



Mkhambathini Municipality
Annual Financial Statements
for the year ended 30 June 2022

Mkhambathini Municipality

KZN 226

Annual Financial Statements for the year ended 30 June 2022

General Information

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

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
COVID 19	Corona Virus Disease 2019
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
SARS	South African Revenue Services
VAT	Value Added Tax
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
INEP	Integrated National Electrification Program
MPRA	Municipal Property Rates Act
EPWP	Extended Public Works Program

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Accounting Officer Responsibilities and Approval

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

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

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

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to 30 June 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.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 25 of these Annual Financial Statements are within the upper limit of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearer Act 20 of 1998 and the Minister of Provincial and Local Government determination in accordance with this Act.

The Annual Financial Statements set out on page 4, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 June 2022 and were signed on his behalf by:

Accounting Officer
Mr S Mngwengwe

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Accounting Officer Report

The Accounting Officer submit his report for the year ended 30 June 2022.

1. Subsequent events

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

2.

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

Name	Nationality
Mr S Mngwengwe	South African

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Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	8	33 415	48 233
Operating lease asset	6	88 400	88 400
Receivables from exchange transactions	9&13	2 132 202	1 857 692
VAT receivable	11	3 701 379	4 479 855
Consumer debtors	12	666 309	9 469 610
Cash and cash equivalents	14	53 241 343	50 406 257
		59 863 048	66 350 047
Non-Current Assets			
Investment property	3	10 965 000	10 965 000
Property, plant and equipment	4	212 108 858	178 045 546
Intangible assets	5	207 305	293 622
		223 281 163	189 304 168
Total Assets		283 144 211	255 654 215
Liabilities			
Current Liabilities			
Payables from exchange transactions	17	6 521 111	4 999 179
Unspent conditional grants and receipts	15	22 644 068	444 067
Provisions	16	3 227 982	2 904 876
		32 393 161	8 348 122
Non-Current Liabilities			
Employee benefit obligation	7	7 019 000	5 144 000
Total Liabilities		39 412 161	13 492 122
Net Assets		243 732 050	242 162 093
Reserves			
Revaluation reserve		1 253 400	1 253 400
Accumulated surplus		242 478 650	240 908 693
Total Net Assets		243 732 050	242 162 093

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Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	555 786	533 496
Interest received (trading)		2 242 303	2 596 078
Commissions received		2 388 962	1 781 973
Other income	22	3 418 573	3 154 368
Total revenue from exchange transactions		8 605 624	8 065 915
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	23 651 849	19 217 482
Transfer revenue			
Government grants & subsidies	24	122 734 000	111 294 000
Licenses and Permits		3 436 465	3 567 463
Other income		-	90 416
Total revenue from non-exchange transactions		149 822 314	134 169 361
Total revenue	18	158 427 938	142 235 276
Expenditure			
Employee related costs	25	(50 332 150)	(43 685 030)
Remuneration of councillors	26	(5 882 916)	(6 021 517)
Depreciation and amortisation	27	(10 760 986)	(10 258 394)
Assets impairments	28	(1 006 571)	(502 043)
Debt Impairment	29	(10 590 459)	(5 166 507)
Loss on disposal of assets and liabilities / (Transfers to organ of state)		(5 933 913)	(1 658 660)
Actuarial losses		(1 875 000)	(986 000)
General Expenses	30	(68 884 475)	(63 713 103)
External Auditors		(1 595 945)	(1 261 022)
Total expenditure		(156 862 415)	(133 252 276)
Surplus for the year		1 565 523	8 983 000

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2020	693 400	231 925 693	232 619 093
Changes in net assets			
Surplus for the year	-	8 983 000	8 983 000
Revaluation of Investment Property	560 000	-	560 000
Total changes	560 000	8 983 000	9 543 000
Opening balance as previously reported	1 253 400	240 403 122	241 656 522
Adjustments			
Correction of errors	-	510 005	510 005
Restated* Balance at 01 July 2021 as restated*	1 253 400	240 913 127	242 166 527
Changes in net assets			
Surplus for the year	-	1 565 523	1 565 523
Total changes	-	1 565 523	1 565 523
Balance at 30 June 2022	1 253 400	242 478 650	243 732 050

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Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		31 157 581	28 538 580
Grants		144 933 999	111 293 999
Interest income		2 242 303	2 596 078
		<u>178 333 883</u>	<u>142 428 657</u>
Payments			
Employee costs		(50 332 150)	(43 685 030)
Remuneration of Councillors		(5 882 916)	(6 021 517)
Cash paid to Suppliers		(67 842 088)	(68 405 222)
		<u>(124 057 154)</u>	<u>(118 111 769)</u>
Net cash flows from operating activities	33	<u>54 276 729</u>	<u>24 316 888</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(51 612 585)	(39 349 463)
Proceeds from sale of property, plant and equipment	4	408 970	-
Proceeds from sale of other intangible assets	5	-	(15 867)
Net cash flows from investing activities		<u>(51 203 615)</u>	<u>(39 365 330)</u>
Cash flows from financing activities			
Other cash item		(238 028)	-
Net increase/(decrease) in cash and cash equivalents		<u>2 835 086</u>	<u>(15 048 442)</u>
Cash and cash equivalents at the beginning of the year		50 406 257	65 454 699
Cash and cash equivalents at the end of the year	14	<u>53 241 343</u>	<u>50 406 257</u>

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	597 000	-	597 000	555 786	(41 214)	a
Interest received (trading)	4 000 000	(1 400 000)	2 600 000	2 242 303	(357 697)	b
Commissions received	2 326 840	-	2 326 840	2 388 962	62 122	c
Other income - (rollup)	6 654 000	(1 089 000)	5 565 000	3 418 573	(2 146 427)	d
Total revenue from exchange transactions	13 577 840	(2 489 000)	11 088 840	8 605 624	(2 483 216)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	20 553 000	991 000	21 544 000	23 651 849	2 107 849	e
Transfer revenue						
Government grants & subsidies	76 559 000	8 200 000	84 759 000	122 734 000	37 975 000	f
Other transfer revenue 1	24 755 000	35 420 000	60 175 000	3 436 465	(56 738 535)	
Total revenue from non-exchange transactions	121 867 000	44 611 000	166 478 000	149 822 314	(16 655 686)	
Total revenue	135 444 840	42 122 000	177 566 840	158 427 938	(19 138 902)	
Expenditure						
Personnel	(48 558 000)	444 000	(48 114 000)	(50 332 150)	(2 218 150)	g
Remuneration of councillors	(6 693 000)	-	(6 693 000)	(5 882 916)	810 084	h
Depreciation and amortisation	(11 609 000)	10 000	(11 599 000)	(10 760 986)	838 014	i
Impairment loss/ Reversal of impairments	-	-	-	(1 006 571)	(1 006 571)	j
Debt Impairment	(3 140 000)	-	(3 140 000)	(10 590 459)	(7 450 459)	j
General Expenses	(72 902 000)	(15 877 000)	(88 779 000)	(70 480 420)	18 298 580	k
Total expenditure	(142 902 000)	(15 423 000)	(158 325 000)	(149 053 502)	9 271 498	
Operating surplus	(7 457 160)	26 699 000	19 241 840	9 374 436	(9 867 404)	
Loss on disposal of assets and liabilities	-	-	-	(5 933 913)	(5 933 913)	l
Actuarial gains/losses	-	-	-	(1 875 000)	(1 875 000)	
	-	-	-	(7 808 913)	(7 808 913)	
Surplus before taxation	(7 457 160)	26 699 000	19 241 840	1 565 523	(17 676 317)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(7 457 160)	26 699 000	19 241 840	1 565 523	(17 676 317)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	221 071	(172 838)	48 233	33 415	(14 818)	n
Operating lease asset	88 400	-	88 400	88 400	-	
Receivables from exchange transactions	2 326 840	-	2 326 840	2 132 202	(194 638)	c
VAT receivable	4 000 000	-	4 000 000	3 701 379	(298 621)	n
Consumer debtors	9 469 610	-	9 469 610	666 309	(8 803 301)	o
Cash and cash equivalents	50 406 257	3 000 000	53 406 257	53 241 343	(164 914)	
	66 512 178	2 827 162	69 339 340	59 863 048	(9 476 292)	

