



Okhahlamba Local Municipality
(Registration number KZN 235)
Annual Financial Statements
for the year ended 30 June, 2023

Okhahlamba Local Municipality

(Registration number KZN 235)

Annual Financial Statements for the year ended 30 June, 2023

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	KZN 235
Capacity	Low
Nature of business and principal activities	Service Delivery: Rates,Waste Management and General services. Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development. The mandate of the municipality is in terms of section 152 of the Constitution of South Africa.
Accounting Officer	Mr SN Malinga Pr. Techn Eng(Civil)
Councillors	Mayor - Cllr. V. R. Mlotshwa Deputy Mayor - Cllr. N. E. Shabalala Speaker - Cllr. S. Z. Khumalo Member of the Executive Committee - Cllr. M. A. Mavundla Member of the Executive Committee - Cllr. S. M. Buthelezi Member of the Executive Committee - Cllr. M. G. Ndlangisa Cllr. M. N. Dlamini Cllr.S .P. Sehlako Cllr. P. N. Zwane Cllr. B. Z. Mchunu Cllr. D.R. Hlongwane Cllr. L. K. Letsoalo Cllr. B. A. Coka Cllr. V. W. Mazibuko Cllr. S. P Khoza Cllr. T. J. Dladla Cllr. K.O. Hadebe Cllr. R. T. Khoza Cllr. V. P. Mvula Cllr. P. W. Hlongwane Cllr. P.A.M. Mfuphi Cllr. IM Buthelezi Cllr. N.A. Mdakane Cllr. D.S. Ndaba Cllr. D.T. Sibeko Cllr. N.P. Khumalo Cllr. K.A. Hlongwane Cllr. R.S. Ngwenya Cllr. MM Zakwe

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended 30 June, 2023

General Information

Registered office	259 Kingsway Road Bergville Tel: 036 448 8000 communications@okhahlamba.gov.za
Postal address	P. O. Box 71 Bergville 3350
Chief Finance Officer (CFO)	Mr. S.S. Dlamini
Bankers	First National Bank, ABSA, Investec Bank and Nedbank.
Auditors	Auditor General of South Africa
Preparer	The annual financial statements were internally compiled by: Manager: Finance, reviewed by Chief Financial Officer, Internal Audit and Risk Management.
Legislation governing the Municipality's operations:	Constitution of the Republic of South Africa (Act No. 108 of 1998) Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No. 117 of 1998) Municipal Property Rates Act (Act No. 6 of 2004) Division of Revenue Act (Act No. 1 of 2007)

Okhahlamba Local Municipality

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Abbreviations

VAT	Value Added Tax
LGSETA	Local Government Sectorial Education and Training Authority
INEP	Integrated National Electrification Programme
PPE	Property, Plant and Equipment
WCF	Workman's Compensation Fund
COGTA	Co-operative Governance and Traditional Affairs
SETA WIL	Sectorial Education and Training Authority Work Intergrated Learning
MFMA	Municipal Finance Management Act 56 of 2003
MIG	Municipal Infrastructure Grant
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
SARS	South African Revenue Services
GRAP	Generally Recognised Accounting Practice
IGRAP	Interpretation of Generally Recognised Accounting Practice
DORA	Division of Revenue Act

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended 30 June, 2023

Approval of Annual Financial Statements

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

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

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

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

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

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

The Annual Financial Statements set out from page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August, 2023 and were signed on its behalf by:



Mr SN Malinga Pr, Techn Eng(Civil)
ND Civil Eng, B Tech Civil Eng, B Tech in
Mngt., Master in Public Admin.

Date of Signature

31 August, 2023

Okhahlamba Local Municipality

(Registration number KZN 235)

Annual Financial Statements for the year ended 30 June, 2023

Statement of Financial Position as at 30 June, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Operating lease receivable	7	63,365	71,623
Receivables from exchange transactions	8	2,173,765	1,645,153
Receivables from non-exchange transactions	9	1,303,249	6,416,218
VAT receivable	10	7,621,745	6,731,248
Consumer debtors	11	34,992,356	30,394,549
Cash and cash equivalents	13	43,297,372	56,505,242
		89,451,852	101,764,033
Non-Current Assets			
Property, plant and equipment	3	467,926,802	435,632,495
Intangible assets	4	706,427	1,045,038
Heritage assets	5	93,660	93,660
Receivables from exchange transactions	8	555,556	1,140,333
		469,282,445	437,911,526
Total Assets		558,734,297	539,675,559
Liabilities			
Current Liabilities			
Finance lease obligation	14	-	5,314,371
Payables from exchange transactions	17	43,184,260	34,316,649
Employee benefit obligation	6	895,000	703,000
Unspent conditional grants and receipts	15	12,101,815	15,865,255
Provisions	16	2,302,525	11,492,394
		58,483,600	67,691,669
Non-Current Liabilities			
Finance lease obligation	14	-	135,465
Employee benefit obligation	6	4,992,682	5,865,285
Provisions	16	11,452,481	-
		16,445,163	6,000,750
Total Liabilities		74,928,763	73,692,419
Net Assets		483,805,534	465,983,140
Accumulated surplus		483,805,534	465,983,140
Total Net Assets		483,805,534	465,983,140

* See Note 42

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended 30 June, 2023

Statement of Financial Performance for the year ended 30 June, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	1,704,196	1,279,760
Rendering of services		438,420	349,463
Contract revenue	33	8,658,942	14,905,855
Rental of facilities and equipment		523,869	535,111
Interest on outstanding debtors		485,127	1,750,708
Agency services	23	4,313,961	4,392,029
Other income	22	163,896	99,477
Interest received	28	4,664,454	2,508,954
Total revenue from exchange transactions		20,952,865	25,821,357
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	18	30,187,849	27,948,922
Property rates - penalties imposed	18	5,715,577	7,123,664
Transfer revenue			
Government grants	20	222,810,634	186,011,009
Public contributions and donations	21	60,000	440,864
Fines, Penalties and Forfeits		971,890	392,980
Government subsidies		3,222,000	3,171,479
Total revenue from non-exchange transactions		262,967,950	225,088,918
Total revenue		283,920,815	250,910,275
Expenditure			
Employee related costs	25	(122,157,810)	(105,873,026)
Remuneration of councillors	26	(11,459,576)	(10,885,709)
Retirement benefits	6	(597,000)	(531,000)
Depreciation and amortisation	29	(25,822,336)	(27,595,325)
Finance costs	30	(200,681)	(685,810)
Lease rentals on operating lease		(2,943,948)	(2,630,992)
Debt Impairment	27	(8,183,902)	(11,122,948)
landfill site	16	(1,182,574)	-
General Expenses	24	(87,442,195)	(79,491,417)
Total expenditure		(259,990,022)	(238,816,227)
Operating surplus		23,930,793	12,094,048
Gain/(loss) on disposal of assets and liabilities		(1,536,351)	149,490
Actuarial gains/(losses)	6	1,202,000	(1,402,000)
Impairment loss	3	(5,774,051)	(5,299,924)
		(6,108,402)	(6,552,434)
Surplus for the year		17,822,391	5,541,614

* See Note 42

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended 30 June, 2023

Statement of Changes in Net Assets for the year ended 30 June, 2023

Figures in Rand	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	457,567,529	457,567,529
Adjustments		
Prior year adjustments 42	2,873,997	2,873,997
Balance at 1 July, 2021 as restated*	460,441,526	460,441,526
Changes in net assets		
Surplus for the period	5,541,614	5,541,614
Total changes	5,541,614	5,541,614
Restated* Balance at 1 July, 2022	465,983,143	465,983,143
Changes in net assets		
Surplus for the period	17,822,391	17,822,391
Total changes	17,822,391	17,822,391
Balance at 30 June, 2023	483,805,534	483,805,534

* See Note 42

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended 30 June, 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Cash receipt from ratepayers and other		48,781,410	48,832,559
Grants		219,047,194	191,500,153
Interest income		4,664,454	2,508,954
		<u>272,493,058</u>	<u>242,841,666</u>
Payments			
Employee costs		(133,617,386)	(116,758,735)
Suppliers		(81,203,912)	(90,774,726)
Finance costs		(200,681)	(685,810)
		<u>(215,021,979)</u>	<u>(208,219,271)</u>
Net cash flows from operating activities	32	<u>57,471,079</u>	<u>34,622,395</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(65,034,993)	(44,455,107)
Proceeds from sale of property, plant and equipment	3	6,558	287,159
Purchase of other intangible assets	4	-	(2,500)
Net cash flows from investing activities		<u>(65,028,435)</u>	<u>(44,170,448)</u>
Cash flows from financing activities			
Finance lease payments		(5,650,517)	(5,072,150)
Net increase/(decrease) in cash and cash equivalents		<u>(13,207,873)</u>	<u>(14,620,203)</u>
Cash and cash equivalents at the beginning of the year		56,505,242	71,125,444
Cash and cash equivalents at the end of the year	13	<u>43,297,369</u>	<u>56,505,241</u>

* See Note 42

Okhahlamba Local Municipality

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Statement of Comparison of Budget and Actual Amounts for the year ended

