the Municipal Account on the 29 June 2022 and this grant was for 2022/2023 Financial Year .

Financial management Grant		
Current year receipts	3 000 000	2 850 000
Expenditure	(3 000 000)	(2 850 000)
Conditions still to be met - transfer to liabilities	**-**	**-**

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act. The municipality submitted the activity plan to National Treasury which was later approved. The approved activity plan was 100% implemented and the conditions of the grants were met in full.

Housing Grant		
Opening balance	444 068	444 068
Current year receipts	-	1 224 635

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Unspent conditional grants and receipts (continued)

Expenditure	-	(1 224 635)
Conditions still to be met - transfer to liabilities	**444 068**	**444 068**

The Department of Human Settlement allocated a grant to municipality to assist municipalities to implement the provision of housing to the community. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality will write the motivation to the transferring department requesting to utilize the funding.

Small Town Development Grant

Opening balance	14 000 000	-
Current year receipts	-	28 420 000
Expenditure	(14 000 000)	(14 420 000)
Conditions still to be met - transfer to liabilities	**-**	**14 000 000**

The purpose of this grant is to assist the municipality to develop Mkhambathini Town , the municipality submitted the business plan to KZN COGTA . The grant was expected to the spent within 6 months as per signed MOA between the Accounting Officer and KZN COGTA

Municipal Infrastructure Grant

Current year receipts	27 881 000	31 755 000
Expenditure	(27 881 000)	(31 755 000)
Conditions still to be met - transfer to liabilities	**-**	**-**

The purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. The municipality implemented infrastructure projects in line with the conditions of the grant and the condition for this grant were fully met.

Expanded Public Works Programme Grant

Current year receipts	1 671 000	1 329 000
Expenditure	(1 671 000)	(1 329 000)
Conditions still to be met - transfer to liabilities	**-**	**-**

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines. The grant was 100% implemented and the conditions of the grants were met in full.

Electrification

Current year receipts	20 800 000	18 110 000
Expenditure	(20 800 000)	(18 110 000)
Conditions still to be met - transfer to liabilities	**-**	**-**

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure. The municipality met the condition of the grant and the grant was spend infull

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited;

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a current liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

15. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Provision for leave	3 227 982	372 489	3 600 471

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Provision for leave	2 904 876	323 106	3 227 982

The leave provision represents managements best estimate of the municipality's liability under one period based on prior experience.

16. Payables from exchange transactions

	2023	2022
Trade payables	2 072 407	2 059 263
Payments received in advanced -debtors	327 471	381 518
Other creditors	185 801	209 250
Retention	4 785 239	2 838 274
	7 370 918	**5 488 305**

17. Revenue

	2023	2022
Service charges	596 060	555 786
Construction contracts	27 805 740	15 747 826
Interest received (trading)	3 702 602	2 242 303
Commissions received	2 650 688	2 388 962
Other income	703 295	3 418 573
Property rates	23 937 227	23 651 849
Government grants & subsidies	134 775 000	122 734 000
Public contributions and donations	3 800 000	-
Licenses and permits	4 338 681	3 436 465
	202 309 293	**174 175 764**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	596 060	555 786
Construction contracts	27 805 740	15 747 826
Interest received (trading)	3 702 602	2 242 303
Commissions received	2 650 688	2 388 962
Other income	703 295	3 418 573
	35 458 385	**24 353 450**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	23 937 227	23 651 849
Transfer revenue		
Government grants & subsidies	134 775 000	122 734 000
Public contributions and donations	3 800 000	-
Licenses and Permits	4 338 681	3 436 465
	166 850 908	**149 822 314**

18. Service charges

Refuse removal	596 060	555 786

19. Agency services

Vehicle Registration	2 650 688	2 388 962

Income from Agency Services is made up of commission earned from administering the Motor licensing section on behalf of Department of Transport on an agency basis .Only the commision on 8.62% received is recognised as income .The main cost related to this arrengement is the employee cost for the section .