Non-Current Assets

Investment property	11 000 000	-	11 000 000	10 965 000	(35 000)	
Property, plant and equipment	184 787 191	29 277 340	214 064 531	212 108 858	(1 955 673)	
Intangible assets	488 430	(194 808)	293 622	207 305	(86 317)	
	196 275 621	29 082 532	225 358 153	223 281 163	(2 076 990)	

Total Assets

262 787 799	31 909 694	294 697 493	283 144 211	(11 553 282)	
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Liabilities

Current Liabilities

Payables from exchange transactions	6 700 000	-	6 700 000	6 521 114	(178 886)	
Unspent conditional grants and receipts	444 068	22 200 000	22 644 068	22 644 068	-	
Provisions	2 576 332	903 170	3 479 502	3 227 982	(251 520)	
	9 720 400	23 103 170	32 823 570	32 393 164	(430 406)	

Non-Current Liabilities

Employee benefit obligation	5 144 000	-	5 144 000	7 019 000	1 875 000	
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Total Liabilities

14 864 400	23 103 170	37 967 570	39 412 164	1 444 594	
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Net Assets

247 923 399	8 806 524	256 729 923	243 732 047	(12 997 876)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Revaluation reserve	1 253 400	-	1 253 400	1 253 400	-	
Accumulated surplus	246 669 999	8 806 524	255 476 523	242 478 647	(12 997 876)	
Total Net Assets	247 923 399	8 806 524	256 729 923	243 732 047	(12 997 876)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Grants	130 733 999	14 200 000	144 933 999	144 933 999	-	
Interest income	4 000 000	(1 400 000)	2 600 000	2 242 303	(357 697)	b
	134 733 999	12 800 000	147 533 999	147 176 302	(357 697)	

Payments

Employee costs	48 558 000	2 750 000	51 308 000	50 221 271	(1 086 729)	g
Remuneration for Councillors	6 693 000	-	6 693 000	5 882 916	(810 084)	h
Cash Paid to Suppliers	69 991 000	11 855 955	81 846 955	67 842 088	(14 004 867)	k
Other cash item	-	5 567 045	5 567 045	5 567 045	-	
	125 242 000	20 173 000	145 415 000	129 513 320	(15 901 680)	

Net cash flows from operating activities

259 975 999	32 973 000	292 948 999	276 689 622	(16 259 377)	
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Cash flows from investing activities

Purchase of property, plant and equipment	31 621 000	28 200 000	59 821 000	45 821 000	(14 000 000)	o
Net increase/(decrease) in cash and cash equivalents	291 596 999	61 173 000	352 769 999	322 510 622	(30 259 377)	
Cash and cash equivalents at the end of the year	291 596 999	61 173 000	352 769 999	322 510 622	(30 259 377)	

Reconciliation

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

a) Service charges -The budget for refuse removal was R597 000 and the total refuse collection is within the budget since it is R 555 786 for a period of 12 months .The overall collection is within the budget since the average non collection of 7% when we compare with the budget and it is below 10%

b) Interest received - The interest received is still within the budget and also it must be noted that the municipality budget was informed by the current prime rate using the budget preparation and when the municipality quote for the investment ,the prime rate drop .The amount of R 30 000 000 was invested to Nedbank and the municipality get R 2 242 303 interest and the interest collected was below 13 % of the budget due to low interest rate .

c) Commission receivable - The Commission receivable is still within the budget and also it must be noted that the over roll commission received is 2.7% more .Due to amendment of the COVID 19 regulation then our licensing department is fully operating and more applications are coming through to our municipality .

d) Other income -The other income is still within the budget,the changes when we compare with last financial year is made by the low applications for Buildings Plans .

e)Property rates-The difference of R 2 218 150 is made by the Supplementary Valuation Roll that was submitted to the Municipality in March 2022 as we normally get the amendment on the valuation roll on a quarterly basis.The billing was done based on the latest information on the Supplemental Valuation Roll.The rate budget for 2022/23 also include the all changes that was not accommodated in 2021/22 financial year

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

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

h)Remuneration for councillors -We were looking to get gazette for allowances increase for councillors but Cogta did not issue that that gazette for increase for councillors allowances ,the municipality also have 12 % savings to this vote due to new election that was in November 2021 and the position for the MPAC Chairperson was not filled on the day of the election of the political leadership .

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

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

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

l) Loss on disposal of assets and liabilities ,the is no-cash item the municipality did not provide the budget for this item since it is too difficult to provide the budget for this line item and we need to the disposal first before we can determine by the budget

m)Inventory -In the previous financial year ,the municipality had stock on hand .the municipality had to implement cutting method to reduce expenses

Additional text

Receivable from exchange transaction -

n)VAT -the municipality had limited payment that we can claim the vat on it .the municipality manage to claim receive all claims that was submitted to SARS during the year .

o)**Purchase of Property,Plant and equipment** -the municipality use this budget for CAPITAL Budget and the municipality is within the budget the amount of R 14 000 000 was for small town this is unspent grant

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Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Estimates were used on the following elements: Property, plant and equipment, Post employment benefits, defined contribution plans, employee benefits, provisions, contingencies and intangible assets

1.2 Investment property

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

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

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

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. The Subsequent measurement of investment properties is carried at (fair value) .

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

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Accounting Policies

1.2 Investment property (continued)

Fair value

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.3 Property, plant and equipment

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

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

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

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

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

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

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

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

Each part of an item of Aroperty, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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1.3 Property, plant and equipment (continued)

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

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

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

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

The Municipality separately discloses expenditure to repair and maintain Property, Plant and Equipment in the notes to the financial statements (see note 4).