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	1,335,000	286,547	1,621,547	1,704,196	82,649	
Rendering of services	-	487,039	487,039	438,420	(48,619)	
Contract revenue	-	-	-	8,658,942	8,658,942	a)
Rental of facilities and equipment	510,000	-	510,000	523,869	13,869	
Interest on outstanding debtors	-	408,805	408,805	485,127	76,322	b)
Agency Services	5,009,000	(915,477)	4,093,523	4,313,961	220,438	
Other income	427,000	(312,184)	114,816	163,896	49,080	
Interest received	2,518,000	1,074,290	3,592,290	4,664,454	1,072,164	c)
Total revenue from exchange transactions	9,799,000	1,029,020	10,828,020	20,952,865	10,124,845	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	30,584,000	(511,000)	30,073,000	30,187,849	114,849	
Property rates - penalties imposed	9,197,000	(3,544,820)	5,652,180	5,715,577	63,397	
Transfer revenue						
Government grants	208,455,132	15,900,000	224,355,132	222,810,634	(1,544,498)	d)
Public contributions and donations	-	-	-	60,000	60,000	e)
Fines	601,422	-	601,422	971,890	370,468	f)
Government subsidies	3,222,000	-	3,222,000	3,222,000	-	
Total revenue from non-exchange transactions	252,059,554	11,844,180	263,903,734	262,967,950	(935,784)	
Total revenue	261,858,554	12,873,200	274,731,754	283,920,815	9,189,061	
Expenditure						
Employee related costs	(118,938,000)	(3,344,289)	(122,282,289)	(122,157,810)	124,479	
Remuneration of councillors	(10,949,492)	(511,000)	(11,460,492)	(11,459,576)	916	
Retirement benefits	-	(597,000)	(597,000)	(597,000)	-	
Depreciation and amortisation	(30,144,000)	1,200,000	(28,944,000)	(25,822,336)	3,121,664	g)
Impairment loss/ Reversal of impairments	(3,000,000)	(3,000,000)	(6,000,000)	(5,774,051)	225,949	
Finance costs	(399,000)	-	(399,000)	(200,681)	198,319	h)
Lease rentals on operating lease	-	(2,943,948)	(2,943,948)	(2,943,948)	-	
Debt Impairment	(9,273,000)	(917,000)	(10,190,000)	(8,183,902)	2,006,098	i)
Landfill Rehabilitation	-	(1,200,000)	(1,200,000)	(1,182,574)	17,426	
General Expenses	(66,693,000)	(11,861,763)	(78,554,763)	(87,442,195)	(8,887,432)	j)
Total expenditure	(239,396,492)	(23,175,000)	(262,571,492)	(265,764,073)	(3,192,581)	
Operating surplus	22,462,062	(10,301,800)	12,160,262	18,156,742	5,996,480	
Gain/(loss) on disposal of assets and liabilities	-	-	-	(1,536,351)	(1,536,351)	

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Statement of Comparison of Budget and Actual Amounts for the year ended

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gains/(losses)	-	-	-	1,202,000	1,202,000	
	-	-	-	(334,351)	(334,351)	
Surplus for the year	22,462,062	(10,301,800)	12,160,262	17,822,391	5,662,129	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	22,462,062	(10,301,800)	12,160,262	17,822,391	5,662,129	

Reconciliation

Significant increase/decrease is explained below;

a) Contract revenue- INEP and Housing revenue, during the budget process the Municipality had not included the budget since the Management was convinced that the GRAP 109 is the correct accounting standard to apply, therefore no budget was allocated.

b) Interest on outstanding debtors - The Gross balances for refuse removal has increased due to the decrease in collection rate, therefore interest charges has increased.

c) Interest income - The increase in repo rate led to the higher interest rates offered by financial institutions.

d) Government grants- the Municipality has an unspent grant for Small Town Rehabilitation Grant, a rollover application has been sent.

e) Public contributions and donations- The Municipality received donations from government departments which could not be budgeted for.

f) Fines, penalties and forfeits- Traffic fines issued by the law enforcement increased, due to road blocks conducted.

g) Depreciation and amortisation - The Municipality has revised the remaining useful lives and residual values of assets which had reached the end of their useful lives, based on the conditions in terms of GRAP 17 paragraph 56, this has resulted in depreciation charge.

h) Finance costs - The interest payable on finance leases decreases as the Municipality makes capital redemption to the lease and the Municipality has fully settled the finance lease.

i) Debt impairment - The Municipality impairs on average 62% of the gross debtors, this was increase during the budget since the Municipality anticipated a decrease in the collection rate, however the actual impairment has been 62% of the gross debtors.

j) General Expenses - The Municipality has included the INEP and Housing grant expenditure in general expenses in accordance to GRAP 11: construction contract, during the budget process the Municipality had not included the budget since the Management was convinced that the GRAP 109 is the correct accounting standard to apply, therefore no budget was allocated.

Okhahlamba Local Municipality

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Statement of Comparison of Budget and Actual Amounts for the year ended

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 Position

Assets

Capital Budget	58,356,000	16,435,000	74,791,000	65,034,993	(9,756,007)	
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Okhahlamba Local Municipality

(Registration number KZN 235)

Annual Financial Statements for the year ended 30 June, 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

Some assets are commonly described as "infrastructure assets". While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

- a) they are part of a system or network;
- b) they are specialised in nature and do not have alternative uses;
- c) they are immovable; and
- d) they may be subject to constraints on disposal.

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

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

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

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

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

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended 30 June, 2023

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one accounting period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

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

Item	Depreciation method	Average useful life (Years)
Buildings	Straight-line	30
Plant and machinery	Straight-line	3-5
Motor vehicles	Straight-line	7-10
Office equipment	Straight-line	3-10
IT equipment	Straight-line	3-10
Infrastructure	Straight line	
• Roads - Gravel	Straight line	3 - 10
• Roads - Tar	Straight line	10 - 15
• Paving	Straight line	5 - 30
Community	Straight line	
• Solid waste disposal	Straight line	5 - 25
• Community Assets	Straight line	5 - 30
leased Assets	Straight-line	3-5

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

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

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

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

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

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Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

1.4 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.

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

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

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

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

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

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

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1.4 Intangible assets (continued)

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.5 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

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1.5 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Financial instruments

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

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

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

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

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

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

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1.6 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.6 Financial instruments (continued)

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

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

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

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions, where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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Accounting Policies

1.6 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

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Accounting Policies

1.6 Financial instruments (continued)

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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.

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1.7 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the 10.25%.

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

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

Operating leases - lessor

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

Operating leases - lessee

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

1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Identification

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

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

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

Value in use

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

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.

1.9 Tax

Value Added Tax

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value Added Tax Act No 89 of 1991.

1.10 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.

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1.10 Employee benefits (continued)

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.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises 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 benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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1.10 Employee benefits (continued)

Multi-employer plans

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

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 recognises 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 recognises 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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect 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 post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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1.10 Employee benefits (continued)

Long service awards

The municipality offers long service award/bonus to an employee that has completed the following periods:

5 years service = 5 days

10 years service = 10 days

15 years service = 20 days

20-45 years service = 30 days

The employees may elect to either take or encash the days, the encashment or taking of the leave must take place in the same year that employee qualifies for the recognition/long service leave

Based on previous experience, employees elect encashment of the days over taking leave days

An employee that has 5 or more years service with the municipality and leaves the service of the municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro rata long service bonus for any uncompleted period stipulated above.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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 (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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1.11 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgments. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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, a 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.

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1.11 Provisions and contingencies (continued)

Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the provision is based on the expected future cost to rehabilitate of the landfill site.

The municipality has an obligation to rehabilitate these landfill sites. The cost of such property includes the initial estimate of the cost of rehabilitating the land and restoring the site on which it is located, the obligation which the municipality incurs as a consequence of having used the property during a particular year for landfill purposes. The municipality estimates the useful lives and makes assumption to the useful lives of these assets, which influences the provision for future costs.

The asset is measured using the cost model :

- a) subject to (b), changes in the liability are added to, deducted from, the cost of the related assets in the current period;
- b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Salary commitments relating to employment contracts are excluded. Commitments are disclosed inclusive of VAT

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

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

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1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest

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

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

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

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

1.14 Revenue from non-exchange transactions

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

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

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

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

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

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

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1.14 Revenue from non-exchange transactions (continued)

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

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

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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

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

Fines (IGRAP 1)

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

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

1.15 Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

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1.16 Government grants and receipts

Unconditional Grants

Equitable share allocations are recognised in revenue as and when the allocation is received

Conditional Grants

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of noncompliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

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1.18 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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

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

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

1.19 Comparative figures

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

1.20 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.

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

- (a) expenditure incurred by the Municipality or Municipal entity in contravention of, or that is not in accordance with, requirement of this act, and which has not been condoned in terms of section 170.
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, requirement of the Municipal System Act, and which has not been condoned in terms of that Act.

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1.22 Irregular expenditure (continued)

- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office - Bearer's Act, 1998 (Act No. 20 of 1998)

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. Irregular expenditure incurred is disclosed inclusive of VAT.