The Municipality receive the amount of R 8 425 029 from department of Transport in order to pay service providersr for Construction of D1000 ward 5 , D 72 in ward 4 and D545 in ward 6

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

20. Other income

Contract Revenue	-	1 224 635
Library income	1 474	1 456
Clearance Certificate	13 525	17 919
Tender Fees	274 484	20 600
Building Plan (Plan Fees)	131 203	1 497 125
Insurance claims refund	124 912	561 820
UMDM and DSD Receipts	16 940	17 242
Planning Application Fee	62 413	23 959
Skills Development Refund	78 344	53 817
	703 295	**3 418 573**

21. Property rates

Rates received

Residential	4 696 583	4 540 884
Commercial	2 679 655	2 545 587
State and Education	4 734 101	4 550 975
Agriculture	3 945 604	3 782 796
Other Properties	9 057 605	9 358 997
Less: Income forgone	(1 176 321)	(1 127 390)
	23 937 227	**23 651 849**

Valuations

Residential	471 040 000	471 040 000
Commercial	186 723 000	183 723 000
State and Education	247 470 000	247 470 000
Municipal	24 330 000	-
Agriculture	3 175 312 000	3 177 562 000
Public service infrastructure	21 620 000	21 620 000
Other Properties	137 048 000	187 478 000
Industrial	757 465 000	664 095 000
	5 021 008 000	**4 952 988 000**

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.

The movement on the valuation roll was due to the new supplementary valuation roll which was implemented on 31 December 2022.

22. Government grants and subsidies

Operating grants

Equitable share	77 519 000	70 470 000
Library Grant	2 004 000	1 910 000
Muncipal Excellence Award	500 000	-
Municipal Disaster Response Grant	8 200 000	-
Financial Management Grant	3 000 000	2 850 000
EPWP Grant	1 671 000	1 329 000
	92 894 000	**76 559 000**

Capital grants

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

22. Government grants and subsidies (continued)

Municipal Infrastructure Grant	27 881 000	31 755 000
Small Town Rehabilitation Grant	14 000 000	14 420 000
	41 881 000	**46 175 000**
	134 775 000	**122 734 000**

23. Employee related costs

Bargaining Council Contributions	15 691	14 387
Basic	33 921 518	34 660 904
Bonus	2 245 655	2 744 504
Defined contribution plans	5 343 500	5 011 563
Housing benefits and allowances	232 730	222 428
Leave pay provision charge	1 794 357	1 528 722
Long-service awards	379 639	250 396
Medical aid - company contributions	2 403 889	2 521 882
Overtime payments	717 639	560 930
Phone Allowance	359 600	345 225
SDL	452 619	360 507
Stipend - Ward Committee	754 000	476 000
Travel, motor car, accommodation, subsistence and other allowances	1 544 171	1 075 717
UIF	272 011	281 135
WCA	377 185	277 850
	50 814 204	**50 332 150**

Remuneration of Municipal Manager

Annual Remuneration	735 420	720 529
Car Allowance	167 776	167 776
Performance Bonuses	-	170 240
Cellphone Allowance	104 400	104 400
Housing Allowance	84 000	84 000
Rural Allowance	120 000	100 000
Other reimbursment	-	20 000
Medical Aid	120 000	120 000
Leave Paid	142 570	30 809
	1 474 166	**1 517 754**

The total payment to Municipal Manager is R 1 474 166 as per Upper limits of remuneration for Municipal Managers and Managers Accountable to the Municipal Manager (Senior Managers) and Other Allowances approved by Council.

Remuneration of Chief Financal Officer

Annual Remuneration	587 289	575 063
Car Allowance	120 000	120 000
Medical Aid	120 000	120 000
Leave payout	24 699	24 335
Rural Allowance	60 000	50 000
Cellphone Allowance	54 000	54 000
Other	-	10 000
Performance Bonuses	-	67 243
Pension Allowance	60 000	60 000
	1 025 988	**1 080 641**

The total payment to Chief Financial Officer is R 1 025 988 as per Upper limits of the Remunaration for Municipal Mnager and Managers Accountable to the Municipal Manager (Senior Managers)and Other Allowances approved by Council

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

23. Employee related costs (continued)

Remuneration of Manager Technical Services

Annual Remuneration	707 289	683 063
Car Allowance	120 000	120 000
Performance Bonuses	-	97 809
Contributions Medical Aid	60 000	60 000
Other	-	10 000
CellPhone Allowance	54 000	66 000
Leave Paid	151 466	24 335
Rural Allowance	60 000	50 000
	1 152 755	**1 111 207**

The total remunaration payment to Manager Technical Services during the financail year is R 1 152 755 as per Remuneration for Municipal Manager and Managers Accountable to Municipal Manager(Senior Managers)and Other Allowances approved by council .