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

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

1.4 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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1.4 Intangible assets (continued)

Item	Useful life
Computer software, other	3-5 years

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

1.5 Financial instruments

Initial recognition and measurements

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

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

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

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

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

Payables from exchange transactions

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

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

1.6 Tax

Income tax expense

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

VALUE ADDED TAX (VAT) :

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

1.7 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately. Operating leases are those leases that are not finance leases. Operating lease rentals are expensed on the straight line basis.

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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.

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

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

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

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

Operating leases - lessee

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

1.8 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.9 Impairment of cash-generating assets

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

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

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

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1.9 Impairment of cash-generating assets (continued)

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

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

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

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

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

Useful life is either:

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the Municipality:

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

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1.9 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.10 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

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

Redesignation

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

1.11 Share capital / contributed capital

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

1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

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1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

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

Contributions to Natal Joint Municipal Pension Fund (NJMPF) and are made as follows :

- Provident 1 - 21 Members - 5 % council 9 %
- Provident 2 - 6 Members - 7 % council 18.04 %
- Provident 3 - 52 Members - 9.25 % Council 13.65%
- Retirement 1 Members - 7 % Council - 13.65 %
- Superannuation 36 Members - 9.25 % Council - 25 %

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Provisions are not recognised for future operating surplus.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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1.14 Commitments (continued)

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

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

1.15 Revenue Recognition

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

Measurement

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

1.16 Revenue from non-exchange transactions

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

1.17 Borrowing costs

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

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

1.18 Comparative information

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.20 Fruitless and wasteful expenditure

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

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

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1.21 Irregular expenditure

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

1.22 Revaluation reserve

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

1.23 Conditional Grants and 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.

1.24 Presentation of budget information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

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

1.25 Related parties

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

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

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

1.26 Expenditure

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

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

GRAP 32 Service Concession Arrangement :Grantor

The Municipality has used this standard in developing an accounting policy as per directive 5. The transitional provision for this standard in terms of directive 4 is as follows; When the municipality initially adopts a standard of GRAP, GRAP 3 requires a municipality to apply the requirements of the standard being adopted retrospectively.

GRAP 108 Statutory Receivables (Transitional Provisions)

GRAP 108: Statutory receivables became effective in the current financial year. The Standard defines statutory receivables as receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The municipality have one class of receivables that meet the criteria of statutory receivables, being property rates, which are levied in terms of the Municipal Property Rates Act. Property rates are currently disclosed as part of consumer debtors in Note 10. These statutory receivables are initially and subsequently measured using the principles of GRAP 104: Financial instruments, which are consistent in all material respects with the measurement principles in GRAP 108. The accounting policy on debtors has not been changed in respect of the classification and measurement of statutory receivables since the municipality has opted to apply the transitional provisions of Directive 4 in terms of not changing the classification and measurement of the debtors while the full implications of compliance with GRAP 108 is still under review. There are currently no statutory receivables classified and measured in accordance with GRAP 108. The impact of complying with GRAP 108 will be on the classification of debtors since statutory receivables will be disclosed separately on the financial statements. The measurement basis is considered appropriate. The municipality has developed an accounting policy for statutory receivables, which is subject to approval by Council and will be implemented during the 2021/22 financial year after having reviewed the impact of the classification, measurement, and disclosure in terms of the information currently provided to the various stakeholders.

GRAP 109 Accounting by principals and Agents

The Municipality has used this standard in developing an accounting policy as per directive 5. The transitional provision for this standard in terms of directive 4 is as follows; When the municipality initially adopts a standard of GRAP, GRAP 3 requires a municipality to apply the requirements of the standard being adopted retrospectively.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 25 on Employee Benefits (Revised)	01 April 2025	Material Impact
GRAP 25 on Financial Instruments(Revised)	01 April 2025	Material Impact
IGRAP 7 (Revised)	To be determined	Material Impact
IGRAP 21 (Revised)	To be determined	Material Impact
Guideline on Accounting for Landfillsites	To be determined	Material Impact
Additional text		

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3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	10 965 000	-	10 965 000	10 965 000	-	10 965 000

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	10 965 000	10 965 000

Reconciliation of investment property - 2021

	Opening balance	Additions resulting from capitalised subsequent expenditure	Total
Investment property	10 405 000	560 000	10 965 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The addition of R 560 000 was done to our Investment property due to implementation of new property valuation roll.

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4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	728 000	-	728 000	728 000	-	728 000
Buildings	13 071 340	(4 530 787)	8 540 553	12 952 809	(4 150 056)	8 802 753
Furniture and Fixtures	1 736 530	(931 498)	805 032	1 590 147	(838 131)	752 016
Capital Work in Progress	48 111 915	-	48 111 915	12 201 658	-	12 201 658
Motor vehicles	7 938 900	(3 351 669)	4 587 231	7 297 780	(2 864 085)	4 433 695
Office equipment	1 381 654	(951 455)	430 199	1 350 650	(798 325)	552 325
IT equipment	2 409 817	(1 378 287)	1 031 530	2 218 591	(1 210 672)	1 007 919
Infrastructure	98 514 319	(29 049 860)	69 464 459	90 803 691	(23 758 129)	67 045 562
Community	110 782 866	(33 227 917)	77 554 949	110 532 850	(29 061 396)	81 471 454
Other property, plant and equipment	1 887 634	(1 032 644)	854 990	1 958 104	(907 940)	1 050 164
Total	286 562 975	(74 454 117)	212 108 858	241 634 280	(63 588 734)	178 045 546

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

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

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	728 000	-	-	-	-	-	728 000
Buildings	8 929 555	243 000	-	-	(369 802)	-	8 802 753
Furniture and Fixtures	756 112	117 290	(3 166)	-	(118 095)	-	752 016
Capital Work in Progress	15 584 265	36 832 011	-	(40 214 619)	-	-	12 201 658
Motor vehicles	4 779 159	559 690	101 988	-	(803 166)	-	4 433 695
Office equipment	617 029	98 500	(3 896)	-	(158 697)	-	552 325
IT equipment	1 020 346	253 831	(9 443)	-	(255 180)	-	1 007 919
Infrastructure	47 736 379	25 191 027	(1 504 787)	-	(4 170 540)	(206 525)	67 045 562
Community	69 698 845	16 114 738	(14 317)	-	(4 032 295)	(295 518)	81 471 454
Other property, plant and equipment	1 057 846	170 795	(5 196)	-	(171 049)	-	1 050 164
	150 907 536	79 580 882	(1 438 817)	(40 214 619)	(10 078 824)	(502 043)	178 045 546

Reconciliation of Work-in-Progress 2022

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

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	2 811 131	12 773 134	15 584 265
Additions/capital expenditure	24 337 405	12 494 606	36 832 011
Transferred to completed items	(25 031 727)	(15 182 891)	(40 214 618)
	2 116 809	10 084 849	12 201 658

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Building and Facilities	2 498 429	3 952 482
Road Infrastructure	30 313 787	21 814 758
Motor Vehicles	266 242	765 460
	33 078 458	26 532 700