1.23 Budget information

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

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

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

The approved budget covers the fiscal period from 2022-07-01 to 2023-06-30.

The 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.

1.24 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.

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Events after reporting date

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

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

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

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

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1.26 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 judgemental is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions

Allowance for doubtful debts

The Municipality's management in exercising reasonable judgemental in determining the provision for doubtful debt has considered GRAP 104, the assessment of the debtors and taking into account the risk factors presented by the debtors (type of debtor, amounts owing, payments history, economic indicators).

Changes to the assumptions used are accounted for as a change in accounting estimates in terms of GRAP 3.

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed, availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

Trade receivables / Held to maturity investments and/or loans and receivables.

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Employee Benefits

The present value of the long service award obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of long service award.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for Long Service Award obligations are based on current market conditions. Additional information is disclosed in Note 6.

1.27 Statutory receivables

Identification

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

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

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1.27 Statutory receivables (continued)

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, a municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

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1.27 Statutory receivables (continued)

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

1.28 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.29 Segment information

A segment is an activity of an entity:

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

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

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1.29 Segment information (continued)

Measurement

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

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

1.30 Construction contracts and receivables

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

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

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

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

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

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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

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

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

The Municipality uses the proportion that contract cost incurred for the work performed to date bear to the estimated total contract cost as the stage of completion..

1.31 Prior period errors

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with Standards of GRAP if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are authorised for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

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Accounting Policies

1.31 Prior period errors (continued)

Material prior period errors are corrected retrospectively in the first set of financial statements authorised for issue after their discovery by

Restating the comparative amounts for the prior period(s) presented in which the error occurred; or

If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

1.32 Materiality

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

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

1.33 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.

1.34 Off setting

Assets and liabilities, revenue and expenses should not be offset; these items should be reported separately. Offsetting is permitted only if it is required or permitted by other standards of GRAP (GRAP 25) , Legislation or where offsetting reflects the substance of the transaction or the event

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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 1 July, 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	1 April, 2023	Impact is currently being assessed
• GRAP 103 (as revised): Heritage Assets	1 April, 2009	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	1 April, 2023	Impact is currently being assessed
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	1 April, 2023	Impact is currently being assessed
• Guideline: Guideline on the Application of Materiality to Financial Statements	1 April, 2009	Impact is currently being assessed
• GRAP 104 (as revised): Financial Instruments	1 April, 2025	Impact is currently being assessed
• iGRAP 21: The Effect of Past Decisions on Materiality	1 April, 2023	Impact is currently being assessed

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3. Property, plant and equipment

	2023		2022	
	Cost / Valuation	Accumulated depreciation and impairment	Cost / Valuation	Accumulated depreciation and impairment
Land	11,675,709	-	11,675,709	-
Buildings	265,769,395	(62,847,348)	202,922,047	(53,798,359)
Plant and machinery	11,034,985	(5,453,099)	5,581,886	(5,881,226)
Motor vehicles	48,546,439	(42,388,622)	6,157,817	(40,072,786)
Office equipment	8,240,176	(5,472,712)	2,767,464	(5,032,066)
IT equipment	5,105,213	(2,579,305)	2,525,908	(2,781,404)
Infrastructure	331,729,470	(95,824,569)	235,904,901	(81,620,907)
Community	14,700,776	(14,309,706)	391,070	(12,021,168)
Total	696,802,163	(228,875,361)	467,926,802	(201,207,916)
			636,840,411	435,632,495

Okhahlamba Local Municipality

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Additions (Work in progress)	Disposals	Fair value donations	Other changes, movements	Depreciation	Impairment loss	Total
Land	11,675,709	-	-	-	-	-	-	-	11,675,709
Buildings	195,360,206	-	16,690,287	(47,602)	-	-	(8,331,205)	(749,639)	202,922,047
Plant and machinery	5,937,049	297,964	739,894	(165,516)	-	(160,114)	(1,050,717)	(16,674)	5,581,886
Motor vehicles	7,103,942	1,378,711	-	(1,875)	-	-	(2,322,961)	-	6,157,817
Office equipment	2,669,925	1,022,710	-	(30,990)	-	-	(894,181)	-	2,767,464
IT equipment	1,959,589	1,276,345	-	(101,950)	60,000	-	(668,076)	-	2,525,908
Infrastructure	210,282,438	-	41,288,210	(976,414)	-	-	(12,182,580)	(2,506,753)	235,904,901
Community	643,637	2,500,986	-	(199,040)	-	-	(53,527)	(2,500,986)	391,070
	435,632,495	6,476,716	58,718,391	(1,523,387)	60,000	(160,114)	(25,503,247)	(5,774,052)	467,926,802

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Additions (Work in progress)	Disposals	Transfers	Fair value donations	Depreciation	Impairment loss	Total
Land	11,675,709	-	-	-	-	-	-	-	11,675,709
Buildings	199,396,789	-	5,558,864	(50,744)	(6,470)	-	(8,013,217)	(1,525,016)	195,360,206
Plant and machinery	5,519,299	709,786	513,314	(525)	6,470	244,500	(1,055,795)	-	5,937,049
Motor vehicles	12,399,941	-	-	(53,283)	-	-	(5,242,716)	-	7,103,942
Office equipment	3,372,916	133,564	-	(243)	-	78,710	(915,022)	-	2,669,925
IT equipment	1,502,853	874,266	-	(22,474)	-	117,654	(512,710)	-	1,959,589
Infrastructure	188,845,243	52,121	33,121,407	(10,400)	-	-	(11,467,146)	(258,787)	210,282,438
Community	722,491	3,491,785	-	-	-	-	(54,518)	(3,516,121)	643,637
	423,435,241	5,261,522	39,193,585	(137,669)	-	440,864	(27,261,124)	(5,299,924)	435,632,495

Pledged as security assets

Carrying value of assets pledged as security (refer to note 14):

Motor Vehicle	-	2,129,638
IT equipments	-	319,765

The Municipality has fully settled all finance leases in 2022/2023.

Donations

The Municipality received the following donations with the fair value of R 60 000 (2022 : R 440 864)

IT equipment from KwaZulu Natal Department of Sports, Arts and Culture with a fair value of R 60 000.

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3. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Bergville Vehicle Testing Pit	1,851,713	1,851,713
Bergville athletic track	1,624,841	1,624,841
Bergville CSC tuckshop	1,555,405	1,555,405
	5,031,959	5,031,959

There has been no movements in the above projects in the 2022/2023 financial year. These assets were assessed for any indication for impairment, there were no indications that the assets were impaired.

The projects have not been completed due to unavailability of funding.

Reconciliation of Work-in-Progress 2023

	Included within buildings	Included within infrastructure	Included within plant and machinery	Total
Opening balance	19,499,751	46,540,301	1,966,288	68,006,340
Additions/capital expenditure	16,690,287	41,288,210	739,894	58,718,391
Other movements [Operational expenditure]	-	-	(160,113)	(160,113)
Transferred to completed projects	(22,732,266)	(29,413,731)	(2,546,069)	(54,692,066)
	13,457,772	58,414,780	-	71,872,552

Reconciliation of Work-in-Progress 2022

	Included within buildings	Included within infrastructure	Included within plant and machinery	Total
Opening balance	25,621,686	23,345,840	1,452,974	50,420,500
Additions/capital expenditure	5,558,864	33,121,407	513,314	39,193,585
Transferred to completed projects	(11,680,799)	(9,926,946)	-	(21,607,745)
	19,499,751	46,540,301	1,966,288	68,006,340

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3. Property, plant and equipment (continued)		
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		
Amount paid to employees	6,172,748	6,273,039
Amount paid to suppliers	5,489,667	3,962,770
Materials	4,021,724	2,377,473
Fuel and oil	4,223,282	2,544,821
	19,907,421	15,158,103

Repairs and Maintenance on Property, Plant and Equipment is detailed as follows

Amount paid to suppliers R 5 489 667 (2022: R3 962 770), is included in general expenses (note 24) as sub-contracting services in the Statement of Financial Performance.

Employee related cost is the amount incurred on employees R 6 172 748 (2022: R 6 273 039), included in the employee related cost in the Statement of Financial Performance.

Materials amounting to R 4 021 724 (2022: 2 377 473) are included in the general expenses (note 24) as consumables in the Statement of Financial Performance. Included in materials is joint pipes, culverts and precast wall wings used in the maintenance of roads and infrastructure

Fuel and oil amounting to R 4 223 282 (2022: 2 544 821) is included in general expenses (note 24) in the statement of Financial performance.

