(Registration number KZN213)

Annual Financial Statements
for the year ended 30 June 2022

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Providing municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003 (MFMA) to the community of Umzumbe. The provision of services to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Executive Committee	Councillor Nyuswa BG (Mayor) Councillor Luthuli MZ (Deputy Mayor) Councillor Khanyile RSW (Speaker) Councillor Cele SR (Chief Whip) Councillor Luthuli BB (Exco Member) Councillor Mjwara RL (Exco Member) Councillor Ndlovu M (Exco Member) Councillor Luthuli AM (Exco Member)
Councillors	Councillor Radebe SE Councillor Ngema BJ Councillor Msomi MJ Councillor Ngcobo SC Councillor Radebe SC Councillor Mtambo JP Councillor Cele LS Councillor Duma PA Councillor Tyron BW Councillor Maphumulo SM Councillor Mtolo SC Councillor Doncabe G Councillor Nzimande SG Councillor Gumede JP Councillor Mngoma BA Councillor Mthethwa SP Councillor Chili ML Councillor Jeza TT Councillor Dlamini S Councillor Mweshe NY Councillor Zungu MPL Councillor Ngcobo M Councillor Cele ZZ Councillor Biyase NP Councillor Khuzwayo PJ Councillor Shozi BN Councillor Mbatha MM Councillor Ndebele TE Councillor Msimango HD Councillor Shabane JD Councillor Mkhungo TD
Grading of local authority	1
Accounting Officer	Mr TP Cele
Chief Finance Officer (CFO)	Mr P Mathenjwa (Acting)
Registered office	Sipofu Road Mathulini Tribal Authority 4220

General Information

Business address	Sipofu Road Mathulini Tribal Authority 4220 Web: www.umzumbe.gov.za
Postal address	P.O. Box 561 Hibberdene 4220
Bankers	ABSA Bank Limited
Auditors	Auditor General South Africa Registered Auditors

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

Abbreviations used:

VAT	Value Added Tax
COGTA	Department of Cooperative Governance and Traditional Affairs
DoRA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
MIG	Municipal Infrastructure Grant (Previously CMIP)
UIF	Unemployment Insurance Fund
PAYE	Pay As You Earn

Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed in these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

The municipality is substantially dependent on the grant allocations through the Division of Revenue Act (DoRA) for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Umzumbe Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, he is supported by the municipality's Chief Financial Officer.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2022 and were signed on its behalf by the Accounting Officer:

Mr TP Cele
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the Municipal Systems Act no.32 of 2000 (MSA) and Municipal Finance Management Act no.56 of 2003 (MFMA) and operates in South Africa.

Net surplus of the municipality was 17 575 932 (2021: surplus 91 510 692).

2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of 707 157 059 and that the municipality's total liabilities exceed its assets by 707 157 059.

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 municipality is a going concerned based on the folowing:

- Current assets exceed current liabilities
- Under DORA the municipality has been allocated funds for three years 2021/22 to 2023/24
- There is no indication of a possibility of default by the government in paying grants under the Act. This is corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.
- In addition the municpality collects revenue for services rendered and this will augument cashflows in subsequent years.

3. Subsequent events

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

4. Accounting Officers' interest in contracts

The Accounting Officer has completed the declaration of interest as is required in terms of Suplly Chain Regulations.

5. Accounting policies

The annual financial statements prepared in accordance with the MFMA and standards of GRAP including any interpretations of such Statements issued by the Accounting Standards Board and as per the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr TP Cele	South African

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance. The accounting officer discuss the responsibilities of management in this respect, at management meetings and monitor the municipality's compliance with the code on a regular basis.

Accounting Officer's Report

. Corporate governance (continued)

Management meetings

The accounting officer has met the directors on separate occasions during the financial year. The accounting officer schedules to meet at least once per month.

Internal audit

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The municipality's bankers did not change during the year under review. First National Bank Limited and Standard Bank were the bankers of the municipality.

9. Auditors

The Auditor General South Africa (AGSA) will continue to audit the financial affairs of the municipality.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

Mr TP Cele
Accounting Officer

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	6	2 734 879	773 636
VAT receivable	7	509 770	4 372 812
Receivables from non-exchange transactions	8	18 965 172	23 895 776
Cash and Cash Equivalents	9	193 501 292	237 727 441
		215 711 113	**266 769 665**
Non-Current Assets			
Property, plant and equipment	2	536 404 087	481 488 699
Intangible Assets	3	238 701	359 172
		536 642 788	**481 847 871**
Total Assets		**752 353 901**	**748 617 536**
Liabilities			
Current Liabilities			
Operating lease liability	4	76 551	73 398
Payables from exchange transactions	5	41 937 921	33 507 935
Unspent Conditional Grants and Receipts	10	837 370	23 472 076
Provisions	11	302 000	147 000
		43 153 842	**57 200 409**
Non-Current Liabilities			
Provisions	11	2 043 000	1 836 000
Total Liabilities		**45 196 842**	**59 036 409**
Net Assets		**707 157 059**	**689 581 127**
Accumulated Surplus		707 157 059	689 581 127
Total Net Assets		**707 157 059**	**689 581 127**

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Other income	12	1 009 413	638 873
Interest received - investment	13	7 264 299	7 786 435
Total revenue from exchange transactions		**8 273 712**	**8 425 308**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	14	7 811 810	7 809 185
Transfer revenue			
Government grants & subsidies	15	182 489 195	225 282 721
Public contributions and donations	16	701 885	-
Total revenue from non-exchange transactions		**191 002 890**	**233 091 906**
Total revenue		**199 276 602**	**241 517 214**
Expenditure			
Employee Related Costs	17	65 818 374	64 189 290
Remuneration of Councillors	18	17 314 179	17 409 655
Depreciation and amortisation	19	19 108 108	18 650 654
Finance costs	21	223 758	193 792
Debt Impairment	23	545 304	1 573 272
Contracted services	25	22 287 290	11 630 041
General Expenses	24	41 109 926	33 337 435
Total expenditure		**166 406 939**	**146 984 139**
Operating surplus		**32 869 663**	**94 533 075**
Loss on disposal of assets		(1 835 886)	(424 880)
Actuarial gains/(losses)		25 661	(234 830)
Impairment loss	20	(13 483 506)	(2 362 673)
		(15 293 731)	**(3 022 383)**
Surplus for the year		**17 575 932**	**91 510 692**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported as at 01 July 2020	588 768 334	588 768 334
Adjustments		
Prior year adjustments -Note 30	9 302 101	9 302 101
Balance at 01 July 2020 as restated*	**598 070 435**	**598 070 435**
Surplus for the year	91 510 692	91 510 692
Total changes	91 510 692	91 510 692
Restated* Balance at 01 July 2021	**689 581 127**	**689 581 127**
Changes in net assets		
Surplus for the year	17 575 932	17 575 932
Total changes	17 575 932	17 575 932
Balance at 30 June 2022	**707 157 059**	**707 157 059**
Note(s)		

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Receipts from Customers		13 338 928	672 905
Grants		204 033 000	207 231 921
Interest income		7 264 299	7 280 305
		224 636 227	215 185 131
Payments			
		-	-
Cash Paid to Suppliers and Employees		(178 683 688)	(124 783 911)
Net cash flows from operating activities	26	**45 952 539**	**90 401 220**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(90 178 688)	(91 451 250)
Net increase/(decrease) in cash and cash equivalents		**(44 226 149)**	**(1 050 030)**
Cash and cash equivalents at the beginning of the year		237 727 441	238 777 471
Cash and cash equivalents at the end of the year	9	**193 501 292**	**237 727 441**

The accounting policies on pages 13 to 26 and the notes on pages 26 to 57 form an integral part of the annual financial statements.