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

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5. 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	1 271 555	(1 064 250)	207 305	1 271 555	(977 933)	293 622

Reconciliation of intangible assets - 2022

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

Reconciliation of intangible assets - 2021

	Opening balance	Disposals	Amortisation	Total
Computer software, other	488 430	(15 867)	(178 941)	293 622

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6. Operating lease asset (accrual)

Current assets	88 400	88 400
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7. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

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

Post retirement medical aid plan

POST RETIREMENT MEDICAL BENEFITS

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

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

Carrying value

Employee Benefit Obligation	7 019 000	5 144 000
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Entity's own financial instruments [state each category]

Number of in - service members	66	60
Average age	40.6	40.0
Average past service	10.3	10.1
Average present value of subsidy at retirement	R 2 524 R	2 493

Summary of the in-service membership

	Female	Male	Total
Number of in-service members	39	27	66
Average age	40.0	41.6	40.8
Average past service	10.0	8.0	9.0
	-	-	-

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

Decremental withdrawal rates

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

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7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	3 163 000	2 374 000
Past service cost	270 000	183 000
Interest cost	338 000	273 000
Actuarial (gains) losses	243 000	333 000
	4 014 000	3 163 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.25 %	10.70 %
Expected rate of return on assets	8.12 %	7.17 %
Expected rate of return on reimbursement rights	2.89 %	3.29 %
Actual return on reimbursement rights	5.72 %	5.00 %
Medical cost trend rates	5.24 %	5.43 %

Demographic Assumptions

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

Pre-retirement Mortality

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

Post retirement Mortality

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

Average Retirement Age

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

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7. Employee benefit obligations (continued)

Long Service Awards and Retirement Gifts

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

Accrued liability

Accrued liability (Non -current Liability)	3 005 000	1 981 000
Comparison of assumption		
Discount rate per annum	10.7 %	9.7 %
General salary inflation rate (long term)	7.1 %	5.9 %
Net effective discount rate	3.3 %	3.6 %
Retirement age (Average)	62	62
Comparison of eligible employee		
Number of eligible employees	114	116
Average annual salaries	234 890	220 876
Salary - weighted average	40.9	40.0
Salary weighted average age past services	8.9	7.8

Average retirement age 65

Pre-retirement mortality SA 85 - 90

Withdrawals rates

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

Past year and future projected liability

Opening accrued liability	1 981 000	1 784 000
Policy Changees	698 000	-
Current Service cost	222 000	220 000
Interest Cost	185 000	134 000
Benefit vesting	(250 396)	(165 360)
Acturial loss/ Gain	169 396	8 360
	3 005 000	1 981 000

8. Inventories

Stores, materials and fuels	33 415	48 233
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9. Receivables from exchange transactions		
Deposits	964 896	964 896
Other debtors	213 789	37 206
Other debtors - UMDM	119 843	216 598
Consumer debtors - Refuse	833 674	638 992
	2 132 202	1 857 692
10. Receivables from non-exchange transactions		
Rates	666 309	9 469 610
11. VAT receivable		
VAT	3 701 379	4 479 855
12. Consumer debtors		
Gross balances		
Rates	31 982 161	30 094 472
Refuse	879 026	784 876
Other debtors UMDM	119 843	216 598
	32 981 030	31 095 946
Less: Allowance for impairment		
Rates	(31 315 852)	(20 624 862)
Refuse	(45 352)	(145 884)
	(31 361 204)	(20 770 746)
Rates		
Current (0 -30 days)	1 317 803	1 259 801
31 - 60 days	549 748	839 466
61 - 90 days	461 471	494 617
91 - 120 days	436 028	450 838
121 - 365 days	465 983	459 955
> 365 days	5 731 004	5 964 933
	8 962 037	9 469 610
Refuse		
Current (0 -30 days)	43 869	43 436
31 - 60 days	19 865	21 323
61 - 90 days	16 572	15 197
91 - 120 days	13 042	12 787
121 - 365 days	11 711	12 307
> 365 days	728 615	533 942
	833 674	638 992

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12. Consumer debtors (continued)

Other debtors -UMDM

Current (0 -30 days)	-	105 329
> 365 days	111 269	111 269
	111 269	216 598

An amount of R 105 329 has been received as at 30 June 2022 this was an amount that was raised against uMgungundlovu District Municipality for the electricity usage for sewerage Pump site which was incorrectly paid by Mkhambathini Municipality.

this was an amount that was raised against uMgungundlovu District Municipality for the electricity usage for sewerage Pump site which was incorrectly paid by Mkhambathini Municipality.

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

Reconciliation of allowance for impairment

Balance at beginning of the year	(20 770 746)	(15 604 239)
Contributions to allowance	(10 590 459)	(5 166 507)
	(31 361 205)	(20 770 746)

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

13. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	31 982 161	30 094 472
Consumer debtors - Electricity	119 843	216 598
Consumer debtors - Refuse	879 026	784 876
	32 981 030	31 095 946

Less: Allowance for impairment

Consumer debtors - Rates	(31 315 852)	(20 624 862)
Consumer debtors - Refuse	(45 352)	(145 884)
	(31 361 204)	(20 770 746)

Net balance

Consumer debtors - Rates	666 309	9 469 610
Consumer debtors - Electricity	119 843	216 598
Consumer debtors - Refuse	833 674	638 992
	1 619 826	10 325 200

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand /Float	4 000	3 000
Bank balances - FNB 6282 9533 000	22 852 724	33 955 355
FNB Call Account - Account number - 6283 1920 766	30 175 753	16 447 902
	53 032 477	50 406 257

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14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Cash on Hand -Petty Cash	4 000	3 000	3 000	4 000	3 000	3 000
FBN Call Account	30 175 753	16 447 902	45 233 789	30 175 753	16 447 902	45 233 789
FNB - 6282 9533 000 (Primary Bank Acc)	22 852 724	33 923 907	20 217 910	23 061 590	33 955 355	20 217 910
Total	53 032 477	50 374 809	65 454 699	53 241 343	50 406 257	65 454 699

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

EPWP grant	-	-
Housing grant	444 068	444 068
Municipal Disaster Relief Grant	8 200 000	-
Small Town Grant	14 000 000	-
	22 644 068	444 068

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15. Unspent conditional grants and receipts (continued)

Movement during the year

Library Grant

Current year receipts	1 910 000	1 816 000
Conditions met - transfer to revenue	(1 910 000)	(1 816 000)
Conditions still to be met - transfer to liabilities	-	-

The purpose of the grant is to address the Constitutional mandate whereby public libraries are an exclusive provincial competency. The funding assists the municipalities with the provision of library services. The condition of the grant was 100% spent in 2021/22 financial year.

Municipal Disaster Relief Grant

Current year receipts	8 200 000	-
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The purpose of the grant is to assist the municipality is attend the damages that done by the disaster . The municipality submitted the activity plan to National Treasury which was approved and the grant need to be spent 100% within 6 months .