Remuneration of Manager of Corporate Services

Annual Remuneration	707 289	695 063
Car Allowance	120 000	120 000
Performance Bonuses	-	36 678
Contributions to UIF, Medical and Pension Funds	60 000	60 000
Rural Allowance	60 000	50 000
CellPhone Allowance	54 000	54 000
Other	-	10 000
Leave Payout	24 699	25 878
Performance Bonus for for former Corporate Services Manager	-	78 146
	1 025 988	**1 129 765**

The total payment to Corporate Services Manager is R 1 025 988 as Remuneration for Municipal Manager and Managers Accountable to the Municipal Manager (Senior Mangers) and Other Allowances approved by council

Remuneration of Manager of Community Services

Annual Remuneration	671 289	642 743
Car Allowance	156 000	156 000
Medical Aid	60 000	60 000
Leave pay	123 066	24 335
Rural allowance	60 000	50 000
Cell Phone allowance	54 000	70 320
Performance Bonuses	-	97 808
Other	-	10 000
	1 124 355	**1 111 206**

Total remuneration of the Manager of Community Services payment during the year is R 1 124 355 as per Remuneration for Municipal Manager and Manager Accountable to the Municipal Manager (Senior Manager) and Other Allowances.

24. Remuneration of councillors

Mayor	927 485	854 469
Deputy Mayor	750 149	691 863
Exco Members	410 599	400 960
Speaker	750 149	717 724
Councillors	3 048 903	2 794 552
Section 79 Councillors	400 907	423 348

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
	6 288 192	**5 882 916**

25. Depreciation and amortisation

Property, plant and equipment	11 744 323	10 674 669
Intangible assets	86 317	86 317
	11 830 640	**10 760 986**

26. Impairment of assets

Impairments

Property, plant and equipment	1 137 448	1 006 571

The main classes of assets affected by the impairment losses was community assets and infrastructure in the previous year and the the class affected in the current financial year is infrastructure asset, Mahlabathini Gravel Road that was damaged by KZN Flooding

27. Debt impairment

Debt impairment	2 172 567	10 590 459

Debt Impairment for consumer debtors is R 2 172 567 (2022: R 10 590 459) .

28. General expenses

Advertising	977 659	1 113 120
Arts & Culture	508 549	935 482
Bank Charges	235 477	208 606
Business and Advisory Services	6 299 246	10 453 582
Catering services	2 246 801	1 370 690
Civic and Hospitality	571 398	364 602
Community development and training	6 710 338	2 808 821
Consumables	1 580 341	1 448 908
Disaster Management	-	450 479
Face Value- Licence Card Renewals	599 294	454 407
Hygiene Services	186 919	326 076
Indigent Relief	144 501	118 519
Information Technology Services	1 411 387	593 614
Internal Auditors	1 083 891	1 270 537
Landfill Site Fees	655 820	68 827
Legal Costs	476 543	591 391
Licence Renewal	128 951	103 490
Materials	549 482	152 730
Operating Leases	309 661	21 963
Other Contractors	4 516 223	4 091 254
Other Expenses	277 406	1 583 003
Postage and courier	51 000	28 650
Printing and stationery	376 378	621 532
Repairs and maintenance - Building and Facilities	4 723 475	3 086 655
Repairs and maintenance - unspecified Assets	18 614 749	29 991 803
SALGA Membership fees	664 033	506 760
Subsistance and Travelling	1 184 123	670 747
Training and Development	181 885	88 242
Transportation	5 250 310	4 344 364
Water and Electricity	845 744	1 015 556
	61 361 584	**68 884 410**

The amount included on the general expenses of The R 23 338 224 incurred for Repairs and Maintenance

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. General expenses (continued)

The amount amount of R 845 744 for water and elecricity iline item includes the indigent support (Free Basic Electricity)

29. Auditors' remuneration

External Audit Fees	1 663 224	1 596 010

30. Leases

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	334 895	422 666
- in second to fifth year inclusive	384 582	487 519
	719 477	**910 185**

Operating lease payments represent rentals payable by the municipality for certain of its office photocopying machines. Leases are negotiated betwee three to five years. Lease rentals escalates between 0% to 10 % per annum over the period of the lease.The municipality is also leasing a piece of land from Mrs Parak for a period of 3 years.