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4. Intangible assets

	2023		2022	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software, other	2,534,404	(1,827,977)	2,755,312	(1,710,274)
		706,427		1,045,038

Reconciliation of intangible assets - 2023

	Opening balance	Disposals	Amortisation	Total
Computer software, other	1,045,038	(19,522)	(319,089)	706,427

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,376,739	2,500	(334,201)	1,045,038

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5. Heritage assets

	2023		2022	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Art Collections, antiquities and exhibits	93,660	-	93,660	93,660
				Accumulated impairment losses
				-
				93,660

Reconciliation of heritage assets 2023

Art Collections, antiquities and exhibits

	Opening balance	Total
	93,660	93,660

Reconciliation of heritage assets 2022

Art Collections, antiquities and exhibits

	Opening balance	Total
	93,660	93,660

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Figures in Rand	2023	2022
6. Employee benefit obligations		
Defined contribution plan		
Post retirement pension plan		
The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi- employer funds, the allocation of any surplus/ deficit to individual municipalities cannot be determined.		
Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to the users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.		
An independent valuer carries out statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2023 interim valuations have not been released.		
Long Service Awards		
The independent valuers carried out a statutory valuation on the Long Service Awards benefit as at 30 June 2023.		
The principal actuarial assumptions used were as follows:		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Opening Balance	(6,568,285)	(4,590,981)
Interest cost	(597,000)	(531,000)
Expected employee benefit payment/current service cost	(824,000)	(760,000)
Actuarial gain/(loss)	1,202,000	(1,402,000)
Less municipality paid benefits	899,603	715,696
	(5,887,682)	(6,568,285)
Non-current liabilities	(4,992,682)	(5,865,285)
Current liabilities	(895,000)	(703,000)
	(5,887,682)	(6,568,285)
Active members	354	335
Summary of key economic assumptions(p.a.)		
Discount rate	11.47 %	10.20 %
Salary inflation	7.85 %	9.40 %
Net discount rate	3.36 %	0.73 %
	-	-
Net expense recognised in the statement of financial performance		
Interest cost	597,000	531,000
Expected employee benefit payment/current service cost	824,000	760,000
Actuarial (gain)/loss	(1,202,000)	1,402,000
	219,000	2,693,000

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7. Operating lease receivable		
Current assets	63,365	71,623
Present Value of minimum lease payments		
-Within one year	577,660	548,712
- in second to fifth year	332,820	910,480
	910,480	1,459,192
<p>The Municipality entered into an operating lease agreement for a period of 5 years with SASSA, leasing out office space in Dukuza Thusong and Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 5 years with 6% escalation.</p> <p>The Municipality entered into an operating lease agreement for a period of 5 years with IEC, leasing out office space in Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 5 years with 0% escalation. The rental is fixed for the duration of the contract.</p>		
8. Receivables from exchange transactions		
Prepayments (landfill site lease, License fees & Maintenance Plan) - Current	1,932,770	1,457,174
Accrued interest & agency fees receivables	240,995	187,979
Prepayments (landfill site lease) - Non-Current	555,556	1,140,333
	2,729,321	2,785,486
Non-current assets	555,556	1,140,333
Current assets	2,173,765	1,645,153
	2,729,321	2,785,486
9. Receivables from non-exchange transactions		
Fines	1,136,639	907,102
Government grants and subsidies	-	5,443,232
Sundry Debtors	49,747	49,748
Staff Debtors	116,863	16,136
	1,303,249	6,416,218
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	1,136,639	907,102
Government grants and subsidies	-	5,443,232
	1,136,639	6,350,334
Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:		
Other non-financial asset receivable	166,610	65,884
Financial asset receivables included in receivables from non-exchange transactions above	-	-
Total receivables from non-exchange transactions	1,303,249	6,416,218

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended 30 June, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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9. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines are issued in terms of the Administrative Adjudication of Road Traffic Offences (AARTO Act) by way of notices to offenders which specify the value of the fine that must be paid.

Determination of transaction amount

Schedule 3 of the AARTO Regulations 2008 for charge codes and descriptions, penalties and their discounts, and demerit points.

Interest or other charges levied/charged

No interest charges on outstanding traffic fines, however warrant of arrest is issued on long outstanding traffic fines.

Statutory receivables impaired

As of 30 June, 2023, traffic fines of R 3 124 338 (2022: R 2 474 642) were impaired and provided for.

The amount of the provision was R 1 987 700 as of 30 June, 2023 (2022: R 1 567 540).

The net balance is R 1 136 639 as at 30 June 2023 (2022; R 907 102):

Factors the entity considered in assessing statutory receivables impaired

The Municipality accounts for traffic fines impairment in accordance with IGRAP1.

The Municipality assess the average collection rate of the traffic fines over 10 years.

Reconciliation of provision for impairment for statutory receivables

Opening balance	(1,567,540)	(1,393,703)
Provision for impairment	(420,160)	(173,837)
	<u>(1,987,700)</u>	<u>(1,567,540)</u>

Government grants and subsidies

This grant is for the construction of light industrial hub, there is an agreement between the municipality and the Department of Small Business Development where the municipality pays for the construction of market stall from its coffers and the department will later pay the municipality after submitting claims and proof of payment to the department the amount remained outstanding in 2021/22. The Municipality has received the amount in 2022/23.

Staff Debtors

The amount for staff debtor relates to employees who were overpaid during the financial year. This is the amount due as at the 30 June 2023 R116 863 (2022: R 16 136).

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
10. VAT receivable		
VAT	7,621,745	6,731,248
2022/23 VAT 201's were submitted to SARS up until 30 June 2023. VAT is claimed on the payment basis.		
The amount disclosed is the net of VAT input and VAT output.		
Transaction(s) arising from statute		
VAT is levied in terms of Value-Added Tax Act 89 of 1991.		
Determination of transaction amount		
15% of the Vatable/Taxable supply.		
Statutory receivables impaired		
The carrying amount of the receivable amount disclosed is not impaired		
11. Consumer debtors		
Gross balances		
Rates	45,820,520	42,340,878
Refuse	4,092,362	3,337,829
Other debtors	41,600,997	33,601,725
	91,513,879	79,280,432
Less: Allowance for impairment		
Rates	(28,299,239)	(26,107,380)
Refuse	(2,527,486)	(2,058,105)
Other debtors	(25,694,798)	(20,720,398)
	(56,521,523)	(48,885,883)
Net balance		
Rates	17,521,281	16,233,498
Refuse	1,564,876	1,279,724
Other debtors	15,906,199	12,881,327
	34,992,356	30,394,549
Statutory receivables included in consumer debtors above are as follows:		
Property rates	17,521,281	16,233,498
	17,471,075	14,161,051
Financial asset receivables included in consumer debtors above		
	34,992,356	30,394,549
Total consumer debtors	34,992,356	30,394,549
Included in above is receivables from exchange transactions (Gross Balance)		
Refuse	4,092,362	3,337,829
Included in the above is receivables from non-exchange transactions (Gross Balances)		
Property rates	45,820,520	42,340,878
Other Debtors	41,603,556	33,601,725
	87,424,076	75,942,603

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Figures in Rand	2023	2022
11. Consumer debtors (continued)		
Gross balance	91,516,438	79,280,432
Rates	17,521,281	16,233,498
Refuse	1,564,876	1,279,724
Other Debtors	15,906,199	12,881,327
Reconciliation of allowance for impairment		
Balance at beginning of the year	(48,885,883)	(49,293,257)
Contributions to allowance	(7,763,742)	(10,949,111)
Debt written off against allowance	128,102	11,356,485
	(56,521,523)	(48,885,883)

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11. Consumer debtors (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates are charged in terms of Municipal Property Rates Act.

Determination of transaction amount

Property rates are determined by applying cents in the Rand on the market valuation as per the Council approved tariff policy (see note 18):

Interest or other charges levied/charged

Interest at a fixed rate of 18% per annum (2022: 18 %) is levied on the rates outstanding one month after due date.

Basis used to assess and test whether a statutory receivable is impaired

Accounts with 0-90 days balance are not impaired as there is less doubt in the recoverability of the monies. This does not include unregistered land where the total debt is provided at 100%.

Significant debtors are identified and are tested for impairment individually.

Insignificant debtors are grouped as per their category (i.e. Commercial, Residential etc.) and tested for impairment as a group.

Reconciliation of provision for impairment

Relating specifically to Statutory Receivables

Opening balance	(26,107,380)	(25,643,730)
Provision for impairment	(2,191,859)	(463,650)
	<u>(28,299,239)</u>	<u>(26,107,380)</u>

Receivables past due but not impaired

Relating specifically to Statutory Receivables

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June, 2023, R 2127 664 (2022: R 1 263 155) were past due but not impaired.

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

Amount not past due or impaired	2,203,752	1,938,074
Amount past due but not impaired	2,127,664	1,263,155
Amount past due and impaired	36,977,945	34,297,768

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June, 2023, R 3 728 040 (2022: R 2 821 212) were past due but not impaired.