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

Financial management Grant

Current year receipts	2 850 000	2 800 000
Conditions met - transfer to revenue	(2 850 000)	(2 800 000)
Conditions still to be met - transfer to liabilities	-	-

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

Housing Grant

Opening balance	444 068	444 068
Current year receipts	1 224 635	-
Conditions met - transfer to revenue	(1 224 635)	-
Conditions still to be met - transfer to liabilities	444 068	444 068

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

The amont of R 1 224 635 was recieved for the Department of housing after the municipality signed an agreement with the department .This fund was used for the payment for Maqonqo Projects as per the agreement

Small Town Development Grant

Current year receipts	28 420 000	-
Conditions met -transfer to revenue	(14 420 000)	-
Conditions still to be met - transfer to liabilities	14 000 000	-

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

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15. Unspent conditional grants and receipts (continued)

The amount of R 14 000 000 was deposited into the Municipality Account on the 29 June 2022, this grant is for the Next Financial Year 2022/2023

Municipal Infrastructure Grant

Current year receipts	31 755 000	25 800 000
Conditions met - transfer to revenue	(31 755 000)	(25 800 000)
Conditions still to be met - transfer to liabilities	-	-

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

Expanded Public Works Programme Grant

Current year receipts	1 329 000	1 143 000
Conditions met - transfer to revenue	(1 329 000)	(1 143 000)
Conditions still to be met - transfer to liabilities	-	-

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

Electrification

Conditions of the Grants met	18 110 000	5 000 000
	(18 110 000)	(5 000 000)
Conditions still to be met - transfer to liabilities	-	-

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure. The municipality met the condition of the grant and the grant was spend to complete Phase 1 of Ophokweni Electrification Project (Ward 2).

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

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

16. Provisions

Reconciliation of provisions - 2022

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

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Provision for leave	2 576 332	328 544	2 904 876

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

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17. Payables from exchange transactions

Trade payables	2 059 260	2 495 331
Payments received in advanced -debtors	381 518	203 661
Other creditors	209 250	183 102
Retention	3 871 083	2 117 085
	6 521 111	4 999 179

18. Revenue

Service charges	555 786	533 496
Interest received (trading)	2 242 303	2 596 078
Commissions received	2 388 962	1 781 973
Other income	3 418 573	3 154 368
Property rates	23 651 849	19 217 482
Government grants & subsidies	122 734 000	111 294 000
Licenses and permits	3 436 465	3 567 463
Other transfer revenue	-	90 416
	158 427 938	142 235 276

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	555 786	533 496
Interest received (trading)	2 242 303	2 596 078
Commissions received	2 388 962	1 781 973
Other income	3 418 573	3 154 368
	8 605 624	8 065 915

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	23 651 849	19 217 482
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Transfer revenue

Government grants & subsidies	122 734 000	111 294 000
Licenses and Permits	3 436 465	3 567 463
uMgungundlovu District Municipality electricity usage refund	-	90 416

149 822 314 134 169 361

19. Service charges

Refuse removal	555 786	533 496
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20. Agency services

Vehicle Registration	2 388 962	1 781 973
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Income from Agency Services is made up of commission earned from administering the Motor licensing section on behalf of Department of Transport on an agency basis. Only the commission on 8.62% received is recognised as income. The main cost related to this arrangement is the employee cost for the section.

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21. Other income

No invoice was paid to Eskom and no billing was done to Mguni District Municipality for the repayment of sewerage pump billing from Eskom.

The amount included in other revenue arising from non - exchange is as follows:

Taxation Revenue

uMguni District Municipality	-	90 416
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22. Other income

Contract Revenue	1 224 635	-
Library income	1 456	205
Clearance Certificate	17 919	13 426
Tender Fees	20 600	272 965
Building Plan (Plan Fees)	1 497 125	2 391 549
Insurance claims refund	561 820	349 015
UMDM and DSD Receipts	17 242	16 834
Planning Application Fee	23 959	27 724
Skills Development Refund	53 817	82 650
	3 418 573	3 154 368

The total other income include the amount of R 1 224 635 for Contracted services which was the income from the Department Housing, The municipality and the department signed the SLA for Maqonqo Housing Project

23. Property rates

Rates received

Residential	4 540 884	4 377 743
Commercial	2 545 587	2 442 195
State and Education	4 550 975	4 381 193
Agriculture	3 782 796	3 594 053
Other Properties	9 358 997	5 530 085
Less: Income forgone	(1 127 390)	(1 107 787)
	23 651 849	19 217 482

Valuations

Residential	471 040 000	471 040 000
Commercial	183 723 000	183 723 000
State and Education	247 470 000	247 470 000
Agriculture	3 177 562 000	3 169 612 000
Public service infrastructure	21 620 000	21 620 000
Other Properties	187 478 000	187 478 000
Industrial	664 095 000	419 095 000
	4 952 988 000	4 700 038 000

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The movement on the valuation roll was due to the new supplementary valuation roll which was implemented on 31 December 2021.

24. Government grants and subsidies

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24. Government grants and subsidies (continued)

Operating grants

Equitable share	70 470 000	79 735 000
Library Grant	1 910 000	1 816 000
Financial Management Grant	2 850 000	2 800 000
EPWP Grant	1 329 000	1 143 000
	76 559 000	85 494 000

Capital grants

Municipal Infrastructure Grant	31 755 000	25 800 000
Small Town Rehabilitation Grant	14 420 000	-
	46 175 000	25 800 000
	122 734 000	111 294 000

25. Employee related costs

Acting allowances	-	79 456
Bargaining Council Contributions	14 387	16 674
Basic	34 660 904	30 552 140
Bonus	2 744 504	2 210 437
Defined contribution plans	5 011 563	4 431 355
Housing benefits and allowances	222 428	214 810
Leave pay provision charge	1 528 722	1 276 556
Long-service awards	250 396	172 894
Medical aid - company contributions	2 521 882	1 881 627
Overtime payments	560 930	365 261
Phone Allowance	345 225	160 602
SDL	360 507	240 492
Stipend - Ward Committee	476 000	827 000
Travel, motor car, accommodation, subsistence and other allowances	1 075 717	640 658
UIF	281 135	226 561
WCA	277 850	388 507
	50 332 150	43 685 030

Remuneration of Municipal Manager

Annual Remuneration	720 529	813 409
Car Allowance	167 776	167 776
Performance Bonuses	170 240	63 452
Cellphone Allowance	104 400	20 400
Housing Allowance	84 000	84 000
Rural Allowance	100 000	-
Other Reimbursement	20 000	-
Medical aid	120 000	-
Leave Paid	30 809	-
	1 517 754	1 149 037

The total payment to Municipal Manager is R 1 517 754.38 .