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 - See Note 38 for variance explanations
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	848 000	617 000	**1 465 000**	1 009 413	**(455 587)**	
Interest Earned - External Investments	6 500 000	500 000	**7 000 000**	7 264 299	**264 299**	
Total revenue from exchange transactions	**7 348 000**	**1 117 000**	**8 465 000**	**8 273 712**	**(191 288)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7 813 121	(1 312)	**7 811 809**	7 811 810	**1**	
Transfer revenue						
Government grants & subsidies	209 033 000	8 033 165	**217 066 165**	182 489 195	**(34 576 970)**	1)
Public contributions and donations	-	-	**-**	701 885	**701 885**	
Total revenue from non-exchange transactions	**216 846 121**	**8 031 853**	**224 877 974**	**191 002 890**	**(33 875 084)**	
Total revenue	**224 194 121**	**9 148 853**	**233 342 974**	**199 276 602**	**(34 066 372)**	
Expenditure						
Employee related costs	(78 791 746)	-	**(78 791 746)**	(65 818 374)	**12 973 372**	2)
Remuneration of councillors	(18 350 588)	-	**(18 350 588)**	(17 314 179)	**1 036 409**	3)
General Expenses, Contracted Services & Other expenses	(137 735 954)	(25 222 606)	**(162 958 560)**	(96 757 892)	**66 200 668**	4)
Total expenditure	**(234 878 288)**	**(25 222 606)**	**(260 100 894)**	**(179 890 445)**	**80 210 449**	
Operating surplus	**(10 684 167)**	**(16 073 753)**	**(26 757 920)**	**19 386 157**	**46 144 077**	
Loss on disposal of assets	-	-	**-**	(1 835 886)	**(1 835 886)**	5)
Actuarial gains/(losses)	-	-	**-**	25 661	**25 661**	
Internal Reserves	72 868 702	67 989 221	**140 857 923**	-	**(140 857 923)**	
	72 868 702	**67 989 221**	**140 857 923**	**(1 810 225)**	**(142 668 148)**	
Surplus / (Deficit)	**62 184 535**	**51 915 468**	**114 100 003**	**17 575 932**	**(96 524 071)**	
Capital	**-**	**-**	**-**	**-**	**-**	
Capital Expenditure	(62 184 535)	(51 915 468)	**(114 100 003)**	(90 178 688)	**23 921 315**	6)

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 - See Note 38 for variance explanations
Cash Flow Statement						
Cash flows from operating activities						
Net cash (from) from operating activities	62 184 535	51 915 468	**114 100 003**	45 952 539	**(68 147 464)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(62 184 535)	(51 915 468)	**(114 100 003)**	(90 178 688)	**23 921 315**	
Net increase/(decrease) in cash and cash equivalents	-	-	**-**	(44 226 149)	**(44 226 149)**	
Cash and cash equivalents at the beginning of the year	-	-	**-**	237 727 441	**237 727 441**	
Cash and cash equivalents at the end of the year	**-**	**-**	**-**	**193 501 292**	**193 501 292**	
Reconciliation						

Accounting Policies

Figures in Rand	Note(s)	2022	2021

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.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

GRAP - 1 Presentation of Financial Statements
GRAP - 2 Cashflow Statements
GRAP - 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP - 5 Borrowing Costs
GRAP - 9 Revenue from Exchange Transactions
GRAP - 12 Inventories
GRAP - 13 Leases
GRAP - 14 Events after the reporting date
GRAP - 17 Property Plant and Equipment
GRAP - 18 Segment Reporting
GRAP - 19 Provisions, Contigent Liabilities and Contigent Assets
GRAP - 21 Impairment of Non-Cash Generating Assets
GRAP - 23 Revenue from Non-exchange Transactions
GRAP - 24 Presentation of Budget Information in Financial Statements
GRAP - 25 Employee Benefits
GRAP - 31 Intangible Assets
GRAP -104 Financial Instruments
GRAP -108 Statatutory Receivables
GRAP -109 Accounting by Principals and Agents

The following GRAP standards have been issued but are not yet effective

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality.

GRAP 25 - Employee Benefits (revised) - The impact of the changes are not material.
GRAP 103 - Heritage Assets (revised) - The is no impact as the Municipality has no Heritage Assets.
GRAP 104 - Financial Instruments (revised) - The impact of the changes are not material.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Accounting Policies

1.3 Materiality (continued)

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer equipment	Straight-line	05-18
Solid waste disposal	Straight-line	05-55

Accounting Policies

1.4 Property, plant and equipment (continued)

Dwellings	Straight-line	05-30
Electricity	Straight-line	05-80
Furniture & office equipment	Straight-line	07-23
Non Residential dwellings	Straight-line	10-60
Transport assets	Straight-line	04-20
Machinery & equipment	Straight-line	02-20
Roads	Straight-line	03-100

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 2).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 2).

Assets Under Construction

Incomplete construction work is stated at historical cost. Depreciation only commence when the asset is available for use and when final conditions are met.

1.5 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.

Accounting Policies

1.5 Intangible Assets (continued)

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-5

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

1.6 Financial instruments

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, risk classes (households,business and government), probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Accounting Policies

1.6 Financial instruments (continued)

Payables from exchange transactions

Trade payables are measured at fair value.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank Overdraft and Borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Receivables from non exchange transactions

Trade receivables from non-exchange transactions are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, risk classes (households,business and government), probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Discounted cash flows are based on applying the prime rate to estimated cash flow projections taking into consideration sampled debtors within their classes as well as objective indicators such as government commitments and legal action application processes, where relevant. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered if it is material.

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.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

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

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

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

Accounting Policies

1.7 Leases (continued)

Operating leases - lessor

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

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 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:
- The objective of using the assets.
- The intended use of the asset.

Accounting Policies

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

1.8 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.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

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.

1.9 Employee benefits

Short-term employee benefits

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

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

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

1.9 Employee benefits (continued)

Defined contribution plans

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

The Municipality's employees are members of the Kwazulu - Natal Joint Municipal Pension Fund (a State and Multi Employer Defined Benefit Plan) and Kwazulu Natal Joint Provident Fund (a State and Multi Employer Defined Contribution Plan). Along with other Municipalities in the province of Kwazulu Natal, uMzumbe participates in a multi employer defined plan. As the plan exposes the participating entities to acturial risks associated with the current and former employees of other municipalities participating in the plan there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual municipalities participating in the plan. uMzumbe therefore accounts for the plan as if it were defined contribution plan.