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

Amount not past due or impaired	3,157,140	2,384,348
Amount past due but not impaired	3,728,040	2,821,212
Amount past due and impaired	84,631,212	74,077,432

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11. Consumer debtors (continued)		
Consumer debtors impaired		
As of 30 June, 2023, consumer debtors of R 84 631 212 (2022: R 74 077 432) were impaired and provided for.		
The amount of the provision was as of 30 June, 2023 R 56 521 523 (2022: R 48 885 883).		
12. Consumer debtors disclosure		
Gross balances		
Organ of the State	24,460,613	21,730,722
Commercial	6,757,952	5,479,796
Households	16,614,743	14,307,190
Other	43,683,083	37,765,283
	91,516,391	79,282,991
Less: Allowance for impairment		
Organ of the State	(4,623,579)	(3,113,580)
Commercial	(1,649,307)	(1,084,195)
Households	(13,043,712)	(11,392,465)
Other	(37,204,925)	(33,295,643)
	(56,521,523)	(48,885,883)
Net balance		
Organ of the State	19,837,034	18,617,142
Commercial	5,108,645	4,395,601
Households	3,571,031	2,914,725
Other	6,478,158	4,469,640
	34,994,868	30,397,108
Organ of state		
Current (0 -30 days)	498,171	312,703
31 - 60 days	476,996	340,054
61 - 90 days	367,551	320,768
91 - 120 days	326,131	471,034
121 - 150 days	348,653	343,084
> 150 days	22,443,111	19,943,079
	24,460,613	21,730,722
Commercial		
Current (0 -30 days)	709,751	738,297
31 - 60 days	308,584	231,483
61 - 90 days	241,929	173,235
91 - 120 days	203,050	211,808
121 - 150 days	182,262	159,911
> 150 days	5,112,376	3,965,062
	6,757,952	5,479,796

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Figures in Rand	2023	2022
12. Consumer debtors disclosure (continued)		
Household		
Current (0 -30 days)	732,190	382,627
31 - 60 days	453,249	425,692
61 - 90 days	418,546	337,707
91 - 120 days	398,067	439,662
121 - 150 days	389,250	306,904
> 150 days	14,223,442	12,414,597
	16,614,744	14,307,189
Other		
Current (0 -30 days)	1,396,594	1,090,412
31 - 60 days	956,025	681,685
61 - 90 days	818,397	537,869
91 - 120 days	765,733	819,732
121 - 150 days	714,876	500,570
> 150 days	39,031,458	34,135,015
	43,683,083	37,765,283

Included in Other is Agricultural, Industrial, Tourism, Privately Developed Estates properties, unregistered land.

Credit balances R 5 308 515 (2022: R 5 173 562) have been added to the gross debtors and have been included in payables from exchange transactions note 17.

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Notes to the Annual Financial Statements

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13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,200	6,200
Bank balances	3,632,894	13,638,180
Short-term deposits	39,658,278	42,860,862
	43,297,372	56,505,242

Included in the balance of Bank and Cash is the amount of unspent funds received for the RDP houses on behalf of beneficiaries. The amount is R 441 794 (2022: R 441 794). The corresponding liability has been appropriately disclosed as part of unspent government grants. Refer to note 15.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June, 2023	30 June, 2022	30 June, 2023	30 June, 2022
Nedbank 03/7881154969/10 Fixed deposit	10,805,135	10,139,454	10,805,135	10,139,454
Nedbank03/7881154969/000001 : Fixed Deposits	-	5,785,834	-	5,785,834
First National Bank: 51660362710 Cheque Account	3,632,894	13,638,180	3,632,894	13,638,180
First National Bank: 62752942063:Cheque Account	813,064	739,824	813,064	739,824
First National Bank: 74484485427 Fixed Deposit	5,246,719	4,918,997	5,246,719	4,918,997
Absa Bank: 2074514859: Fixed Deposit	17,726,515	16,533,294	17,726,515	16,533,294
Investec : 1100463208500	5,066,844	4,743,458	5,066,844	4,743,458
Total	43,291,171	56,499,041	43,291,171	56,499,041

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
14. Finance lease obligation		
Minimum lease payments due		
- within one year	-	5,484,509
- in second to fifth year inclusive	-	144,548
	-	5,629,057
less: future finance charges	-	(179,221)
Present value of minimum lease payments	-	5,449,836
Present value of minimum lease payments due		
- within one year	-	5,314,374
- in second to fifth year inclusive	-	135,462
	-	5,449,836
Non-current liabilities	-	135,465
Current liabilities	-	5,314,371
	-	5,449,836

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 10.25% (2022: 10.25%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The Municipality's purchased new Councilors IT equipment, monthly repayments are made for a period of 12 months. This has been fully settled by the Municipality.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 3.

The municipality's has fully settled the finance lease in 2022/23.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Human Settlements Housing Grant	441,794	441,794
Housing Projects Grant	9,900,153	9,900,153
Extravaganza Grant	6,950	6,950
Local Government Sectorial Education and Training Authority Grant	207,297	515,135
Small Town Rehabilitation Grant	1,544,398	5,000,000
KZN EDTEA grant	1,223	1,223
	12,101,815	15,865,255

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

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

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16. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Payments	Interest	Total
Environmental rehabilitation	10,702,023	2,500,986	(1,279,060)	1,182,574	13,106,523
Performance Bonuses	790,371	490,123	(632,011)	-	648,483
	11,492,394	2,991,109	(1,911,071)	1,182,574	13,755,006

Reconciliation of provisions - 2022

	Opening Balance	Additions	Payments	Total
Environmental rehabilitation	9,262,418	3,491,785	(2,052,180)	10,702,023
Legal proceedings	750,859	-	(750,859)	-
Performance bonuses	487,428	790,371	(487,428)	790,371
	10,500,705	4,282,156	(3,290,467)	11,492,394
Non-current liabilities			11,452,481	-
Current liabilities			2,302,525	11,492,394
			13,755,006	11,492,394

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate the landfill site used for waste disposal.

Balance of the provision for landfill site rehabilitation R 13 106 523 (2022: R 10 702 023).

Increase in the landfill site rehabilitation provision is R 2 500 986 (2022: 3 491 785).

The Municipality expects to start with the rehabilitation of the landfill site in the 2023/24 financial year, a payment of R 1 279 060 was made in 2022/23 for professional fees (2022: 2 052 180).

The provision for performance bonuses relates to the constructive obligation on payment of performance bonuses for section 57 employees in previous financial years.

The Municipality has been paying a performance bonus up to 14% of the total remuneration for section 57 employees.

The position for Director Social Services was vacant as at 30 June 2023, this led to the decrease in the provision.

The payment of performance bonuses is expected to be made in 2022/2023 after the approval by Council.

No reimbursements are expected on the provisions.

17. Payables from exchange transactions

Trade payables	5,088,480	2,934,224
Payments received in advance	5,308,515	5,173,562
Retention	17,981,061	13,624,620
Leave pay accrual	10,236,790	8,327,937
Unallocated Receipts	922,176	736,270
Sundry Payables	435,203	691,224
13th Cheque Accrual	3,212,035	2,828,812
	43,184,260	34,316,649

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Figures in Rand	2023	2022
18. Property rates		
Rates received		
Residential	11,299,043	9,233,575
Commercial	9,946,844	3,249,745
State	2,981,069	3,569,533
Municipal	1,014,755	743,015
Small holdings and farms	11,569,204	8,337,703
Communal Land	5,877,399	6,150,782
Other properties	5,541,809	22,487,870
Less: Income forgone	(18,042,274)	(25,823,301)
	30,187,849	27,948,922
Property rates - penalties imposed	5,715,577	7,123,664
	35,903,426	35,072,586
Valuations		
Residential	1,719,248,800	1,018,970,000
Commercial	1,586,055,000	353,640,000
Public Purpose Service and State	461,811,000	375,450,000
Municipal	155,762,000	80,850,000
Small holdings and farms	7,207,969,000	3,767,634,000
Communal Land	912,412,000	672,776,000
Other	561,594,000	1,688,048,401
	12,604,851,800	7,957,368,401

Valuations on properties are performed every 5 years. The new general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Interim valuations have been received for the 2022/23 financial year.

Assessments rates are determined by applying the following cents in the Rand on the market valuation:

Agriculture properties used for agriculture purposes	0.00161	0.00230
Business and commercial properties	0.00643	0.00919
Industrial properties	0.00643	0.00919
Municipal properties, land reform, informal settlements, public worship	0.00643	0.00919
Public service infrastructure	0.01841	0.02630
Residential purpose	0.00643	0.00919
Communal land, Privately developed, Tourism and Hospitality	0.00643	0.00919
Municipal properties binded by lease agreements	0.00643	0.00919
Rebates granted to:		
Agriculture and agricultural small holdings	20 %	20 %
Place of Worship, Communal Land and Municipal properties	100 %	100 %
Privately developed estates	- %	20 %
Public service infrastructure	100 %	100 %
Residential small holdings and rural residential	20 %	20 %
Tourism and hospitality	25 %	25 %
Protected areas	100 %	- %

A rebate is granted in terms of the Municipal Property Rates Act on the first R15 000 of the market value of all residential properties . Public Service Infrastructure are permitted a 100% impermissible exemption.

An additional rebate is allowed on the next R85 000 of all properties within a residential category. A 20% rebate is allowed for other properties based on the category of the property.

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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18. Property rates (continued)

Pensioners receive a 50% rebate on application. 100% indigent rebates are offered to qualifying applicants with total household income not exceeding R 4 390 per month. A 5% discount is applicable to rates settled on calculation, application and paid in advance for a specific financial year.