Remuneration of Chief Financial Officer

Annual Remuneration	575 063	575 063
Car Allowance	120 000	120 000
Medical Aid	120 000	55 000
Leave payout	24 335	-
Rural Allowance	50 000	-

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25. Employee related costs (continued)		
Cell phone allowance	54 000	18 000
Other	10 000	-
Performance Bonus	67 243	78 146
Pension Allowance	60 000	55 000
	1 080 641	901 209

The total payment to Chief Financial Officer is R 1 080 641

Remuneration of Manager Technical Services

Annual Remuneration	683 063	683 063
Car Allowance	120 000	120 000
Performance Bonuses	97 809	70 331
Contributions to UIF, Medical and Pension Funds	60 000	-
Back Pay	-	22 699
Other	10 000	-
Cell Phone allowance	66 000	30 000
Leave Paid	24 335	-
Rural Allowance	50 000	-
	1 111 207	926 093

The total remuneration payment to Manager Technical Services during the financial year is R 1 111 207

Remuneration of Manager of Corporate Services

Annual Remuneration	695 063	347 532
Car Allowance	120 000	60 000
Performance Bonuses	36 678	78 146
Contributions to UIF, Medical and Pension Funds	60 000	-
Rural Allowance	50 000	-
Cell phone allowance	54 000	9 000
Other	10 000	-
Leave Payout	25 878	67 110
Performance Bonus for former Corporate Services Manager	78 146	-
	1 129 765	561 788

The total payment to Corporate Services Manager is R 1 051 619, this includes the amount of R 78 146.10 for performance bonus for former Corporate Services Manager (Miss Mndlazi)

Remuneration of Manager of Community Services

Annual Remuneration	642 743	642 743
Car Allowance	156 000	156 000
Medical Aid	60 000	-
Leave Pay	24 335	24 699
Rural Allowance	50 000	-
Cell Phone Allowance	70 320	34 320
Performance Bonus	97 808	70 331
Other	10 000	-
	1 111 206	928 093

Total remuneration of the Manager of Community Services payment during the year is R 1 111 206, which includes the Performance Bonus for 2019/20 and 2020/21 for the amount of R 97 808

26. Remuneration of councillors

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Mayor	854 469	905 259
Deputy Mayor	691 863	733 088
Exco Members	400 960	404 593
Speaker	717 724	733 088
Councillors	2 794 552	2 851 470
Section 79 Councillors	423 348	394 018
	5 882 916	6 021 516

27. Depreciation and amortisation

Property, plant and equipment	10 674 669	10 079 452
Intangible assets	86 317	178 942
	10 760 986	10 258 394

28. Impairment of assets

Impairments

Property, plant and equipment	1 006 571	502 043
The main classes of assets affected by the impairment losses was community assets and infrastructure in the previous year and the the class affected in the current financial year is infrastructure assets, Mahlabathini Gravel Road was damaged by April's KZN Flooding		

29. Debt impairment

Debt impairment	10 590 459	5 166 507
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Impairment calculation showed R 2 294 731 for 2021/22 Financial Year.

30. General expenses

Advertising	1 113 120	659 350
Arts & Culture	935 482	715 536
Bank Charges	208 606	206 969
Business and Advisory Services	10 453 582	7 960 998
Catering services	1 370 690	818 749
Civic and Hospitality	364 602	708 908
Community development and training	2 808 821	12 835
Consumables	1 448 908	2 054 852
Disaster Management	450 479	748 826
Face Value- Licence Card Renewals	454 407	636 203
Hygiene Services	326 076	281 417
Indigent Relief	118 519	151 681
Information Technology Services	593 614	809 911
Infrastructure and Planning	-	10 433 204
Internal Auditors	1 270 537	1 075 961
Landfill Site Fees	68 827	147 035
Legal Costs	591 391	124 726
Licence Renewal	103 490	189 148
Materials	152 730	322 449
Operating Leases	21 963	-
Other Contractors	4 091 254	3 207 013
Other Expenses	1 583 003	1 062 014
Postage and courier	28 650	17 169
Printing and stationery	621 532	316 161
Repairs and maintenance - Building and Facilities	3 086 655	3 383 205
Repairs and maintenance - unspecified Assets	29 991 803	23 149 494
SALGA Membership fees	506 760	483 250

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30. General expenses (continued)		
Subsistence and Travelling	670 747	712 959
Training and Development	88 242	185 738
Transportation	4 344 364	2 323 033
Water and Electricity	1 015 556	814 309
	68 884 410	63 713 103
<p>The amount included on the general expenses of R 1 224 635 as other expenditure was incurred by the municipality for the payment of Maqonqo Housing Projects. An amount of R 29 991 803 includes the amount incurred for the implementation of Plant Hire program to all wards.</p> <p>The amount amount of R 1 015 556 for water and electricity line item includes the amount of R 148 961,60 for indigent support (Free Basic Electricity)</p> <p>The amount of R5 567 045.15 was transferred from general expenses to WIP Infrastructure. This amount was then disposed since the project was transferred to Eskom.</p>		
31. Auditors' remuneration		
External Audit Fees	1 596 010	1 261 022
32. Leases		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	422 666	360 072
- in second to fifth year inclusive	487 519	390 500
	910 185	750 572
<p>Operating lease payments represent rentals payable by the municipality for certain of its office photocopying machines. Leases are negotiated between three to five years. Lease rentals escalates between 0% to 10 % per annum over the period of the lease. The municipality is also leasing a piece of land from Mrs Parak for a period of 3 years.</p>		
Rental expenses relating to operating leases		
Minimum lease payments	194 400	196 100
33. Cash generated from operations		
Surplus	1 565 523	8 983 000
Adjustments for:		
Depreciation and amortisation	10 760 986	10 258 394
Gain on sale of assets and liabilities	5 933 913	1 658 660
Impairment deficit	1 006 571	502 043
Debt impairment	10 590 459	5 166 507
Movements in retirement benefit assets and liabilities	1 875 000	986 000
Movements in provisions	323 106	328 544
Decrease in inventories	14 818	172 838
Other non-cash items	(408 970)	(29 614)
Other Creditors	-	3 038
Changes in working capital:		
Consumer debtors	(1 885 085)	222 991
Payables from exchange transactions	1 521 932	1 573 751
VAT	-	(5 509 264)
Unspent conditional grants and receipts	22 200 000	-
VAT Closing	(3 701 379)	-
VAT Opening	4 479 855	-

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33. Cash generated from operations (continued)

54 276 729	24 316 888
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34. Capital Commitments

Committed in respect of Capital Expenditure

Already contracted for but not provided for

Community Assets/Facilities

8 047 030	3 956 677
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Road infrastructure Assets

8 840 387	4 186 285
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16 887 417	8 142 962
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35. Contingent Liability

The municipality does not have any litigations.

36. Related parties

The remuneration for councillors and salaries for key management personnel are disclosed under Note 24 and 25 and they are reported as line items on the face of Statement of Financial Performance.

Related party balances

Amount included on general expenses relates to related party for UMDM Shared Services for planning departments and other departments with the uMgungundlovu District Municipality. The other amount included on the General expenses is the amount paid to uMgungundlovu District Municipality for water accounts and amount paid to uMsunduzi Local Municipality for the land fill site expenses.