Rental expenses relating to operating leases		
Minimum lease payments	210 870	194 400

31. Cash generated from operations

Surplus	38 789 398	1 565 523
Adjustments for:		
Depreciation and amortisation	11 830 640	10 760 986
Gain on sale of assets and liabilities	642 295	5 933 913
Impairment deficit	1 137 448	1 006 571
Debt impairment	2 172 567	10 590 459
Movements in retirement benefit assets and liabilities	(196 000)	1 875 000
Movements in provisions	372 489	323 106
Decrease in inventories	(4 223)	14 818
Other non-cash items	-	(408 970)
Donations / Disposal Electrification Assets	(3 800 000)	-
Changes in working capital:		
Receivables from exchange transactions	(225 823)	-
Consumer debtors	(2 172 567)	(1 885 085)
Payables from exchange transactions	1 882 615	1 521 932
Unspent conditional grants and receipts	(13 531 783)	22 200 000
Other receivable form non-exchance transection	(448 524)	-
VAT Closing	(6 346 466)	(3 701 379)
VAT Opening	3 701 379	4 479 855
	33 803 445	**54 276 729**

32. Capital Commitments

Already contracted for but not provided for		
Community Assets/Facilities	8 004 055	8 047 030
Road infrastructure assets	38 452 430	8 840 387
	46 456 485	**16 887 417**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

33. Contingent Liability

The municipality does not have any litigations.

34. Related parties

The remuneration for councillors and salaries for key management personnel are disclosed under Note 23 and 24 and they are reported as line items on the face of Statement of Financial Performance.

Related party balances

35. Prior period errors

The muncipality identifies the error thta was made in 2021/22 financial year on the calculation for Payebles from exhange transaction for the amount of R R 1 032 809.13 and correction on Oparating Lease Assets is R 88 400

National Treasury issue a new guide on Accounting for Integrated National Eletrification Programme (INEP) Grant Allocation ,muncipality identifies correction that need to be done 2021/22 financial year Staament of Financial Perfomance for the amount of R 15 747 826

The municipality made the correction on disclosure note number 34 by removing the amount of R 296 632 for (uMgungundlivu District Municipality and The Munduzi Municipality). General Expenditure was incorrectly disclosed as related parties.

The municipality made the correction on disclosure note number 36,the Receivable from exchange was supposed to be R 2 132 202 under the Financial assets class

The municipality made the correction on accounting policies by including Segment Information

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

Statement of financial position	Note	As per previously reported	Correction of error		Restated
Operating lease Assets	-	88 400	(88 400)	-	-
Payables from exhange transactions	-	6 521 111	(1 032 809)	-	5 488 302
	-	-	-	-	-
	-	-	-	-	-
Accumulated Surplus	-	242 478 650	944 409	-	243 423 059
	-	-	-	-	-
	-	**249 088 161**	**(176 800)**	**-**	**248 911 361**

Statement of Financail Peformance		As per pevioussly reported	Correction of an error		Restated
Construction Contract Receivable	-	-	(15 747 826)	-	(15 747 826)
Construction Contract Cost	-	-	15 747 826	-	15 747 826
DISCLOSURE NOTES CORRECTION OF AN ERROR	1	-	-	-	1
Risk Management note 36 (Receivable From Exchange)	-	9 915 554	(8 617 026)	-	1 298 528
Releted Parties Note 34 (uMgungundlovu and uMsunduzi)	-	296 632	(296 632)	-	-
	1	**10 212 186**	**(8 913 658)**	**-**	**1 298 529**

36. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The amount reflected within the trade and other payables from exchange transactions are(2023: R 7 370 918 and 2022:R 5 488 302).

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
Cash and cash equivalents	44 062 954	53 241 343
Receivables form Exchange	1 492 555	1 298 528

37. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 283 213 418 and that the municipality's total assets exceed its liabilities by R 284 466 818.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these factors is the ability of the accounting officer to continue procure funding for the ongoing operations for the municipality.

The assumption is that the municipality will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations, objectives, and so on. The municipality will not have to liquidate or be forced out of business in the foreseeable future. The municipal current cash and cash equivalent amount (R 44 062 954) is sufficient for the municipality to pay its current obligations and continue to operate for more than six months without considering any income to be received by the municipality during the six months' period.

38. Events after the reporting date

- There are no material event that occurred after the reporting date 30 June 2023.

39. Unauthorised expenditure (Non - cash items)

	2023	2022
Opening balance as previously reported	9 692 327	4 701 195
Opening balance	**9 692 327**	**4 701 195**
Loss on Disposal of Assets and liabilities	-	366 868
Acturial losses	-	1 875 000
Debt Impairment	-	7 450 459
Less: Amount written off - prior period	(9 692 327)	(4 701 195)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. Unauthorised expenditure (Non - cash items) (continued)

Closing balance	**-**	**9 692 327**

The amounth of R 9 692 327 is the total for unauthorised expenditure incurred in 2021/22 Financial Year and it was written off by council.

Analysed as follows: non-cash

Acturial Losses	-	1 875 000
Loss on disposal of property, plant and equipment	-	366 868
Provision of impairment	-	-
	-	**2 241 868**

The total savings on other non cash items has been used to cover the cost for the unauthorised expenditure incurred for non-cash items.

40. Fruitless and wasteful expenditure

Opening balance as previously reported	2 157	3 232 715
Add: Fruitless and Wasteful Expenditure - current year	4 274	4 603
Opening balance as restated	**6 431**	**3 237 318**
Less: Amount written off - current	(1 707)	(2 446)
Less: Amount written off - prior period	(2 157)	(3 232 715)
Closing balance	**2 567**	**2 157**

In terms of the exemption notice in Government gazette No 43181 ,The amont of R 4 274 fruitless and wasteful expenditure has been recognised for interest on late payments .The amount of R 2 157 for prior year and R 1 707 for Current year (Q1 to Q3 expenditure)was investigated and the council resolved to write off as per the recommendation from MPAC after investigation.

The amount of R 2 567 is still under investigation ,this expenditure incurred in Q4 and the council site on the 28 July 2023 and resolve that the MPAC must do the investigation for this expenditure .

41. Irregular expenditure

Opening balance as previously reported	6 157 343	4 502 139
Add: Irregular Expenditure - current year	8 735 387	6 157 343
Opening balance as restated	**14 892 730**	**10 659 482**
Less: Amount written off - current	(7 220 829)	-
Less: Amount written off - prior period	(6 157 343)	(4 502 139)
Closing balance	**1 514 558**	**6 157 343**

The amount of R 6 157 343 for pror year was written of by the council after the investigation

This resulted in non-compliant with the CIDB regulations and will thus result in irregular expenditure.Payment totalling R 8 551 387 was made to Masakhane-mining engineering cc and payment totaling to R 184 000 was made to Amaphephethe Procection during the current financial year .The amount of R7 220 829 for current year was written of by the council , this expenditure was inccurred from the July to March 2023 and the R 1 512 184 which as incurred was from April to June 2023 is still under investigation .The council site on the 28 July 2023 and resolve that the MPAC must conduct the investigation

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	664 033	483 250

Audit fees

Amount paid - current year	1 663 224	1 501 345

PAYE and UIF

Current year subscription / fee	7 637 043	7 035 667
Amount paid - current year	(7 637 043)	(7 035 667)
	-	-

The PAYEand UIF was al paid during the year no outstanding issues with SARS

Pension and Medical Aid Deductions

Current year subscription / fee	7 756 781	7 800 933
Amount paid - current year	(7 756 781)	(7 800 933)
	-	-

The Pension and Medical Aid deduction is made by the salaries increament and the we also have new contritutions for 2021/22 Fianancail year .

VAT Receivable

VAT receivable	6 346 466	3 701 379

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

43. Deviation from procurement processes

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements. The transaction amounting to **R** 559 968 was incurred during the financial year and were reported to Council quarterly and all of them were approved by council.

Sa Post office	61 321	19 091
Driving license card	498 648	336 697
Flawless Enterprise	-	60 538
	559 969	**416 326**

In terms of section 36 of the Municipal Supply Chain Management Regulation any deviation from Supply Chain Management Policy needs to be approved /condoned by the Municipal Manager and note by Council. These deviations refer to the instances as stipulated in the regulation and relates mainly to emergencies and instances where it was impractical to follow SCM processes:

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Deviation from procurement processes (continued)

	2023	2022
SA Post Office This was the payment that was payed to SA Post Office for the Licensing of the Municipal Vehicles	61 321	19 091
	-	-
Flawless Enterprise South Africa was declared to be under National Disater after COVID 19 Pandemic attack, to respond to this pandemic the municipality had to procure fumigationof all offices to mitigate the spread of the virus as this was the case of emergency we could not advertise for 7 days in the website and notice board.	-	60 538
Driving licence License Card Only one company whoi make the driving licenses in South africa hence no other way the municipality must engage them for the service	498 648	336 697
	-	-
	-	-

Notes to the Annual Financial Statements

44. Segment information

General information

Identification of segments

The municipality renders services in all 7 wards of Mkhambathini Municipality

The municpality is organised and operate in four key functional segments (business units) .The management mornitoring the operating results of thes business units for the purpose of making decision about resource allocations and assessment of perfomance .Revenue and Expenditure relating to these business units are allocated at transactional level . The below are the key business units

Government and Administration which includes municipal managers office,councillors and finanace deprtment

Community and publc safety which includes communily and social services,sport and recreation ,public safety ,health and housing

Economic and environmental services whith includes planing and development , road ,transport and environmental protection services

Trading services which includes energy sources ,waste management and rates services

The general information and geographical information was only done on the 7 wards that the municipality renderd a service on during the financial year

Notes to the Annual Financial Statements

Figures in Rand

44. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Government and Administration	Community and publice Safty	Economic and Eviromental Services	Trade Services	Total
Revenue					
Revenue from non-exchange transactions	88 657 681	3 675 000	50 581 000	-	142 913 681
Property Rates	23 937 227	-	-	-	23 937 227
Revenue for exchange transections	321 668	47 171	30 986 884	-	31 355 723
Service Charges	-	-	-	596 060	596 060
Interest on short Term Investment	3 702 602	-	-	-	3 702 602
Total segment revenue	**116 619 178**	**3 722 171**	**81 567 884**	**596 060**	**202 505 293**
Entity's revenue					**202 505 293**
Expenditure					
Salaries and wages	35 382 604	14 811 637	619 963	-	50 814 204
Remuneration for councillors	6 288 192	-	-	-	6 288 192
Depreciation and Amortisation	11 830 640	-	-	-	11 830 640
Other expenses	25 808 625	13 612 933	54 644 315	716 987	94 782 860
Total segment expenditure	**79 310 061**	**28 424 570**	**55 264 278**	**716 987**	**163 715 896**
Total segmental surplus/(deficit)					**38 789 397**
Assets					
Current Assets	51 568 497	2 351 419	-	-	53 919 916
Non Current Assets	30 876 068	69 556 744	147 020 764	-	247 453 576
Total segment assets	**82 444 565**	**71 908 163**	**147 020 764**	**-**	**301 373 492**
Total assets as per Statement of financial Position					**301 373 492**

Notes to the Annual Financial Statements

Figures in Rand

44. Segment information (continued)

	Government and Administration	Community and publice Safty	Economic and Eviromental Services	Trade Services	Total
Liabilities					
Current liabilities	9 591 953	-	10 491 720	-	20 083 673
Non Current Liabilities	6 823 000	-	-	-	6 823 000
Total segment liabilities	**16 414 953**	**-**	**10 491 720**	**-**	**26 906 673**
Total liabilities as per Statement of financial Position					**26 906 673**

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45. Award to close family member of persons in the service of state

The Municipal Finance Management Act ,2003 (Act no 56 of 2003);Municipal Supply Chain Mangegement Regulation 45 states that the particulars of any award more that R 2 000 made to a person who is a spouse, child or parent of a person in the service of the state,or has been in the service of the state in the previous twelve (12) months must be disclosed as a note in the financail statement . The details are below for the year ended 30 June 2023 :

Name of a person : Nombili Mbambo

Relation :Spouse

Capacity :Employee at SANRAL

Service provider : Adapt IT (PTY)Ltd :

Number of Transaction : 1

Total Amount : R 181 626

Declaration by Supplier : MBD4, Annexure D .