Rates are levied on an annual basis over 12 monthly installments with the final date for payment being 31 July 2023.

Penalties at a fixed rate of 18% per annum (2022: 18 %) is levied on the rates outstanding one month after due date.

19. Service charges

Refuse removal	1,704,196	1,279,760
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Okhahlamba Local Municipality

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Annual Financial Statements for the year ended 30 June, 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

20. Government grants & subsidies

Operating grants

Equitable Share	149,733,000	137,472,000
Financial Management Grant (FMG)	1,850,000	1,850,000
Expanded Public Works Programme (EPWP)	3,638,000	2,513,000
Economic Development, Tourism and Environmental Affairs (EDTEA) Grant	-	998,777
	155,221,000	142,833,777

Capital grants

Municipal Infrastructure Grant (MIG)	47,791,000	37,734,000
Small Town Rehabilitation Grant	14,355,602	-
Light industrial hub grant	5,443,032	5,443,232
	67,589,634	43,177,232
	222,810,634	186,011,009

Equitable Share

Current-year receipts	149,733,000	137,472,000
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In terms of the Constitution of South Africa, this grant is used to subsidise provision for basic services and for the municipality's operations.

Finance Management Grant (FMG)

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

This grant was used for implementation of MSCOA, physical verification of assets , Municipal Finance Management Programme and payments of finance interns. No funds were withheld.

Human Settlements Housing Grant

Balance unspent at beginning	441,794	441,794
Current-year receipts	2,485,028	49,165,295
Payments made	(2,485,028)	(49,165,295)
	441,794	441,794

Conditions still to be met - remain liabilities (see note 15).

The Municipality is an agent. this grant is for housing projects, the value of the invoice for the work done by the contractor is transferred to the municipality by the Department of Human Settlement, after the contractor has submitted the claims or invoices to the department. No funds were withheld.

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Notes to the Annual Financial Statements

Figures in Rand 2023 2022

20. Government grants & subsidies (continued)

Municipal Infrastructure Grant (MIG)

Current-year receipts	47,791,000	37,734,000
Conditions met - transferred to revenue	(47,791,000)	(37,734,000)
	<u>-</u>	<u>-</u>

The grant is for the implementation of projects approved by MIG. No funds were withheld.

Housing Projects Grant

Balance unspent at beginning	9,900,153	9,900,153
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Conditions still to be met - remain liabilities (see note 15).

The monies were received between 2007 to 2009 for housing projects, there are ongoing engagements between the municipality, the KwaZulu Natal Department of Human Settlement and the KwaZulu Natal Provincial Treasury.

Extravaganza Grant

Balance unspent at beginning	6,950	6,950
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>6,950</u>	<u>6,950</u>

Conditions still to be met - remain liabilities (see note 15).

This grant is for the organisation of Extravaganza festivities. No funds were withheld.

Light industrial hub

Balance unspent at beginning	(5,443,232)	-
Current-year receipts	10,886,264	-
Conditions met - transferred to revenue	(5,443,032)	(5,443,232)
	<u>-</u>	<u>(5,443,232)</u>

This grant is for the construction of light industrial hub, there is an agreement between the municipality and the Department of Small Business Development where the municipality pays for the construction of market stall from its coffers and the department will later pay the municipality after submitting claims and proof of payment to the department. The Municipality has raised a debtor for the amount not received as at 30 June 2022. See note on receivable from non-exchange. The amount has been received in 2022/23.

Local Government Sectorial Education and Training Authority Grant (LG SETA)

Balance unspent at beginning	515,135	27,214
Current-year receipts	3,126,874	1,965,563
Payments made	(3,434,712)	(1,477,642)
	<u>207,297</u>	<u>515,135</u>

Conditions still to be met - remain liabilities (see note 15).

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Figures in Rand 2023 2022

20. Government grants & subsidies (continued)

This grant is provided for the by LGSETA and TETA in implementing the National Skills Development Strategy for the provision of experiential training to further education and training of graduates and learnership programmes. The Municipality is an Agent to the arrangement with the training authorities. The training authorities transfers the monies to the Municipality to pay for stipends and for the entities implementing the programmes. The arrangement improves the lives of unemployed youth and graduates. No funds were withheld.

Integrated National Electrification Programme (INEP)

Current-year receipts	7,100,000	6,000,000
Conditions met	(7,100,000)	(6,000,000)
	<u>-</u>	<u>-</u>

The Municipality construct powerlines for Eskom, upon completion of the projects Eskom takes ownerships of these assets. The Municipality does not have a licence to distribute or sell electricity. The transactions are treating in accordance to GRAP 11: Contraction contract.

Small town Rehab

Balance unspent at beginning	5,000,000	-
Current-year receipts	10,900,000	5,000,000
Conditions met - transferred to revenue	(14,355,602)	-
	<u>1,544,398</u>	<u>5,000,000</u>

Conditions still to be met - remain liabilities (see note 15).

This grant is for the construction of the market stalls in 2022/2023 financial year and Light Industrial Hub Phase 2 . No funds were withheld..

Expanded Public works Programme (EPWP)

Current-year receipts	3,638,000	2,513,000
Conditions met - transferred to revenue	(3,638,000)	(2,513,000)
	<u>-</u>	<u>-</u>

This grant is for the salaries and operational costs of the contract employees for Extended Public Works Programme.

Economic Development Tourism Environmental Affairs (EDTEA) Grant

Balance unspent at beginning	1,223	-
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(998,777)
	<u>1,223</u>	<u>1,223</u>

Conditions still to be met - remain liabilities (see note 15).

This grant is for purchase of materials and equipment for local emerging suppliers. No funds were withheld.

21. Public contributions and donations

Public contributions and donations	<u>60,000</u>	<u>440,864</u>
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The Municipality received the following donation with the fair value of R 60 000 in 2023 (2022: R 440 864).

IT equipment from KwaZulu Natal Department of Sports, Arts and Culture with a fair value of R 60 000..

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22. Other income		
Business Licenses	25,826	4,586
Fees for photocopies and subscriptions	22,061	14,659
Rates Clearance	49,740	61,566
Tenders	28,609	9,652
Valuation Roll	217	443
Taxi Rank Fees	17,676	8,571
Sundry Revenue	19,767	-
	163,896	99,477

Included in Sundry revenue are the unclaimed monies recognised as Revenue in 2022/23, i.e. hall deposits and unknown deposits.

23. Agency services

Driver's Licenses	2,758,200	2,884,070
Vehicle Registration	1,555,761	1,507,959
	4,313,961	4,392,029

The Municipality receives 8.62% on amounts collected for vehicle registrations since this is the function of the Department of Transport.

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Figures in Rand	2023	2022
24. General expenses		
Audit committee fees	249,877	182,662
Advertising	462,627	260,868
Auditors remuneration	2,758,607	2,777,699
Bank Charges	41,968	41,253
Communications and public relations	-	66,899
Consulting and professional Services	4,118,322	3,333,060
Consumables	5,778,738	3,847,282
Disaster and emergencies	591,301	605,375
Education support	378,047	459,155
Sub-contracting services	5,489,667	3,962,770
Refreshments	500,629	358,227
Pound	231,897	139,364
Insurance	1,584,301	1,338,049
Conferences and seminars	80,900	53,871
IT expenses	2,379,618	2,246,528
Pauper burials	411,574	363,687
Medical expenses	60,674	189,265
Rental of offices and office machines	903,550	996,484
Fuel and oil	8,510,843	4,956,175
Postage and courier	16,369	1,798
Printing and stationery	1,010,222	916,340
License fees	1,569,978	1,420,894
Strategic planning	531,971	408,769
Security (guarding of municipal properties)	8,347,235	6,661,051
Subscriptions and membership fees	1,252,111	1,196,603
Telephone and fax	5,071,188	3,850,903
Training	445,176	1,066,412
Subsistence and travelling reimbursement	1,383,508	968,162
Traffic signs and roadmarkings	-	365,220
Electricity	3,297,992	3,267,430
Water	265,088	240,955
Uniform	798,187	779,489
Tourism Development	-	85,221
SMME's support	13,309,272	10,382,531
Free basic electricity	328,031	1,207,555
Ward committee	1,756,655	1,319,944
Public participation	4,573,243	3,545,452
Valuation expense	122,607	616,860
Scholar patrol	171,280	105,300
Contract costs	8,658,942	14,905,855
	87,442,195	79,491,417