General Expenses

uMgungundlovu District Municipality

286 474	197 883
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The Msunduzi Municipality

10 158	132 171
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296 632	330 054
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37. Prior period errors

The municipality identifies the error that was made in 2020/21 financial year on the calculation for Payables from exchange transaction for the amount of R 510 005 and correction on Property Plant and Equipment R30 028

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

Statement of financial position	Note	As per previously reported	Correction of error	Restated
Property Plant and Equipment	-	178 019 955	30 028	- 178 049 983
Payables from exchange transactions	-	5 509 184	(510 005)	- 4 999 179
	-	-	-	- -
	-	-	-	- -
Accumulated Surplus	-	240 403 125	510 005	- 240 913 130
	-	-	-	- -
	-	423 932 264	30 028	- 423 962 292

Statement of Financial Performance

		As per previously reported	Correction of an error	Restated
Loss on disposal of assets and liabilities	-	1 688 688	(30 028)	- 1 658 660

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37. Prior period errors (continued)

-	1 688 688	(30 028)	-	1 658 660
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38. Risk management

Liquidity risk

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

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

The amount reflected within the trade and other payables from exchange transactions are (2022: R 6 521 111 and 2021: R 4 999 179).

Credit risk

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

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

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

Financial instrument	2022	2021
Cash and cash equivalents	53 241 343	50 406 257
Consumer debtors	9 915 554	10 325 200

39. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 250 900 894 and that the municipality's total assets exceed its liabilities by R 218 507 734.

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

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

The assumption is that the municipality will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations, objectives, and so on. The municipality will not have to liquidate or be forced out of business in the foreseeable future. The municipal current cash and cash equivalent amount (R53 241 343) is sufficient for the municipality to pay its current obligations and continue to operate for more than six months without considering any income to be received by the municipality during the six months' period.

40. Events after the reporting date

- There are no material event that occurred after the reporting date 30 June 2022.

41. Unauthorised expenditure (Non - cash items)

Opening balance as previously reported	4 701 195	52 048
Opening balance	4 701 195	52 048

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41. Unauthorised expenditure (Non - cash items) (continued)		
Loss on Disposal of Assets and Liabilities	366 868	1 688 688
Acturial Losses	1 875 000	986 000
Debt Impairment	7 450 459	2 026 507
Less: Amount written off - prior period	(4 701 195)	(52 048)
Closing balance	9 692 327	4 701 195

The amount of R 9 692 327 is the total for unauthorised expenditure incurred in 2021/22 Financial Year.

In 2020/21 the municipality have incurred an unauthorised expenditure of R 4 701 195 was written off by council

Analysed as follows: non-cash

Acturial Losses	1 875 000	986 000
Loss on disposal of property, plant and equipment	366 868	1 688 688
Provision of impairment	-	2 026 507
	2 241 868	4 701 195

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

42. Fruitless and wasteful expenditure

Opening balance as previously reported	3 209 754	3 218 823
Add: Fruitless and Wasteful Expenditure - current year	4 603	-
Opening balance as restated	3 214 357	3 218 823
Less: Amount written off - current	(2 446)	-
Less: Amount written off - prior period	(3 232 715)	(9 069)
Closing balance	(20 804)	3 209 754

In terms of the exemption notice in Government gazette No 43181, The amount of R 4 603 fruitless and wasteful expenditure has been recognised for interest on late payments. The amount of R 3 232 715 for prior year was investigated and the council resolve to write off the amount of R 3 232 715 as per the recommendation for the MPAC after investigation.

The amount of R 20 804 is still under investigation

43. Irregular expenditure

Opening balance as previously reported	4 502 139	6 112 439
Add: Irregular Expenditure - current year	6 157 343	441 012
Opening balance as restated	10 659 482	6 553 451
Less: Amount written off - prior period	(4 502 139)	(2 051 312)
Closing balance	6 157 343	4 502 139

The amount of R 4 502 139 for prior year was written off by the council after the investigation

This resulted in non-compliance with the CIDB regulations and will thus result in irregular expenditure. Payment totalling R 6 157 343.27 were made to Masakhane-mining engineering cc during the current financial year.

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	483 250	475 000
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44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Amount paid - current year	1 501 345	1 261 022
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PAYE and UIF

Current year subscription / fee	7 035 667	6 712 739
Amount paid - current year	(7 035 667)	(6 712 739)
	-	-

The PAYE and UIF was all paid during the year no outstanding issues with SARS

Pension and Medical Aid Deductions

Current year subscription / fee	7 800 933	9 678 520
Amount paid - current year	(7 800 933)	(9 678 520)
	-	-

The Pension and Medical Aid deduction is made by the salaries increment and the we also have new contributions for 2021/22 Financial year .

VAT Receivable

VAT receivable	3 701 379	4 479 855
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All VAT returns have been submitted by the due date to SARS throughout the financial year .

45. Deviation from procurement processes

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements. The transaction amounting to R 416 325 was incurred during the financial year and were reported to Council quarterly and all of them were approved by council.

SA Post office	19 091	-
Gijima Holdings	-	13 900
Izingodla Health (PTY) LTD	-	261 811
Driving license card	336 697	656 053
Government Printing Works	-	3 433
Key PMB	-	49 066
Barloworld Pietermaritzburg	-	163 355
Maritzburg Central Panel Beaters	-	116 497
Lancet Laboratories	-	107 950
Popsprint Stationary	-	80 500
African Directors Service (PTY) LTD	-	24 806
Flawless Enterprise	60 538	-
Mchunu Repairs	-	280 305
Maqhwenememe Security	-	864 800
	416 326	2 622 476

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45. Deviation from procurement processes (continued)

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

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45. Deviation from procurement processes (continued)

Barloworld Pietermaritzburg

The Mayor's car was due for service, as this car was manufactured by Barloworld Ford when it is due for service it can only be taken to the same dealership for service and this could not be performed by any other dealership. This resulted in the expenditure of R163 355.00 and the municipality could not get 3 quotations as this is a sole service provider hence the implementation of section 36 of SCM regulation

- 163 355

Popsprint Stationery

This is for the supply and delivery of the LL1 forms and DL1 form for the daily operations of the Learners Licensing unit. This is the sole service provider in the province hence the expenditure amounted to R80 500.00 for the financial year 2020/2021.

- 80 500

Mchunu Repairs

This is a local supplier which helps the municipality with minor repairs for cars. The expenditure for the whole financial year amounted to R280 305 for 2020/2021. In terms of repairs and maintenance SCM processes are impractical to follow.

- 280 305

Flawless Enterprise

South Africa was declared to be under the National Disaster after the COVID19 Pandemic attack, to respond to this pandemic the municipality had to procure fumigation of all offices to mitigate the spread of the virus as this was the case of emergency we could not advertise for 7 days in the website and notice board.

60 538 -

Driving licence License Card

Only one company who make the driving licenses in South Africa hence no other way the municipality must engage them for the service .

336 697 656 053

SA Post Office

This was the payment that was payed to SA Post Office for the Licensing of the Municipal Vehicles.