Long Service Awards

The municipality has an obligation to provide Long Service Awards Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality’s liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Pension, Provident, Retirement Benefits and Group Life Scheme

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

A defined contribution plan is a plan under which the municipality pays a fixed contribution into a separate entity. The municipality has no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior period.

The contributions to fund obligations for the payment of retirement benefits are charged against the revenue in the year they become payable.

1.10 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.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.

Contingent assets and contingent liabilities are not recognised but disclosed as a note in the financial statements.

1.11 Revenue

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from unconditional grants are recognised immediately upon receipt.

Revenue from tender sales is recognised when the bidders have actually bought the tender documents and cash has been received.

Rates

Revenue from rates is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Conditional Grants and Receipts

Conditional grants, donations and funding are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If grants are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.12 Accounting by principals and agents

Identification

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

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

Accounting Policies

1.12 Accounting by principals and agents (continued)

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

Identifying whether an entity is a principal or an agent

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

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

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.13 Comparative figures

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

1.14 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.

1.15 Fruitless and wasteful expenditure

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

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

1.16 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.

Accounting Policies

1.17 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.18 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.19 Conditional grants and receipts

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

1.20 Value Added Tax (VAT)

The municipality accounts for Value Added Tax on the cash basis with respect to the South African Revenue Service

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14% until 31 March 2018 and 15% there after) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.21 Commitments

Commitments may be referred to as the intention to commit to an outflow from the municipality of resources embodying economic benefits.

Generally, a commitment arises when a decision is made to incur a liability in the form of a purchase contract (or similar documentation). Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. In determining the value of commitments, the Municipality may utilise savings among projects. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

1.22 Segment information

A segment is an activity of an entity:

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

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

Accounting Policies

1.22 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.23 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.24 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Machinery equipment	20 075 630	(10 259 818)	9 815 812	20 370 285	(9 832 618)	10 537 667
Furniture and office equipment	5 295 488	(3 653 520)	1 641 968	4 906 095	(3 509 486)	1 396 609
Transport assets	17 596 467	(5 509 441)	12 087 026	19 633 276	(6 989 963)	12 643 313
Computer equipment	5 615 640	(2 741 824)	2 873 816	4 851 222	(2 440 342)	2 410 880
Roads infrastructure	342 341 642	(152 995 392)	189 346 250	287 286 015	(134 745 611)	152 540 404
Community Assets	91 862 494	(32 679 646)	59 182 848	64 539 288	(29 206 889)	35 332 399
Solid Waste Disposal	217 353	(156 605)	60 748	223 353	(145 517)	77 836
Work in Progress	261 395 619	-	261 395 619	266 549 591	-	266 549 591
Total	**744 400 333**	**(207 996 246)**	**536 404 087**	**668 359 125**	**(186 870 426)**	**481 488 699**

Notes to the Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Machinery equipment	10 537 667	1 657 351	(851 973)	62 563	(1 589 796)	-	9 815 812
Furniture and office equipment	1 396 609	662 818	(43 551)	-	(373 908)	-	1 641 968
Transport assets	12 643 313	3 357 672	(2 003 867)	-	(1 789 223)	(120 869)	12 087 026
Computer equipment	2 410 880	1 277 836	(55 891)	-	(759 009)	-	2 873 816
Roads infrastructure	152 540 404	15 730	(364 352)	55 496 161	(11 287 921)	(7 053 772)	189 346 250
Community assets	35 332 399	391 200	(172 083)	27 364 214	(3 173 016)	(559 866)	59 182 848
Solid waste disposal	77 836	-	(1 763)	-	(15 325)	-	60 748
Work in Progress	266 549 591	83 517 966	-	(82 922 938)	-	(5 749 000)	261 395 619
	481 488 699	**90 880 573**	**(3 493 480)**	**-**	**(18 988 198)**	**(13 483 507)**	**536 404 087**

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Machinery equipment	11 474 033	642 737	(47 592)	3 170	(1 534 681)	-	10 537 667
Furniture and office equipment	1 159 315	585 312	(25 244)	-	(322 774)	-	1 396 609
Transport assets	9 148 929	5 219 253	(31 383)	-	(1 400 756)	(292 730)	12 643 313
Computer equipment	2 141 478	987 954	(81 968)	-	(636 584)	-	2 410 880
Roads infrastructure	140 920 140	-	(222 078)	26 076 528	(12 188 458)	(2 045 728)	152 540 404
Community assets	27 783 532	424 950	(2 162)	9 515 827	(2 365 533)	(24 215)	35 332 399
Solid waste disposal	93 436	-	-	-	(15 600)	-	77 836
Work in Progress	218 554 072	83 591 044	-	(35 595 525)	-	-	266 549 591
	411 274 935	**91 451 250**	**(410 427)**	**-**	**(18 464 386)**	**(2 362 673)**	**481 488 699**

Pledged as security

No assets were pledged as security:

Delayed Projects

The following projects were delayed because of various reasons

Reason for Delays		
The projects are on design stage	1 529 727	1 529 727
The projects are currently under construction, however the projects are on hold	19 579 327	24 039 327
The projects are on procurement stage (Phase3)	33 792 241	33 792 241
The projects were not priotised for implementation, however they will be implemented in the coming financial year	23 951 104	23 951 104
	78 852 399	**83 312 399**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Infrastructure	Community Assets	Total
Opening balance	100 279 265	166 270 327	266 549 592
Additions/capital expenditure	55 804 529	27 713 436	83 517 965
Impairment loss	(5 749 000)	-	(5 749 000)
Transferred to completed items	(54 080 917)	(28 842 021)	(82 922 938)
	96 253 877	**165 141 742**	**261 395 619**

Reconciliation of Work-in-Progress 2021

	Infrastructure	Community Asstes	Total
Opening balance	68 734 431	149 819 641	218 554 072
Additions/capital expenditure	57 621 362	25 969 682	83 591 044
Transferred to completed items	(26 076 528)	(9 518 997)	(35 595 525)
	100 279 265	**166 270 326**	**266 549 591**

Expenditure incurred to repair and maintain property, plant and equipment

	2022	2021
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	8 487 590	3 919 893

The municipality's assets are unencumbered. 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.

Impairment of Assets

Impairment of the assets above are as a result of a conditional assessment performed during the physical verification of assets exercise.

3. Intangible Assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 754 080	(1 515 379)	238 701	1 765 473	(1 406 301)	359 172

Reconciliation of intangible assets - 2022

	Opening balance	Disposals	Amortisation	Total
Computer software	359 172	(560)	(119 911)	238 701

Reconciliation of intangible assets - 2021

	Opening balance	Disposals	Amortisation	Total
Computer software	559 894	(14 452)	(186 270)	359 172

Other information

The software licences are restricted to the municipality's use. The municipality's assets are unencumbered. The municipality has an assets register which is available for inspection.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Operating lease liability

Current liabilities	76 551	73 398

Minimum Lease Payments due		
Within one year	2 207	27 037
In second to fifth year	11 267	10 243
Over five years and until the end of the lease	484 936	488 168
	498 410	**525 448**

5. Payables from exchange transactions

Trade payables	4 469 985	529 789
Other payables	882 970	199 980
Advances from the Department of Human Settlements	1 232 961	1 207 198
Accrued leave pay	5 951 478	6 184 638
Accrued bonus	1 683 419	1 725 500
Deposits received	45 681	39 481
Retention	27 500 354	23 559 192
Debtors with credit balances	171 073	62 157
	41 937 921	**33 507 935**

Advances from the Department of Human Settlements - The municipality manages payments to suppliers on behalf of the Department of Human Settlement for houses being built within the Umzumbe Municipality. No fee is charged for this arrangement.

6. Receivables from exchange transactions

Sundry debtors	2 018 063	215 508
Interest	621 044	542 880
Rei Management	2 379 003	2 379 003
Rei Management (Provision for Bad debts)	(2 379 003)	(2 379 003)
Creditors with debit balances	95 772	15 248
	2 734 879	**773 636**

7. VAT receivable

Value Added Tax	509 770	4 372 812

The municipality is predominantly funded by Government Grants which are zero rated. Therefore VAT input has been claimed which has not been received as yet.

8. Trade and other receivables from non exchange transactions

Gross balances		
Rates	28 955 538	33 340 838
Less: Allowance for impairment		
Rates	(9 990 366)	(9 445 062)
Net balance		
Rates	18 965 172	23 895 776
Rates		
>180 days	18 965 172	23 895 776

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

8. Trade and other receivables from non exchange transactions (continued)

Summary of debtors by customer classification

	2022	2021
Residential		
> 180 days	6 863 313	6 092 690
	6 863 313	6 092 690
Less: Allowance for impairment	(6 863 313)	(6 092 690)
	-	-
Business/ commercial		
> 180 days	6 579 673	5 608 501
	6 579 673	5 608 501
Less: Allowance for impairment	(1 079 395)	(761 634)
	5 500 278	**4 846 867**
National and provincial government (State)		
> 180 days	15 512 553	21 639 648
	15 512 553	21 639 648
Less: Allowance for impairment	(2 047 657)	(2 590 737)
	13 464 896	**19 048 911**
Total		
> 180 days	28 955 538	33 340 838
	28 955 538	33 340 838
Less: Allowance for impairment	(9 990 366)	(9 445 062)
	18 965 172	**23 895 776**
Less: Allowance for impairment		
> 180 days	(9 990 366)	(9 445 062)

	2022	2021
Reconciliation of allowance for impairment		
Balance at beginning of the year	(9 445 062)	(7 871 790)
Contributions to allowance	(545 304)	(1 573 272)
	(9 990 366)	**(9 445 062)**

Statutory receivables

Transaction(s) arising from statute

All receivables from non echange transactions arise from the property rates billed to customers as a result of the aplication of the Municipal Property Rates Act.

Revenue from non-exchange transactions is recognised according to GRAP 23 and is disclosed in Note 15.

Statutory Receivables are disclosed in Note 8. All Receivables from non-exchange transactions falls under Statutory Receivables.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

8. Trade and other receivables from non exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2022, 18 965 172 (2021: 23 895 776) were past due but not impaired.

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

3 months past due	18 965 172	23 895 776

9. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	95 059	1 484
Bank balances	182 947 217	227 413 610
Short-term deposits	10 459 016	10 312 347
	193 501 292	**237 727 441**

There were uncleared payments resulting in a difference between the bank and cashbook balances on the main account

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2022	**30 June 2021**		**30 June 2022**	**30 June 2021**	
ABSA BANK LTD - Port Shepstone - 40-7276-2850	181 967 346	226 341 010		181 846 355	226 341 010	
ABSA Housing Account - Port Shepstone - 40-7278-0715	933 711	907 948		933 711	907 948	
ABSA MIG Account - Port Shepstone 40 - 7277-6506	167 151	164 653		167 151	164 653	
FNB - Call Account	4 775 330	4 628 661		4 775 330	4 628 661	
FNB Fixed Deposit account	5 683 686	5 683 686		5 683 686	5 683 686	
Total	**193 527 224**	**237 725 958**	**-**	**193 406 233**	**237 725 958**	**-**

10. Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts comprises:

Unspent conditional grants and receipts		
Expanded Public Works Program	43 805	-
Disaster Management Grant	119 101	119 101
KZN Sports Grant	50 000	50 000
Fire Fighting Grant	374 778	374 778
Intergrated National Electrification Programme	38 911	14 438 911
Massification Grant	210 775	8 489 286
	837 370	**23 472 076**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Unspent Conditional Grants and Receipts (continued)

Movement during the year

Balance at the beginning of the year	23 472 076	41 668 797
Grants received during the year	60 869 000	44 884 000
Income recognition during the year	(73 103 706)	(62 934 800)
Grant transferred	(10 400 000)	(145 921)
	837 370	**23 472 076**

See note 15 for reconciliation of grants from National/Provincial Government.

Figures in Rand

11. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Utilised during the year	Actuarial Loss (Gain)	Current Service cost	Finance Cost	Total
Long Service Awards	1 983 000	(148 339)	(25 661)	313 000	223 000	2 345 000

Reconciliation of provisions - 2021

	Opening Balance	Utilised during the year	Actuarial Loss (Gain)	Current Service cost	Finance Cost	Total
Long Service Awards	1 418 000	(106 830)	234 830	255 000	182 000	1 983 000

Non-current liabilities	2 043 000	1 836 000
Current liabilities	302 000	147 000
	2 345 000	**1 983 000**

Provision for Long Service Awards
A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2022 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2022 by a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Provision 3

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

11. Provisions (continued)

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	11.50%	9.39%
CPI (Consumer Price Inflation)	7.64%	6.14%
Normal Salary Increase Rate	8.64%	7.14%
Net Effective Discount Rate	2.63%	2.09%

The effect of a 1 % increase movement in the assumed rate of salary inflation is as follows:		
Total Accrued Liability	2 518 000	2 135 000
Current Service Cost	387 000	341 000
Interest cost	314 000	241 000
	3 219 000	**2 717 000**

The effect of a 1 % decrease movement in the assumed rate of salary inflation is as follows:		
Total Accrued Liability	2 189 000	1 847 000
Current Service Cost	329 000	289 000
Interest cost	271 000	207 000
	2 789 000	**2 343 000**

12. Other income

Tender Income	103 686	170 869
Sundry income	905 727	468 004
	1 009 413	**638 873**

13. Investment revenue

Interest revenue		
Interest Received on Investments	7 264 299	7 786 435

Figures in Rand	2022	2021

14. Property rates

Rates

Residential	159 420	159 420
Commercial	373 950	373 950
State	5 740 805	5 736 493
Communal Land	958 055	958 055
Agriculture	1 215 313	1 215 313
Public Benefit Organization	22 358	22 358
Vacant Land	97 760	97 760
Less: Income forgone	(755 851)	(754 164)
	7 811 810	**7 809 185**

The municipality maintains a property valuation roll in accordance with the Municipal Property Rates Act.

The property valuation roll is available for inspection.

Valuations

Residential	16 947 000	16 947 000
Commercial	37 395 000	37 395 000
State	584 309 000	584 309 000
Communal Land	383 222 000	383 222 000
Agriculture	486 125 000	486 125 000
Public Benefit Organization	8 943 000	8 943 000
Vacant Land	9 776 000	9 776 000
	1 526 717 000	**1 526 717 000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A new general valuation will be implemented in 01 July 2023.

Figures in Rand	2022	2021

15. Government grants & subsidies

Operating grants		
Equitable share	143 164 000	162 347 921
Disaster Grant Relief-Covid 19	-	720 685
Financial Management Grant	1 850 000	1 900 000
Disaster Management Grant	-	13 709 568
Expanded Public Works Program	1 614 195	1 533 000
	146 628 195	**180 211 174**
Capital grants		
Municipal Infrastructure Grant	35 861 000	45 071 547
	182 489 195	**225 282 721**

Financial Management Grant

Current-year receipts	1 850 000	1 900 000
Conditions met - transferred to revenue	(1 850 000)	(1 900 000)
	-	**-**

Expanded Public Works Program

Balance unspent at beginning of year	-	145 921
Current-year receipts	1 658 000	1 533 000
Conditions met - transferred to revenue	(1 614 195)	(1 533 000)
Transferred to National Treasury	-	(145 921)
	43 805	**-**

Conditions still to be met - remain liabilities (see note 10).

Disaster Management Grant

Balance unspent at beginning of year	119 101	13 828 669
Conditions met - transferred to revenue	-	(13 709 568)
	119 101	**119 101**

Conditions still to be met - remain liabilities (see note 10).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

15. Government grants & subsidies (continued)

KZN Sports

Balance unspent at beginning of year	50 000	50 000

Conditions still to be met - remain liabilities (see note 10).

Fire Fighting Grant

Balance unspent at beginning of year	374 778	374 778

Conditions still to be met - remain liabilities (see note 10).

Intergrated National Electrification Programme

Balance unspent at beginning of year	14 438 911	6 438 911
Current-year receipts	21 500 000	8 000 000
Conditions met transferred to Eskom	(25 500 000)	-
Grant transferred to National Treasury	(10 400 000)	-
	38 911	**14 438 911**

Conditions still to be met - remain liabilities (see note 10).

The Municipality (The Agent) manages payments to suppliers on behalf of Eskom (The Principal) for Electrical Infrastructure being built within the Umzumbe Municipality. No agency fee is charged for this arrangement.

Disaster Grant Relief-Covid 19

Balance unspent at beginning of year	-	720 685
Conditions met - transferred to revenue	-	(720 685)
	-	**-**

Massification Grant

Balance unspent at beginning of year	8 489 286	8 489 286
Conditions met transferred to Eskom	(8 278 511)	-
	210 775	**8 489 286**

Conditions still to be met - remain liabilities (see note 10).

The Municipality (The Agent) manages payments to suppliers on behalf of Department of Cooperative Governance and traditional Affairs (The Principal) for Electrical Infrastructure being erected within the Umzumbe Municipality (Siphofu Electrification in Ward 12) . No agency fee is charged for this arrangement.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	11 620 547
Current-year receipts	35 861 000	33 451 000
Conditions met - transferred to revenue	(35 861 000)	(45 071 547)
	-	**-**

Conditions still to be met - remain liabilities (see note 10).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Public contributions and donations

Donations	701 885	-

The donation relates to an asset donated by Ugu District Municipality. There are no conditions attached to the donation.

17. Employee related costs

Basic Salary	40 830 551	39 640 087
Bonus	3 312 539	3 196 602
Medical aid - company contributions	1 934 706	1 749 297
Unemployment Insurance Fund	318 657	278 223
Skills Development Levy	557 321	457 027
Leave pay provision charge	902 096	1 854 612
Pension Contribution	5 557 470	4 994 121
Travel, motor car, accommodation, subsistence and other allowances	7 772 117	6 903 192
Overtime payments	2 451 057	1 634 638
Acting allowances	544 484	547 895
Other Salary costs	1 637 376	2 933 596
	65 818 374	**64 189 290**

Remuneration of Municipal Manager

Annual Remuneration	744 529	744 529
Car Allowance	248 176	248 176
Performance Bonus	119 125	-
Other	54 380	35 307
	1 166 210	**1 028 012**

Remuneration of Chief Financial Officer

Annual Remuneration	452 813	679 220
Car Allowance	150 938	226 407
Performance Bonuses	108 675	99 619
Leave Payout	173 880	-
Other	9 425	8 166
	895 731	**1 013 412**

The Chief Financial Office resigned in February 2022

Remuneration Corporate Services Director

Annual Remuneration	206 347	611 297
Car Allowance	84 902	203 766
Performance Bonuses	89 657	81 506
Leave Payout	156 492	-
Other	5 716	17 956
	543 114	**914 525**

The Corporate Services Director resigned in November 2021

Remuneration of Technical Services Director

Annual Remuneration	611 297	293 422
Car Allowance	203 766	97 808
Other	64 000	26 919
	879 063	**418 149**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Employee related costs (continued)

Remuneration of Social & Community Services Director

Annual Remuneration	611 297	611 297
Car Allowance	203 766	203 766
Performance Bonuses	89 657	81 506
Other	108 425	97 563
	1 013 145	**994 132**

18. Remuneration of councillors

Mayor	918 592	909 282
Deputy Mayor	675 577	735 517
Speaker	676 250	735 919
Councillors	15 043 760	15 028 937
	17 314 179	**17 409 655**

19. Depreciation and amortisation

Property, plant and equipment	18 988 197	18 464 384
Intangible assets	119 911	186 270
	19 108 108	**18 650 654**

20. Impairment loss

Impairments

Property, plant and equipment	13 483 506	2 362 673

21. Finance costs

Trade and other payables - Interst on overdue accounts	758	11 792
Interest recognised on long service awards provision	223 000	182 000
	223 758	**193 792**

22. Auditors' remuneration

Fees	1 380 178	1 567 232

23. Debt impairment

Debt impairment	545 304	1 573 272

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. General expenses

Advertising, Publicity and Marketing	6 680 198	5 794 278
Auditors remuneration	1 380 178	1 567 232
Bank charges	97 292	94 816
Ward Committees	1 273 200	2 067 200
Bursaries	676 715	972 263
Achievements and awards	190 592	321 891
Consumables	5 190 034	3 726 893
Entertainment	-	8 797
Hire charges	2 092 471	1 009 052
Insurance	800 632	1 240 722
Lease Rentals on Operating Lease	251 186	173 167
Licences & Tracking	553 989	421 343
Printing and stationery	1 558 195	1 671 766
Subscriptions and membership fees	1 091 969	987 769
Communication	4 585 996	3 848 937
Transport and events	1 855 620	956 099
Subsistence and Travel	3 271 651	2 034 568
Electricity	794 799	586 766
Solid waste disposal	502 795	40 550
Free basic services	5 593 703	2 331 606
Uniform and Protective Clothing	566 684	878 448
Honoraria (Voluntarily Workers)	865 000	1 420 100
Registration fees	36 171	33 783
Other expenses	1 200 856	1 149 389
	41 109 926	**33 337 435**

25. Contracted services

Outsourced Services		
Catering Services	2 645 849	1 293 696
Clearing and Grass Cutting Services	486 790	534 953
Medical Services	23 500	17 000
Professional Staff	1 491 796	1 440 449
Security Services	3 725 885	2 134 979
Consultants and Professional Services		
Business and Advisory	2 779 478	1 122 155
Infrastructure and Planning	1 837 217	608 500
Legal Cost	184 036	122 681
Contractors		
Artists and Performers	268 000	72 000
Audio-visual Services	-	14 900
Employee Wellness	24 299	-
Graphic Designers	-	130 435
Interior Decorator	-	14 000
Repairs and Maintenance	8 487 590	3 919 893
Stage and Sound Crew	332 850	204 400
	22 287 290	**11 630 041**

Figures in Rand	2022	2021

26. Cash generated from operations

Surplus	17 575 932	91 510 692
Adjustments for:		
Depreciation and amortisation	19 108 108	18 650 654
Loss on disposal of assets	1 835 886	424 880
Impairment loss	13 483 506	2 362 673
Debt impairment	545 304	1 573 272
Movement in operating lease accrual	3 153	10 897
Movements in provisions	362 000	565 000
Non-cash donations and other in-kind benefits	(701 885)	-
Changes in working capital:		
Receivables from exchange transactions	(303 088)	(93 627)
Receivables from non exchange transactions	4 385 300	(7 753 467)
Payables from exchange transactions	8 429 987	3 907 430
VAT	3 863 042	(2 560 463)
Unspent Conditional Grants and Receipts	(22 634 706)	(18 196 721)
	45 952 539	**90 401 220**

27. Commitments

Authorised capital expenditure

Approved and contracted for:		
• Infrastructure	56 483 388	56 097 357
Approved but not yet contracted for:		
• Infrastructure	259 446 351	290 321 504
Total capital commitments		
Already contracted for but not provided for	56 483 388	56 097 357
Not yet contracted for and authorised by accounting officer	259 446 351	290 321 504
	315 929 739	**346 418 861**

This committed expenditure relates to Infrastructure and will be financed by Government Grants.

28. Contingencies

Contingent Liabilities

Inicidents:

The municipality is the second respondent and has been cited as an interested party that is involved in a contactual dispute between two service providers. The estimated costs amount to R4 800 000 (2021 R4 800 000.00) if the Municipality is unsuccessful. The Municipality is currently defending the matter in court.

The municipality is also involved in another contactual dispute with a service provider. The estimated costs amount to R1 000 000 (2021 R1 000 000.00) if the Municipality is unsuccessful. The Municipality is currently defending the matter in court.

The municpality is invloved in labour disputes with some employees relating to salaries. Matters have been referred to the SALGBC. The estimated cost amounts to R 1 002 761.88 (2021 R1 141 761.88).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Related Party Transactions

Related party balances

The municipality contributes annually to the Ugu South Coast Development Agency and Ugu South Coast Tourism Authority for the promotional activities and developmental activities within the Municiplality.

Amounts included in General Expenses regarding related parties		
Ugu South Coast Development Agency	638 141	607 753
Ugu South Coast Tourism Authority	538 794	521 581

Senior management and council are further classified as related parties. Refer to note 17 and note 18.

Section 45 and 44 of SCM Regulations

Awards to business associates in service of state

As a result of the 2021/22 audit, expenditure of R1 306 620 - (2021 - R 2 581 887) related to awards to business associates of persons in the service of the state. This information came to the attention of the Municipality towards the finalisation of the 2021/22 audit in the current year.

Purchases from related parties		
NHLANHLA YEZWE PROJECT - Related to - AKHONA ANATHI NDELU - COMMUNICATIONS PRA	17 000	-
NDOSI TRADING ENTERPRISE - Related to FREEDOM NOMKHOSI NGUBO - DATA CAPTURE EPWP	64 950	-
EZ'BUKWAYO EVENTS - Related to NTOKOZO CYRIL KHOMO - MANAGER:SPECIAL PROJECTS	89 496	-
SKHONKWANA TRADING ENTERPRISE - Related to MAMA PRETTY GIRL L ZUNGU - COUNCILLOR	260 783	-
MKHOKHO KA MZALELWA TRADINGS (PTY) LTD - Related to FREEDOM NOMKHOSI NGUBO - DATA CAPTURE EPWP	6 000	-
TOP TWENTY FIVE GROUP TRADING AND PROJECTS - Related to MARCIA MARY MFECANE - COUNCILLOR	7 000	-
IMFUSI CONSTRUCTION AND PROJECTS - Related to MARCIA MARY MFECANE - COUNCILLOR	148 900	-
SAMBULINTWENHLE - Related to LORRAINE NONDUMISO SHOZI - REGISTRY CLERK	47 200	-
MANGANGA GENERAL TRADING - Related to LORRAINE NONDUMISO SHOZI - REGISTRY CLERK	183 438	-
TURNER MORRIS - Related to LEAH THABISILE KHUMALO - AUDIT COMMITTE MEMBER	6 893	-
AMADLAKELA TRADING - Related to MS MONDLI KWANI - TECHNICAL MANAGER	234 500	-
STHATHU INVESTMENTS - Related to NN NONTOBEKO SHOBEDE - ELECTRICIAN	175 460	-
UBUHLEBOZALO TRADING ENTERPRISE - Related to CYNTHIA MBALI SHANGE - MEMBER OF KZN LEGISLATURE	65 000	-

30. Prior-year adjustments

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

1. A debtor was billed incorrectly resulting in an adjustment of R3 938

2. Capital expenditure was incorrectly classified as repairs and maintenece. This resulted in an adjustment of R16 951 168. This also resulted in expenditure previously expensed to salaries and contracted services, being capitalised.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Prior-year adjustments (continued)

3. An employee was not paid acting allowanace amounting to R182 618.

4. Accrued bonus and Leave pay accrual were reclassified from Provisions to Payables from exchange transactions. This resulted in an adjustment of R7 910 138.

5. Acturial loss amounting to R234 830 has been reclassified from Other Income

6. Impairment loss amonting to R2 362 673 was reclassified from Depreciation and Armortisation

7. Interest on overdue accounts amounting to R11 792 has been reclassified to Finance Costs

8. Interest receivable amounting to R506 131 from bank balances and short term investments was not accrued.

Statement of financial position

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from non-exchange transactions	8	23 899 714	(3 938)	-	23 895 776
Receivables from exchange transactions	6	267 505	506 131	-	773 636
Property, plant and equipment	2	464 537 531	16 951 168	-	481 488 699
Payables from exchange transactions	5	(25 415 185)	(182 618)	(7 910 138)	(33 507 941)
Current Liabilities - Provisions	11	(8 057 138)	-	7 910 138	(147 000)
		455 232 427	**17 270 743**	**-**	**472 503 170**

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Other Income	12	(404 043)	-	(234 830)	(638 873)
Interest received - investment		(7 280 305)	(506 131)	-	(7 786 436)
Property Rates		(7 813 121)	3 938	-	(7 809 183)
Actuarial (losses)/gains		-	-	234 830	234 830
Employee Related Costs	17	64 754 081	(564 791)	-	64 189 290
Depreciation and Amortisation	19	20 952 434	60 894	(2 362 673)	18 650 655
Finance Costs	21	182 000	-	11 792	193 792
Contracted services	25	18 592 597	(6 962 556)	-	11 630 041
General Expenses	24	33 349 227	-	(11 792)	33 337 435
Impairment loss	20	-	-	2 362 673	2 362 673
Surplus for the year		**122 332 870**	**(7 968 646)**	**-**	**114 364 224**

Cash flow statement

30. Prior-year adjustments (continued)

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash flow from operating activities					
Receipts from Customers		438 075	-	234 830	672 905
Cash Paid to Suppliers and Employees		(132 259 046)	7 709 965	(234 830)	(124 783 911)
		(131 820 971)	**7 709 965**	**-**	**(124 111 006)**
Cash flow from investing activities					
Purchase of property, plant and equipment	2	(83 741 285)	(7 709 965)		(91 451 250)

31. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk, interest rate risk, credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried under under policies approved by the Accounting Officer. Municipality budget and treasury department identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The Accounting Officer provides written principles for overall risk management, as well as written policies covering specific areas, such as, interest rate risk, credit risk and investment of excess liquidity.

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.

Interest rate risk

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

Credit risk

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

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

Financial instrument	2022	2021
Trade and other receivables from non exchange transactions (Rates)	18 965 172	23 895 776
Cash and Cash Equivalents	193 501 292	237 727 441

32. Going concern

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.

33. Unauthorised expenditure

	2022	2021
Opening balance as restated	2 379 003	2 379 003

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

34. Fruitless and wasteful expenditure

Add: Fruitless and wasteful expenditure - current year	758	11 792
Less: Amount written off	(758)	(11 792)
Closing balance	**-**	**-**

Fruitless and wasteful expenditure is presented inclusive of VAT

Incidents

The municipality incurred fruitless and wasteful expenditure of due to interest and penalties arising from late payments to suppliers and institutions.

Figures in Rand			2022	2021

34. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2022	2021
Eskom- Interest	None	758	11 792

35. Irregular expenditure

	2022	2021
Opening balance as restated	-	4 284 333
Add: Irregular expenditure - current year	41 660 236	60 778 479
Less: Amount written off	(41 494 089)	(65 062 812)
Closing balance	**166 147**	**-**

Inicident: During the year, the municipality incurred irregular expenditure to the amount of R41 151 326.30 as a result of Bid Adjudication Committee not being properly constituted for contracts awarded in the prior financial years.

Action: The matter was reviewed and tabled at Council.

Inicident: During the year, the municipality incurred irregular expenditure to the amount of R342 762.55 as a result of postponement of the municipal council inauguration.
Action: The matter was reviewed and tabled at Council.

Inicident: During the audit, it was conculded that the municipality incurred irregular expenditure to the amount of R166 147.40 as a result of an appointment of a service provider deemed to be irregular. The full value of the contract amounts to R561 225.
Action: The matter was reviewed and will be tabled at Council.

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

	Disciplinary steps taken/criminal proceedings	2022	2021
Bid Adjudication Committee not being properly constituted	The matter was reviewed and tabled at Council.	41 151 326	65 062 812
Non-compliance with SCM regulation	The matter was reviewed and tabled at Council.	342 763	-
		41 494 089	**65 062 812**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

36. Additional disclosure in terms of Municipal Finance Management Act

Contribution to Local Government Associations

Current year subscription	964 429	964 429
Amount paid	-	(964 429)
	964 429	**-**

Audit fees

Current year fee	1 380 178	1 567 233
Amount paid - current year	(1 380 178)	(1 567 233)
	-	-

PAYE and UIF

Current year deductions	13 165 512	12 644 636
Amount paid	(13 165 512)	(12 644 636)
	-	-

Pension and Medical Aid Deductions

Current year	12 117 719	11 130 098
Amount paid	(12 117 719)	(11 130 098)
	-	-

Notes to the Annual Financial Statements

37. Multi employer retirement benefit

Umzumbe Local Municipality makes provision for retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

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

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

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

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

DEFINED CONTRIBUTION SCHEMES

Kwazulu-Natal Joint Municipal Pension Fund:

The scheme is subject to an actuarial valuation. The latest interim actuarial valuation was performed as at 31 March 2019.

As reported by the Actuaries, the Fund was not in a sound financial position but the surcharge is expected to eliminate deficit by 2021. The asset composition was appropriate to the nature of the liabilities and the investment strategy was suitable for the fund. In addition, the Fund’s reinsurance arrangements were appropriate.

Figures in Rand	2022	2021

38. Actual expenditure versus budgeted expenditure variance explanations

Refer to Statement of Comparison of Budget and Actual Amounts for the comparison of actual expenditure versus budgeted expenditure.

1) INEP and Massification grants revenues were derecognised as the grants pertain to a principal - agent relationship

2) Costs incurred for personnel costs were less than the budgeted amount due to vacant posts not being filled before year end as well as resignations of senior management officials during the year

3) Costs incurred for the remuneration of councillors was less than the budget due to the fact that the budget was prepared expected higher increments for the financial year 2021/22. The increaments were lower that budgeted.

4) General Expenses, Contracted Services & Other expenses budget savings were due to cost containment measures put in place by the municipality to monitor and manage expenditure.

5) No assets were anticipated to be sold in the current year.

6) Capital projects were delayed by bad weather (flooding) conditions and some were interrupted by business forums and community protests.

39. Segment information

General information

Identification of segments

The report is based municipality departments which are reportable segments and where performance is measurable. Management uses these same segments for compilation of the IDP,SDBIP, budget and monthly and quarterly reporting.The segments were organised around type of service delivered and target market. Management uses the same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The segments of the municipality were not aggregated.

39. Segment information (continued)

Types of services by segment

These reportable segments as well as the services for each segment are set out below:

Reportable segment	Services
CORPORATE SERVICES	Provides legal and administration management services including human capital and information and comunication technology to the muncipality for the generation of economic benifts and service potential.
FINANCE	Provides financial administration to the municipality for generation of economic benefits and service potential.
MAYOR'S OFFICE	Provides political leadership to the municipality for the generation of economic benefits and service potential.
MUNICIPAL MANAGER	Provides for adminstration, leadership,performance monitoring,intergrated development plan,risk management and internal audit functions to the muncipality for the generation of economic benefits and service potential.
PLANNING AND DEVELOPMENT	Provides for waste management , town planning , local economic development and environment sustainability for the generation of economic benefits and service potential.
SOCIAL AND COMMUNITY DEVELOPMENT	Provides social services, public safety,public spaces, libraries and indigents administration to the municipality for generation of economic benefits and service potential.
TECHNICAL SERVICES	Road transport,electricity , housing and building inspection, project management unit,waste water management and all infrastructure services to the municipality for the generation of economic benefits and service potential.

Notes to the Annual Financial Statements

Figures in Rand

39. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	CORPORATE SERVICES	FINANCE	MAYOR'S OFFICE	MUNICIPAL MANAGER	PLANNING AND DEVELOPMENT	SOCIAL AND COMMUNITY DEVELOPMENT	TECHNICAL SERVICES	Total
Revenue								
Other income	-	995 999	-	-	13 414	-	-	1 009 413
Interest received - investment	-	7 264 299	-	-	-	-	-	7 264 299
Property rates	-	7 811 810	-	-	-	-	-	7 811 810
Government grants & subsidies	-	145 014 000	-	-	-	-	37 475 195	182 489 195
Public contributions and donations	-	701 885	-	-	-	-	-	701 885
Actuarial gains/losses	-	25 661	-	-	-	-	-	25 661
Total segment revenue	**-**	**161 813 654**	**-**	**-**	**13 414**	**-**	**37 475 195**	**199 302 263**
Entity's revenue								**199 302 263**
Expenditure								
Employee Related Costs	12 915 719	10 252 145	11 455 734	2 371 692	4 464 545	9 842 520	14 516 019	65 818 374
Remuneration of Councillors	-	-	17 314 179	-	-	-	-	17 314 179
Depreciation, Amortisation and Impairment	-	19 108 108	-	-	-	-	-	19 108 108
Finance costs	-	223 758	-	-	-	-	-	223 758
Debt Impairment	-	545 304	-	-	-	-	-	545 304
Contracted services	7 212 268	962 154	3 487 502	369 813	2 342 247	2 002 797	5 910 509	22 287 290
General Expenses	16 422 390	1 762 303	9 160 539	453 763	2 679 993	6 578 240	4 052 698	41 109 926
Loss on disposal of assets	1 835 886	-	-	-	-	-	-	1 835 886
Impairment loss	-	13 483 506	-	-	-	-	-	13 483 506
Total segment expenditure	**38 386 263**	**46 337 278**	**41 417 954**	**3 195 268**	**9 486 785**	**18 423 557**	**24 479 226**	**181 726 331**
Total segmental surplus/(deficit)								**17 575 932**

Notes to the Annual Financial Statements

Figures in Rand

39. Segment information (continued)

	CORPORATE SERVICES	FINANCE	MAYOR'S OFFICE	MUNICIPAL MANAGER	PLANNING AND DEVELOPMENT	SOCIAL AND COMMUNITY DEVELOPMENT	TECHNICAL SERVICES	Total
Assets								
Current Assets	-	-	-	-	-	-	-	-
Receivables from exchange transactions	-	2 734 879	-	-	-	-	-	2 734 879
VAT receivable	-	509 770	-	-	-	-	-	509 770
Receivables from non-exchange transactions	-	18 965 172	-	-	-	-	-	18 965 172
Cash and Cash Equivalents	-	193 501 292	-	-	-	-	-	193 501 292
Non-Current Assets	-	-	-	-	-	-	-	-
Property, plant and equipment	-	359 757 573	5 295 488	-	-	-	171 351 026	536 404 087
Intangible Assets	-	238 701	-	-	-	-	-	238 701
Total segment assets	**-**	**575 707 387**	**5 295 488**	**-**	**-**	**-**	**171 351 026**	**752 353 901**
Total assets as per Statement of financial Position								**752 353 901**
Liabilities and Net Assets								
Current Liabilities	-	-	-	-	-	-	-	-
Operating lease liability	-	76 551	-	-	-	-	-	76 551
Payables from exchange transactions	-	41 937 921	-	-	-	-	-	41 937 921
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	837 370	837 370
Provisions	-	302 000	-	-	-	-	-	302 000
Non-Current Liabilities	-	-	-	-	-	-	-	-
Provisions	-	2 043 000	-	-	-	-	-	2 043 000
Net Assets	-	-	-	-	-	-	-	-
Accumulated Surplus	-	689 581 127	-	-	-	-	-	689 581 127
Surplus for the year	-	17 575 932	-	-	-	-	-	17 575 932
Total segment liabilities and Net Assets	**-**	**751 516 531**	**-**	**-**	**-**	**-**	**837 370**	**752 353 901**
Total liabilities and Net Assets as per Statement of financial Position								**752 353 901**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

40. Accounting by principals and agents

The municipality is a party to a principal-agent arrangements.

Details of the arrangments are as follows:

Umzumbe Local Municipality is party to a principal-agent arrangements with the Department of Energy and Kwazulu-Natal Department of Cooperative Governance and Traditional Affairs. The Department of Enegry provides the Municipality with a grant in terms of the Integrated National Electrification Programme (INEP). The municipality is the agent. The municipality implements electricity infrastructure construction and infills in rural areas on behalf of Eskom using the INEP and Massification grants. Once completed, these projects are handed over to Eskom for energising and future maintenance and do not form part of the municipality's assets. The Massification grant comes from the Kwazulu-Natal Department of Cooperative Governance and Traditional Affairs and the Municipality is the agent. The Massification grant is used to specifically to electrify areas within the Umzumbe Municipality as per Grant Agreement. No agency fees are charged for the above principal - agent arrangements

Municipality as agent

Resources held on behalf of the principals, but recognised in the municipality's own financial statements

The municiplaity currently holds an amount of R38,911 (2021 - R14,438,911) that belongs to the Department of Energy that was transfered to the municipality during the current financial year and was not utilised. The municipality will apply for a rollover of the remaining amount so that is it not returned to the principle but utilised for electricity infills projects in the next financial year.

The municiplaity currently holds an amount of R210,775 (2021 - R8,489,286) that belongs to the Kwazulu-Natal Department of Cooperative Governance and Traditional Affairs that was rolled over to the municipality during the current financial year and was not utilised. The municipality will apply for a rollover of the remaining amount so that is it not returned to the principle but utilised for electricity infills projects in the next financial year.

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

	2022	2021
Integrated National Electrification Programme Grant		
Opening balance	14 438 911	6 438 911
Receipts from the principal	21 500 000	8 000 000
Expenses incurred on behalf of the principal	(25 500 000)	-
Amounts transferred to the principal	(10 400 000)	-
	38 911	**14 438 911**

	2022	2021
Massification Grant		
Opening balance	8 489 286	8 489 286
Expenses incurred on behalf of the principal	(8 278 511)	-
	210 775	**8 489 286**

	2022	2021
All categories		
Opening balance	22 928 197	14 928 197
Receipts from the principal	21 500 000	8 000 000
Expenses incurred on behalf of the principal	(33 778 511)	-
Amounts transferred to the principal	(10 400 000)	-
	249 686	**22 928 197**

Figures in Rand	2022	2021

41. Section 36 deviations

During the year the Accounting Officer approved minor breaches in terms of section 36 (1) (b) as well as section 36 (1) (a) amounting to R7 445 440 (2021 - R16 633 064)

Deviations from, and ratification of minor breaches of, procurement processes (Section 36 of

The Municipal Supply Chain Management Regulations) Section 36 were due to the following reasons

a) Emergencies - **R1 315 24**4.**53**

b) Goods or services were produced or available from a single provider only **- R 4 520 203.26**

c) It was impractical or impossible to follow the official procurement processes - **R 1 609 992.15**

The Accounting officer recorded the reasons for any deviations in terms of sub regulation

1(a) and (b) and reported them to Council.