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
25. Employee related costs		
Basic	85,739,204	75,538,162
Bonus	6,818,460	6,231,952
Medical aid - company contributions	2,817,598	2,463,673
Unemployment Insurance Fund (UIF)	690,474	629,536
Workmen's Compensation Fund (WCF)	997,813	645,051
Skills Development Levy (SDL)	946,020	836,065
Leave pay provision charge	2,534,210	1,268,787
Overtime payments	2,874,304	2,652,558
Long-service awards	824,000	760,000
Car allowance	3,553,215	2,652,454
Housing benefits and allowances	440,966	314,285
SALGA	46,667	40,160
Post employee benefits- Pension	13,874,879	11,840,343
	122,157,810	105,873,026
Remuneration of Municipal Manager		
Annual Remuneration	1,298,734	1,142,017
Car Allowance	192,000	192,000
Performance Bonuses	187,252	184,485
	1,677,986	1,518,502
Remuneration of Chief Finance Officer		
Annual Remuneration	907,815	281,447
Car Allowance	216,000	54,000
Performance Bonuses	38,436	-
	1,162,251	335,447
Remuneration of Director Social Services		
Annual Remuneration	798,491	808,187
Car Allowance	140,000	168,000
Performance Bonuses	153,744	151,472
Housing allowance	100,000	120,000
	1,192,235	1,247,659
Remuneration of Director Technical Services		
Annual Remuneration	623,655	620,637
Car Allowance	105,612	120,000
Housing allowance	88,500	354,000
Performance Bonuses	98,835	-
	916,602	1,094,637

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Figures in Rand	2023	2022
25. Employee related costs (continued)		
Remuneration of Director Corporate Services		
Annual Remuneration	683,925	879,402
Car Allowance	108,000	216,000
Performance Bonuses	153,744	151,472
	945,669	1,246,874
26. Remuneration of councillors		
Councillors	11,348,081	10,778,910
SDL and UIF	111,495	106,799
	11,459,576	10,885,709
Mayor		
Annual remuneration	900,013	839,983
Cellphone allowance	41,100	41,673
SDL	9,411	8,817
	950,524	890,473
Deputy Mayor		
Annual remuneration	719,551	674,542
Cellphone allowance	41,100	41,673
SDL	7,606	7,163
	768,257	723,378
Speaker		
Annual remuneration	719,551	674,612
Cellphone allowance	41,100	41,673
SDL	6,573	6,905
	767,224	723,190
Exco		
Annual remuneration	1,112,207	1,026,954
Travel allowance	13,500	50,321
Cellphone allowance	123,300	125,019
Subsistence and travel reimbursements	6,084	-
SDL	12,510	11,922
	1,267,601	1,214,216
Councillors		
Annual remuneration	6,590,176	6,202,973
Travel allowance	88,000	105,586
Cellphone allowance	958,483	953,900
Subsistence and travel reimbursements	-	11,459
SDL	75,395	71,993
	7,712,054	7,345,911

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26. Remuneration of councillors (continued)

In-kind benefits

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

The Mayor has 2 full-time bodyguards and the use of a Council owned vehicle.

The Speaker has 2 full-time bodyguards and the use of a Council owned vehicle .

Accounting Officer's certification of Councillors remuneration

The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Office Bearer's Act.

Subsistence and travelling reimbursement

The councillors' subsistence and travelling reimbursement R6 084 (2022: R 11 459) is included under general expenses in the statement of Financial Performance.

27. Debt impairment

Debt impairment - Consumer debtors	7,763,742	10,949,111
Debt impairment-Traffic fines	420,160	173,837
	8,183,902	11,122,948

Debt impairment for consumer debtors is R 7 763 742 (2022:R 10 949 111). Increase in provision from (2022: 48 885 883- R 128 102) to (2023: R 56 521 523). An amount of R 128 102 (2022: R 11 356 485) was written off against the debt impairment.

Debt impairment for traffic fines is R 420 160 , the provision increased from June 2022: R 1 567 540 to 30 June 2023: R 1 987 699.60.

28. Interest received

Interest revenue

Interest received - Current Account	1,654,673	797,827
Interest received - Investments	3,009,781	1,711,127
	4,664,454	2,508,954

29. Depreciation and amortisation

Property, plant and equipment	25,503,247	27,261,124
Intangible assets	319,089	334,201
	25,822,336	27,595,325

Refer to reconciliation in note 3 and 4 for further details. Depreciation and amortisation is calculated over the useful life of the asset and reflects the realisation of that asset through continued use.

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Figures in Rand	2023	2022
30. Finance costs		
Finance leases	200,681	685,810
31. Operating lease		
<p>The Municipality entered into an operating lease agreement as from 28 June 2023 for a period of 3 years with Yuretek, leasing photocopier machines and a monthly rental expense is accounted for in the Statement of Financial Performance . The average lease term is 3 years with 0% escalation. The rental is fixed for the duration of the contract.</p> <p>The Municipality further entered into an operating lease agreement as from 01 July 2017 for a period of 9 years with MZ Hlatshwayo. Leasing a land for the pound and landfill site. The payments were made in two equal payments within 2 financial years starting from the 2017/2018 and 2018/2019 financial years. Operating lease payment is accounted for in the Statement of Financial Performance and prepaid expense is accounted for in the Statement of Financial Position. The lease term is 9 years with 0% escalation.</p>		
Minimum Lease Due - Photocopier		
1 year	1,397,780	2,666,170
>2 years	2,795,561	-
	4,193,341	2,666,170
32. Cash generated from operations		
Surplus	17,822,391	5,541,614
Adjustments for:		
Depreciation and amortisation	25,822,336	27,595,325
Gain/(loss) on sale of assets and liabilities	1,536,351	(149,490)
Finance costs - Finance leases	200,681	685,810
Finance costs	-	-
Impairment deficit	5,774,051	5,299,924
Debt impairment	8,183,902	11,122,948
Movements in operating lease assets and accruals	8,258	(15,489)
Movements in retirement benefit assets and liabilities	(680,603)	1,977,304
Movements in provisions	2,262,612	991,689
Donation received	(60,000)	(440,864)
Changes in working capital:		
Receivables from exchange transactions	56,165	669,032
Consumer debtors	(12,781,709)	(8,868,024)
Other receivables from non-exchange transactions	5,112,969	(4,902,408)
Payables from exchange transactions	8,867,612	(9,014,094)
VAT receivable	(890,497)	(1,360,026)
Unspent conditional grants and receipts	(3,763,440)	5,489,144
	57,471,079	34,622,395

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Figures in Rand	2023	2022
33. Construction Contracts		
Construction contracts revenue		
Contract Revenue INEP	6,173,913	5,217,391
Contract Revenue Housing	2,485,029	9,688,464
	8,658,942	14,905,855
Construction contracts costs		
Contract costs INEP	(6,173,913)	(5,217,391)
Contract Cost Housing Grant	(2,485,029)	(9,688,464)
	(8,658,942)	(14,905,855)
	-	-
34. Commitments		
Authorised capital expenditure		
Approved & contracted for		
• Capital projects already contracted for	85,934,046	38,348,920
Authorised operational expenditure		
Approved & contracted for		
• Operational projects already contracted for	13,026,493	29,418,824
Approved but not yet contracted for		
• Operational projects not yet contracted for	318,433	92,559

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35. Contingent liabilities

Microvulintuthuko Business Enterprise CC is instituted legal action to claim payments against the municipality in relation to retention funds deducted in the course of the project (Bergville licensing and testing centre) as well as payment for alleged outstanding invoices, since the contract was terminated by the municipality. The municipality disputes this claim. The claim amount is:

R 3 120 080 (2022: R 3 120 080) (claim for work done)

R 690 176 (2022: R 690 176) (retention)

At this stage it is not probable that the municipality will pay, because the odds of success appear to be even.

Since December 2020 there has been no developments in this matter.

Mott McDonald (Pty) LTD instituted legal action to claim payment against the Municipality in relation to alleged breach of contract and unpaid consulting engineer fees (Bergville Sport Complex). The Municipality disputes this claim. The disputed claim amount is R 1 202 342 (2022: R 1 202 342).

The odds of success at this stage appear to be even at this stage. There has been no further legal steps from the plaintiff's since August 2022.

KwaZulu Natal Department of Cooperative Governance and Traditional Affairs is claiming the savings from the grant made to the Municipality amounting to R 148 652 (2022: R 148 652). KZN- Cogta paid an amount of R 2 000 000 for the construction of gym park project to the Municipality to utilise the grant for the purpose of the project.

Having considered the merit of the matter, the odds of success at this stage appear to be even.

There has been no further development since 20 April 2022.

Kinetic Capital claiming a sum of R 1 485 610 and interest thereto tempore morae from the Municipality.

There is 50% prospects of success on the matter, however the parties are currently engaging on settlement negotiations.

Contingent assets

No contingent assets exist for the period ended 30 June 2023 (2022: Nil)

36. Related parties

Key Management Personnel and Councillors Remuneration.

Remuneration of Key Management Personnel and Councillors is set out in Note 25 and 26 respectively to the Annual Financial Statements.

37. COVID-19

COVID-19 related expenditure

COVID-19 related expenditure	-	73,282
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COVID-19 related expenditure include, cleaning material, face masks, sanitizers and other protective equipment.

38. Segment information

General information

Identification of segments

The municipality does not have reportable segments as at 30 June 2023 (2022: Nil)

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39. Risk management

Financial risk management

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

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.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Finance Lease obligation	-	5,314,371
Trade and other payables	43,184,260	34,316,649
Maximum liquidity exposure	43,184,260	39,631,020

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, 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.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

Financial instrument	2023	2022
Cash and cash equivalents	43,297,372	56,505,242
Trade and other receivables	17,712,070	14,349,030

The amount disclosed for trade and other receivables is after the allowance for impairment.

Market risk

Interest rate risk

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

Cash and cash equivalent	43,297,372	56,505,242
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40. Events after the reporting date

There are no material events that occurred after the reporting date 30 June 2023 (2022: Nil).

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41. Change in Estimate

The Municipality has revised the remaining useful lives of assets which had reached the end of their useful lives, based on the conditions in terms of GRAP 17 paragraph 56.

The effects of this revision have overall decreased the depreciation by R 1 617 104.

The Municipality has revised the debt impairment provision for Government debt from 15% to 20 % and Commercial/ business debt from 25% to 30 %.

The effects of this revision has an increase in the provision of R 1 430 779.

The effect on the change in useful lives, change in residual values and provision for debt are as follows:

Depreciation	Depreciation per annum before	Depreciation per annum after	Difference (Change in Future depreciation)
Computer	43,000	14,899	28,100
Office Furniture	122,672	46,558	76,115
Machinery and Equipment	132,311	48,339	83,972
Infrastructure	3,434	824	2,610
Motor vehicles	2,134,829	720,759	1,414,070
Buildings	14,266	4,701	9,565
Intangible assets	4,008	1,336	2,672
	2,454,520	837,416	1,617,104

Allowance for impairment	Impairment per annum before	Impairment per annum after	Difference (change in impairment per annum)
Government debt provision	3,467,684	4,623,579	(1,155,895)
Business debt provision	1,374,422	1,649,307	(274,884)
	4,842,106	6,272,886	(1,430,779)

42. Prior-year adjustments

The Municipality erroneously accounted for INEP grant in accordance to GRAP 109: Accounting by Principles and Agents instead of GRAP 11: Construction contracts in 2021/22 and previous periods. Contract revenue has been increased by R 5 217 391 and contract costs (included in general expenses) has also increased by R 5 217 391. VAT input previously claimed from SARS was reversed as a result of incorrect application of GRAP 109, a payable of R 2 873 996 was then raised. This has been corrected, an amount of R 2 873 996 has now been reversed. The Municipality was convinced that it was an agent principal arrangement and therefore should have not claimed VAT input in prior periods. The sundry payables have been decreased by this amount as well as the accumulated surplus.

The Municipality erroneously accounted for Housing grant in accordance to GRAP 109: Accounting by Principles and Agents instead of GRAP 11: Construction contracts in 2021/22 and previous periods. Contract revenue has been increased by R 9 688 646 and contract costs (included in general expenses) has also increased by R 9 688 464.

In 2021/22 Municipality erroneously fully depreciated assets that are still in use, the Municipality has revised the remaining useful lives for these assets. Property, Plant and Equipment has increased by R 170 793, Intangible assets have increase by R 5 618, this has resulted in the decrease in the depreciation and amortisation charge by R 176 411.

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

Statement of financial position

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Notes to the Annual Financial Statements

Figures in Rand 2023 2022

42. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Restated
Property, Plant and equipment		435,461,702	170,793	435,632,495
Intangible assets		1,039,420	5,618	1,045,038
Payables from exchange transactions		37,190,645	(2,873,996)	34,316,649
Accumulated surplus		462,932,733	3,050,407	465,983,140
		936,624,500	352,822	936,977,322

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Contract revenue		-	14,905,855	14,905,855
Depreciation and amortisation		(27,771,735)	176,410	(27,595,325)
General expenses		(64,585,562)	(14,905,855)	(79,491,417)
Surplus for the year		(92,357,297)	176,410	(92,180,887)

Cash flow statement

2022

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		33,926,704	14,905,855	48,832,559
Suppliers		75,868,871	14,905,855	90,774,726
		109,795,575	29,811,710	139,607,285

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43. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	777,606	778,169
Interest and penalties	8,067	25,564
Less: Amounts recovered - current	(1,211)	(1,774)
Less: Amount written off - current	-	(24,353)
Closing balance	784,462	777,606

An amount of R 776 395 is as a result of misconduct by a former employee during 2014/2015 financial year, a case was opened against the employee for payments made to ghost employees and the case is currently under investigation by the South African Police Services. The matter is currently in criminal court.

Incidents 2021/2022

An amount of R 25 564 for interest and penalties incurred on late payments, of which R 24 353 was written off by Council and the balance of R 1 211 has been referred to MPAC for investigation in terms of section 32 of the MFMA.

Incidents 2022/2023

An amount of R 1 211 for interest and penalties incurred on late payments in 2021/2022 was recovered in terms of section 32 of the MFMA.

An amount of R 8 067 for interest and penalties incurred on late payments, has been referred to MPAC for investigation in terms of section 32 of the MFMA.

44. Irregular expenditure

Reconciliation of Irregular expenditure		
Opening balance	845,482	432,216
Expenditure incurred during the year	39,444,106	845,482
Less: Amount written off - by Council	(845,482)	(432,216)
Closing balance	39,444,106	845,482

Opening balance

Incident 2021/2022

An amount of R 2 795 104 was paid for extension of month to month security contract, an amount of R 2 362 892 was written off by Council in 2020/2021, the balance of R 432 216 was written off by council in accordance to section 32 of the MFMA in 2021/2022.

An amount of R 845 482, was incurred on electrification project, the incorrect supplier was awarded the contract, due to including incorrect lower bidding price on the pricing schedule by the supplier, the expenditure will be reported to Council and Section 32 of the MFMA process will be instituted.

Incident 2022/2023

An amount of R 845 482, was incurred in 2021/2022 on electrification project, the incorrect supplier was awarded the contract, due to including incorrect lower bidding price on the pricing schedule by the supplier, the expenditure has been written off by Council in accordance to section 32 of the MFMA.

An amount of R 39 444 106, was incurred in 2022/2023 and previous periods, on Hambrook access road, the Municipality used the engineers estimate report in order to try and mitigate the risk of awarding the contract to the under quoted bidder, however the evaluation criteria was not stated on the tender document, the expenditure will be reported to Council and Section 32 of the MFMA process will be instituted.

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45. Unauthorised expenditure		
Opening balance as restated	-	-
Opening balance	1,878,566	-
Expenditure incurred during the year	8,658,942	1,878,566
Less: Amount approved by Council	(1,878,566)	-
Closing balance	8,658,942	1,878,566
2021/2022 Incidents		
The number of EPWP beneficiaries appointed was increased, this lead to unauthorised expenditure of R 378 642, this has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA. The amount has been approved by Council in 2022/2023.		
The amount of R 1 499 924 for assets impairment losses was incurred in excess on the budgeted amount, this has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA. The amount has been approved by Council in 2022/2023.		
2022/2023 Incidents		
The Municipality has included the INEP expenditure and housing grant (Contract cost) in the Statement of Financial Performance in accordance to GRAP 11: Construction Contracts, during the budget process the Municipality had not included the budget since the Management was convinced that the GRAP 109 : Accounting by principals and Agents is the correct accounting standard to apply, therefor no budget was allocated. This has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA.		
46. Additional disclosure in terms of Municipal Finance Management Act		
Audit fees		
Current year subscription / fee	2,758,607	2,777,699
Amount paid - current year	(2,758,607)	(2,777,699)
	-	-
PAYE, SDL and UIF		
Opening balance	-	-
Current year subscription / fee	19,010,994	16,950,819
Amount paid - current year	(19,010,994)	(16,950,819)
	-	-
Pension and Medical Aid Deductions		
Opening balance	-	-
Current year subscription / fee	24,253,473	21,489,612
Amount paid - current year	(24,253,473)	(21,489,612)
	-	-
VAT		
VAT receivable	7,621,745	6,731,248

VAT output payables and VAT input receivables are shown in note 10.

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

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Figures in Rand	2023	2022
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46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

For the financial period ended 30 June 2023 (2022: Nil), there were no rates or services arrears owed by any councillor. Further, during the financial year there are no councillors which were outstanding for more than 90 days.

Supply chain management regulations

Quotations: In terms of regulation 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. These deviations refer to the instances as stipulated in the regulations and relates mainly to sole supplier, emergencies and instances where it was impractical to follow SCM processes.

2021/2022 Incidents

The Municipality paid an amount of R 364 412 for annual licences from the system developers.

An amount of R 8 665 was incurred on calibration of speed machines from the developers.

An amount of R 129 600 was incurred on indigent burials, the existing contract at the time was terminated due to poor performance of the suppliers and the new contract has been secured. The expenditure was incurred before securing the new contract since the service had to be provided to the community.

2022/23 Incidents.

The Municipality paid an amount of R 205 845.57 for annual licences from the system developers.

The Municipality paid an amount of R 17 787 for postage stamps supplied by the Post Office.

The Municipality incurred an amount of R 5 263 in relation to calibration of speed machines from the manufacture of the machine.

The Municipality incurred expenditure on online traffic legislation act amounting to R 3 601 from the sole provider.

Incident

Deviations from Supply Chain Management Policy	232,497	502,677
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