19 091 -

- -

Maqhweememe security

The municipality had to hire a security company for the safety of the municipal speaker. This was resolved by the council and an urgent appointment of a security company was implemented, this amounted to R864 800.00 for the financial year 2020/2021.

- 864 800

African Directory Services (Pty) Ltd

Expenditure incurred for the advertising of the municipal activities on the government directory.

- 24 806

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45. Deviation from procurement processes (continued)		
Gijima Holdings		
Sole service provider-The service was required urgently to finalise the appointment of new incumbent	-	13 900
Government Printing Works		
Sole service provider-These forms are used by learners license unit for the printing of learners license for the public and can be obtained from Government printing works	-	3 433
Izingodla Health (PTY)LTD		
This was the case of emergency -The municipality has a first COVID 19 case and all offices had to be disinfected to deep clean using all the machines	-	261 811
Lancet Laboratories		
This was the case of emergency -COVID 19 test -the municipality had to test all employees .Only Lancet responded to our request for quotation	-	107 950
Key PMB		
This is Isuzu PMB and sole supplier for Isuzu vehicles.The municipality vehicles needed to be serviced and we could not get other quotation as the service could be obtained from Isuzu only	-	49 066
Maritzburg Central Panel Beaters		
This was the repairs expenditure fore Speakers Vihicle ,The insuarance was paid direct to the municipality and the munipality had to pay the Maritzburg Central Panel Beater .The SCM process was not follow since Maritzburg Central Panel Beaters was apointed by the Insurance company .	-	116 497

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46. Segment information

General information

Identification of segments

The municipality renders services in all 7 wards of Mkhambathini Municipality

The municipality is organised and operates in four key functional segments (business units). The management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenue and Expenditure relating to these business units are allocated at transactional level. The below are the key business units

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

Economic and environmental services which includes planning and development, road, transport and environmental protection services

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

Other - which included administration services, council services

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46. Deviation from procurement processes (continued)

Segment surplus or deficit, assets and liabilities

2022

	Community and public sfaty	Economic and eviromental services	Trading Services	Other	Total
Revenue					
Revenue from non-exchange transactions	555 786	2 193 938	4 631 265	-	7 380 989
Revenue from exchange transactions	11 145 628	37 879 872	79 834 000	20 962 814	149 822 314
Total segment revenue	11 701 414	40 073 810	84 465 265	20 962 814	157 203 303
Entity's revenue					157 203 303
Expenditure					
Salaries and wages	12 387 511	6 348 099	12 577 818	19 018 723	50 332 151
Other expenses	9 904 435	44 210 751	25 364 214	17 403 987	96 883 387
Total segment expenditure	22 291 946	50 558 850	37 942 032	36 422 710	147 215 538
Total segmental surplus/(deficit)					9 987 765
Assets					
Current Assets	629 538	-	67 392 605	136 633	68 158 776
Non Current Assets	404 616	216 426 936	733 253	5 842 873	223 407 678
Total segment assets	1 034 154	216 426 936	68 125 858	5 979 506	291 566 454
Total assets as per Statement of financial Position					291 566 454
Liabilities					
Current liabilities	-	23 979 099	5 196 375	3 217 686	32 393 160
Non Current Liabilities	-	-	-	7 019 000	7 019 000
Total segment liabilities	-	23 979 099	5 196 375	10 236 686	39 412 160

Mkhambathini Municipality

KZN 226

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

	Community and public sfaty	Economic and eviromental services	Trading Services	Other	Total
46. Deviation from procurement processes (continued)					
Total liabilities as per Statement of financial Position					39 412 160

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2022

	2021/22							2020/21							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	20 553 000	-	20 553 000	-		20 553 000	23 651 849		3 098 849	115 %	115 %				19 782 000
Service charges - electricity revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - water revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - sanitation revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	597 000	-	597 000	-		597 000	555 786		(41 214)	93 %	93 %				574 000
Commission received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				1 883 000
Rental of facilities and equipment	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - external investments	4 000 000	(1 400 000)	2 600 000	-		2 600 000	2 242 303		(357 697)	86 %	56 %				3 850 000
Interest earned - outstanding debtors	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Debt impairment Reversal	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				34 000
Licences and permits	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				7 122 000
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies	76 559 000	12 405 000	88 964 000	-		88 964 000	74 822 830		(14 141 170)	84 %	98 %				85 868 000
Other revenue	8 979 000	-	8 979 000	-		8 979 000	5 630 403		(3 348 597)	63 %	63 %				1 519 000
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	110 688 000	11 005 000	121 693 000	-		121 693 000	106 903 171		(14 789 829)	88 %	97 %				120 632 000

Appendix G3

Budgeted Financial Performance (revenue and expenditure)

for the year ended 30 June 2022

2021/22										2020/21				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Employee related costs	48 558 000	(444 000)	48 114 000	-	48 114 000	50 332 150	-	2 218 150	105 %	104 %	-	-	-	44 692 000
Remuneration of councillors	6 693 000	-	6 693 000	-	6 693 000	5 882 916	-	(810 084)	88 %	88 %	-	-	-	6 374 000
Asset impairment	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Depreciation & asset impairment	11 609 000	(10 000)	11 599 000	-	11 599 000	10 634 471	-	(964 529)	92 %	92 %	-	-	-	11 173 000
Bank charges	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Debt impairment	3 140 000	-	3 140 000	-	3 140 000	2 294 731	-	(845 269)	73 %	73 %	-	-	-	2 754 504
Impairment Loss/Reversal of Impairment	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other expenditure	72 902 000	15 877 000	88 779 000	-	88 779 000	74 822 830	-	(13 956 170)	84 %	103 %	-	-	-	77 161 000
Inventory consumer and bulk purchases	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	142 902 000	15 423 000	158 325 000	-	158 325 000	143 967 098	-	(14 357 902)	91 %	101 %	-	-	-	142 154 504
Surplus/(Deficit)	(32 214 000)	(4 418 000)	(36 632 000)	-	(36 632 000)	(37 063 927)	-	(431 927)	101 %	115 %	-	-	-	(21 522 504)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	24 755 000	35 420 000	60 175 000	-	60 175 000	38 419 678	-	(21 755 322)	64 %	155 %	-	-	-	16 676 000
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(7 459 000)	31 002 000	23 543 000	-	23 543 000	1 355 751	-	(22 187 249)	6 %	(18)%	-	-	-	(4 846 504)
Taxation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after taxation	(7 459 000)	31 002 000	23 543 000	-	23 543 000	1 355 751	-	(22 187 249)	6 %	(18)%	-	-	-	(4 846 504)
Attributable to minorities	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) attributable to municipality	(7 459 000)	31 002 000	23 543 000	-	23 543 000	1 355 751	-	(22 187 249)	6 %	(18)%	-	-	-	(4 846 504)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) for the year	(7 459 000)	31 002 000	23 543 000	-	23 543 000	1 355 751	-	(22 187 249)	6 %	(18)%	-	-	-	(4 846 504)

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2022

2021/22									2020/21					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand