



Nkangala District Municipality
(Registration number DC31)
Annual Financial Statements
for the year ended June 30, 2018
UNAUDITED

Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended June 30, 2018

General Information

Legal form of entity	District Municipality DC31
Nature of business and principal activities	Municipal Services
Mayoral committee	
Executive Mayor	Masilela TS (from 01 April 2018) Malatjie L (from 01 July 2017-31 March 2018)
Speaker	.
Chief Whip	Boshomane KJ
Mayoral Committee	Dikgale LJ Mahlobogoane RC Mahlangu SH Mthimunye GT Maraba CL (from 01 June 2018) Masilela TS (from 01 July 2017-31 March 2018) Nkosi MS (from 01 July 2017-30 April 2018)
Councillors	Van Der Berg EH Nkosi NB Legong TB Bhamjee M Nkosi TL Ngwenya XS Sibanyoni JM Makhabane EN Masina MAS Cronje RE Weber AMM Skosana GJ (from 01 July 2017-26 October 2017) Ngwenya TD Magagula MS Dladla DS Malahle TD Fakude MT Zandamela S Mokoena SL Khumalo LF Mhlanga MT Nkoane MR Ndlovu R Fakude DC Mahlangu A Malefane P Mboweni LM Shabangu MM Masemula LC Moseri PP Mnisi ST Mogola SM Zondo LJN

Nkangala District Municipality

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General Information

	Bath DJ
	Ntshalintshali LL (from 01 July 2017-29 March 2018)
	Nobela MT
	Shongwe ME
	Selala HN
	Lamola BR
	Makoala VD
	Motanyane TE
	Boshego S
	Dyason J
	Skhosana DJ
	Mtsweni NS
	Mahlangu IM
	Nkadimeng SL
	Malatjie LM (from 01 April 2018)
	Mahlangu NJ
	Maraba CL (from 01 July 2017 - 31 May 2018)
Grading of local authority	High Capacity
Chief Finance Officer (CFO)	A L Stander
Accounting Officer	M M Skosana
Business address	2A Walter Sisulu Street Middelburg 1050 Mpumalanga
Postal address	P.O. Box 437 Middelburg 1050 Mpumalanga
Bankers	ABSA Limited Middelburg
Auditors	Auditor General South Africa
Contact Details	Telephone: +27 (13) 249 2000 Fax : +27 (13) 249 2114

Nkangala District Municipality

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Accounting Officer's Responsibilities and Approval

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Accounting Officer's Responsibilities and Approval

ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

The annual financial statements set out on pages 5 to 60, which have been prepared on the going concern basis, was approved by the accounting officer on August 31, 2018 and was signed on its behalf by:

M M Skosana
Municipal Manager

Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended June 30, 2018

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges ultimate responsibility 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 endeavors 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 June 30, 2019 and, in the light of this review and the current financial position, is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The Accounting Officer certifies that the salaries, allowances and benefits of Councilors, loans made to Councilors, if any, and payments made to Councilors for loss of office, if any, as disclosed in the note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs' determination in accordance with this Act.

I am responsible for the preparation of these annual financial statements, which are set out from pages 6 to 96, in terms of Section 126(1) of the Local Government: Municipal Financial Management Act and which I have signed on behalf of the municipality.

M M Skosana
Municipal Manager

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2018

Report of the Chief Financial Officer

1. INTRODUCTION

The financial objective of the municipality is to secure sound and sustainable management of the financial affairs of the municipality and to assist the six local municipalities to be financially viable.

Critical functional areas for the district municipality amongst others include improvement of audit outcomes, effective financial management, fully functional internal audit units and audit committees, high vacancy rate in key positions, declining growth in the Regional Services Council Replacement Grant, increase in operational expenditure, which negatively impacts on the allocations to local municipalities.

Issue 3 of the IDP relates to financial viability and includes projects that contributed to the financial viability of the district and local municipalities.

The District is a pilot site for the new mSCOA regulations and successfully implemented the mSCOA since 1 July 2015. 2017/18 is thus the third year of implementation of mSCOA, and for both years a clean audit opinion was achieved. It has indeed been challenging as the mSCOA chart has been changing with every new version release of the mSCOA chart by National Treasury. The District has finalised and prepared the annual financial statements for 2017/18 on version 6.1 from 5.4 of mSCOA for the 2016/17 financial year. Items were reclassified in terms of the mSCOA classification regulations in 2017/18. Amongst others the items of Property, plant and equipment and some employee related cost has been reclassified.

2. REVIEW OF OPERATING RESULTS

The 2017/2018 budget of the Nkangala District Municipality was approved by Council on the 31 May 2017 under item DM 414/05/2017. The roll over budget was approved 24 August 2017 under DM-ND 35/08/2017. An adjustment budget was approved on the 28th of February 2018 under item DM-ND 226/02/2018. Herewith is commentary on the financial results.

2.1 REVENUE

The total revenue of the municipality increased from R387,905 million (2016/17) to R391,394 (2017/18) million and indicate a positive outcome over the R374,525 million budgeted for the 2017/18 financial year.

Revenue from exchange transactions amounts to R42,478 million, whilst the revenue from non-exchange transactions amounts to R348,916 million of which the major portion is from government grants and subsidies. The municipality is highly dependent on the RSC Levy Replacement Grant that shows a deteriorating growth rate year on year.

Indicative allocations published in Division of Revenue Act (DORA) point to an increase in the RSC Levy Replacement Grant.

The outlook for the next financial year is that the total revenue will increase compared to the year under review.

TRANSFERS AND SUBSIDIES

Transfers and subsidies increased by 2.12 % from R339,467 million (2016/17) to R346,663 million (2017/18). Transfers and Subsidies include conditional and unconditional grants, donations or subsidies to the District and amongst others include the RSC Levy Replacement grant, the Equitable Share, Municipal System Improvement Grant, Finance Management Grant, Rural Asset Management Grant and the Expanded Public Works Programme Incentive Grant. Both conditional and unconditional grants were spent at 100% during the 2017/2018 financial year.

According to the accounting policies only the portion that has been expensed and meets the conditions of the conditional grant is recognized as revenue.

INTEREST, DIVIDENDS AND RENT ON LAND

The District earned interest, which decreased by 5.04% from R43,973 million (2016/17) to R41,755 million (2017/18). This decrease is attributed to the improved implementation of projects to local municipalities under transfers and subsidies paid expenditure. 163.43% realised of budgeted amount for 2017/18.

FINES, PENALTIES AND FORFEITS

Revenue from Fines, Penalties and Forfeits decreased by 22.00% from R1,628 million (2016/17) to R1,270 million (2017/18). 141.07% of budgeted amount realised for 2017/18 due to the adhoc nature of the imposing of fines and penalties.

SALE OF GOODS

Sale of goods decreased by 59.80% from R0,485 million (2016/17) to R0,195 million (2017/18) and consists mainly the selling of tender documents. 78.12% realised for 2017/18 due to less selling of goods than anticipated and the introduction of electronic tender documents.

OPERATIONAL REVENUE

Operational revenue decreased by 75.07% from R1,995 million (2016/17) to R0,490 million (2017/18). 135.51% of budgeted amount realised for 2017/18 due to less operational revenue received than anticipated, mainly due to the receipt from insurance refund in 2016/17 and no receipt of similar funds in 2017/18.

RENTAL FROM FIXED ASSETS

Rental from fixed assets decreased by 69.01% from R0,121 million (2016/17) to R0,037 million (2017/18) and flowed from the lease agreement with Department of Public Works for offices at the NDM main office building, which came to an end in the previous financial year. A new agreement with Vodacom had been entered into for rental of a portion of land.

88.90% realised as less facilities was rented out in 2017/18 than anticipated.

LICENCES AND PERMITS

Revenue from licences and permits has increased with 273.75% from R0,263 million (2016/17) to R0,983 million (2017/18) was realised in the (2017/18) financial year. 124.48% of budgeted amount realised for 2017/18 due to the new function that are rendered by the District.

2.2 EXPENDITURE

The total expenditure increased with 10.44% from R364,051 million (2016/17) to R401,996 million (2017/18) compared to the budgeted operating expenditure of R418,816 million (2017/18). Transfers and subsidies to local municipalities are the main driver of the expenditure of the District

TRANSFERS & SUBSIDIES

This expenditure relates to expenditure on infrastructure and operational projects for local municipalities within the District's jurisdictional area.

Actual grants and subsidies paid represent 43.92% (44.58% 2016/17) of the total expenditure and increased by 8.69% from R162,301 million (2016/17) to R176,411 million (2017/18). The actual transfers and subsidies are 106,57% of the budgeted amount of R165,542 million (2017/18) due to the increased efforts to improve spending on projects. Projects from previous years which are completed during 2017/2018 are transferred from Inventory – Work in progress in order to report on the total expenditure for handing over the projects to local municipalities. Subsequently, incomplete project expenditure is transferred to Inventory – Work in progress at each financial year end.

EMPLOYEE RELATED COST

Actual employee related costs increased by 13.72% from R108,540 million (2016/17) to R123,428 million (2017/18) due to the drive to appoint staff in all vacancies. Actual employee related costs are 92.02 % of the budgeted employee related cost, which is due to the few vacancies which have not been filled in the year under review.

OPERATIONAL COST

The actual expenditure of operational costs increased by 2.87% from R32,344 million (2016/17) to R32,344 million (2017/18). Actual operational costs is 81.78% of the budgeted operational cost of R40,683 million. Due to non-responsive tenders and operational projects that were not fully completed.

CONTRACTED SERVICES

Contracted services increased by 18,53% from R33,926 million (2016/17) to R40,211 million (2017/18). Actual contracted services is 87.11% of the budgeted operational cost of R46,159 million, due to non-responsive tenders and contracts that were not fully complete by 30 June 2018.

REMUNERATION OF COUNCILLORS

Payments made to councillors are in terms of the legislation on remuneration of public office bearers.

Actual councillor allowance costs decreased by 7,41 % from R12,587 million (2016/17) to R13,519 million (2017/18). Actual councillor allowance costs are 97.15% of the budgeted remuneration of councillors, due to the % increase that realised on the determination of upper limits.

DEPRECIATION/ AMORTISATION

Depreciation/amortisation is charged on Property, Plant & Equipment and Intangible assets at rates determined in the accounting policies and asset useful lives are reviewed annually.

Actual depreciation/amortisation costs increased by 10.04 % from R9,609 million (2016/17) to R10,573 million (2017/18). Actual depreciation/amortisation costs is 92.71% of the budgeted depreciation/amortisation cost of R11,405 million and is partially dependent on the acquisition of new assets for the District.

INVENTORY CONSUMED

Actual inventory consumed costs increased by 6.91 % from R3,546 million (2016/17) to R3,791 million (2017/18). Actual inventory consumed costs are 87.62% of the budgeted amount of R4,326 million, due to the less than anticipated inventory consumed.

INTEREST, DIVIDEND AND RENT ON LAND PAID

The District only realised interest paid on the annuity loan with DBSA and Financial leases for office equipment.

Actual interest costs decreased by 30.84 % from R1,127 million (2016/17) to R0,780 million (2017/18), the decline is due to the redemption of loans and finance leases. Actual interest costs are 60.06% of the budgeted amount of R1,298 million.

GAINS AND LOSSES

The District only realised a small gain on the disposal of fixed and intangible assets of R0,071 million (2016/17) compared to the loss of R0,007 million (2017/18) financial year.

SURPLUS/DEFICIT

The municipality realised a deficit of R10,602 million 2017/18 compared to the surplus of R23,854 million 2017/18 as a result of the additional measures that were introduced to speed up project expenditure

3. FINANCIAL POSITION

The Statement of Financial position represents the financial strength of the municipality by a comparison of assets over liabilities.

The total assets of the municipality decreased by 4.20% from R779,267 million (2016/17) to R746,567 million (2017/18). The contributing factors of this increase can mainly be attributed to declining inventory, increase in cash and cash equivalents, property, plant and equipment and long term investment.

Total liabilities decreased by 25.85% from R85,485 million (2016/17) to R63,386 million (2017/18), which is mainly due to the decrease in accruals, post-retirement benefits and provisions for long services.

4. KEY RATIOS

CURRENT RATIO

This ratio represents the ability of the municipality to pay short term obligations within the next 12 months.

	Current assets	Current Liabilities	
	R million	R million	Ratio
2016/17	573,356	60,672	9.45:1
2017/18	525,276	39,980	13.14:1

ACID TEST

A stringent indicator that determines whether a company/institution has enough short-term assets to cover its immediate liabilities without considering inventory. Institutions with ratios of less than 1 cannot pay their current liabilities and should be looked at with extreme caution.

	Current assets – Inventory	Current Liabilities	
	R million	R million	Ratio
2016/17	470,262	60,672	7.75:1
2017/18	437,779	39,980	10.95:1

SOLVENCY RATIO

This represents the ability of the municipality to pay both its long term and short term obligations.

	Total Assets	Total Liabilities	
	R million	R million	Ratio
2016/17	779,267	85,485	9.12:1
2017/18	746,567	63,386	11.78:1

OTHER RATIOS

Ratio	30 Jun 2018	30 Jun 2017
Employee related cost / Total expenditure	30.70	29.81
Actual transfers and subsidies paid / Total expenditure	43.88	44.58
Actual transfers and subsidies paid / Total revenue	45.07	41.84

5. CREDIT RATING

The NDM final credit rating report completed by Global Credit Rating Co. in October 2017.

The credit ratings of municipalities are based on South African national scales. The highest grade in the long-term assessment is “zaAAA” and scales down from there to zaBBB – the lowest.

Within each of the levels a “+” or “-“sign indicates further relative strength or weakness. An “A” indicates relative strength and capacity to repay liabilities. The best short-term grades range from zaA1+ down to zaA1-. In view of the country’s downgraded status the District was also downgraded as expected and overall I am satisfied with the grading given to the municipality.

NDM PREVIOUS CREDIT RATING AUGUST 2013

Global Credit Co. performed the last NDM credit rating and the following were the results thereof:

Rating class	Rating scale	Rating	Rating outlook
Long term	National	A(ZA)	Stable
Short term	National A(ZA)		Stable
Long term	International	BBB-	Stable

There was high credit quality relative to other issuers or obligations in the in the municipal space and protection factors were good. However, risk factors were more variable and greater in periods of economic stress.

NDM CURRENT RATINGS OCTOBER 2017

The NDM rating was premised on the following seven (7) fundamental economic indicators and drivers:

- ✓ The fact that NDM" economy is underpinned by coal mining and primary industries, which have been significantly impacted by the constrained GDP growth, resulting in higher unemployment. Nevertheless, NDM has generally reported an improvement in socio-economic conditions. The further development of its agricultural sector is now being prioritised to facilitate the economic inclusion of the more rural areas.
- ✓ NDM's mandate of coordinating infrastructure development across the six municipalities in its district, as well as supporting the underlying municipalities in a range of functions. This includes overseeing sewage, water and road infrastructure needs and the implementation of projects that address the disparities. Support functions comprise environmental regulations and firefighting in the poorer areas.
- ✓ The fact that NDM does not provide any trading services and is reliant on the National Government for over 90% of its income, with the remainder comprising interest income. This provides a predictable and reliable stream of income to fund its operational and capex requirements. However, it also heavily exposes the District to the constrained financial position of the national fiscus, which has already resulted in grant income growth falling behind inflation.
- ✓ Expenditure patterns which have evidenced an adverse trend, with a growing proportion being spent on staff and administration costs, and a lower amount on the core development support. Thus, while grants and subsidies accounted for 62% of expenditure in FY14, this decreased to 50% in FY16 and 45% in FY17. This suggests that resources are being drawn away from addressing infrastructure deficiencies.
- ✓ NDM reported R413m in cash and liquid assets, spread across the major domestic banks (FY16: R410m). This equated to 469 days cash coverage, in line with the level that has been attained in most years under review.
- ✓ NDM has negligible debt of R8.4m at FY17, which consists mainly of the historic DBSA loans. The District has, thus, remained in an ungeared position over the review period with consistently strong credit protection metrics. There are no current plans to incur new debt.
- ✓ Although NDM's infrastructure development budget is in line with previous years, GCR noted a historical underperformance relative to the budget. If the District's infrastructure deficit is to be meaningfully addressed, NDM will need to utilise its substantial cash resources to supplement the inflow of grants and subsidies.

The credit rating rationale further looked at the factors that could trigger a rating action either positively or negatively. As a positive factor, the development of internally generated revenue sources by NDM would serve to diversify the earnings base, reduce dependence upon government, and bode positively from a credit risk perspective, providing upward ratings mobility.

A curtailment of grant funding or the continued failure of grant funding to keep pace with expenditure requirements would be negatively considered, given NDM's reliance on National Government. This would likely lead to a substantial erosion of the cash reserves, and deterioration of credit protection metrics.

The negative long term International rating scale of BB- of NDM is attributed to the sovereign rating of South Africa, and thus any movement in the sovereign rating would likely have a similar impact on NDM's international scale rating. Similarly, the Negative outlook accorded to NDM's international scale rating reflects the Negative outlook on the sovereign rating.

In summary, NDM credit rating analysis is as follows as a per credit rating report issued by Global Credit Rating Co.:

Rating class	Rating scale	Rating	Rating outlook
Long term	National	A(ZA)	Stable
Short term	National	A(ZA)	Stable
Long term	International	BBB-	Negative

The District is satisfied with the credit rating under the prevailing circumstances.

6. GENERALLY RECOGNISED ACCOUNTING PRACTICES

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

The following standards were applicable during the year under review:

Reference	Topic
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GRAP 1	Presentation of Financial Statements
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GRAP 2	Cash Flow Statements
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GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
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GRAP 4	The Effects of Changes in Foreign Exchange Rates
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GRAP 5	Borrowing Costs
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GRAP 6	Consolidated and Separate Financial Statements
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GRAP 7	Investments in Associates
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GRAP 8	Interests in Joint Ventures
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GRAP 9	Revenue from Exchange Transactions
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GRAP 10	Financial Reporting in Hyperinflationary Economies
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GRAP 11	Construction Contracts
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GRAP 12	Inventories
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GRAP 13	Leases
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GRAP 14	Events After the Reporting Date
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GRAP 16	Investment Property
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GRAP 17	Property, Plant and Equipment
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GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
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GRAP 21	Impairment of non-cash generating assets
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GRAP 23	Revenue from non-exchange transactions
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GRAP 24	Presentation of budget
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GRAP 25 Employee Benefits

GRAP 26 Impairment of cash generating assets

GRAP 27 Agriculture

GRAP 31 Intangible Assets

GRAP 100 Non-current Assets Held for Sale and Discontinued Operations

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

7. CONCLUSION

Good governance, sound financial management and financial viability remain critical success factors for the municipality.

8. ACKNOWLEDGEMENT

I would like to extend my appreciation to the Honourable Executive Mayor, Mayoral Committee and Councillors for strategic direction and leadership demonstrated during the financial year.

The guidance and vision of the Municipal Manager and Heads of Departments are acknowledged with gratitude. A special word of appreciation is extended to all my colleagues for their loyalty and support.

Thank you

AL STANDER

MANAGER: FINANCE (CHIEF FINANCIAL OFFICER)

Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended June 30, 2018

Statement of Financial Position as at June 30, 2018

Figures in Rand	Note(s)		Restated*
Assets			
Current Assets			
Inventories	3	87,497,575	103,093,998
Construction contracts and receivables	5	-	648
VAT receivable	6	6,309,479	11,979,027
Prepayments	9	447,885	218,576
Trade and other receivables from exchange	7	88,098	162,773
Cash and cash equivalents	8	430,933,051	457,901,357
		525,276,088	573,356,379
Non-Current Assets			
Property, plant and equipment	10	160,041,478	160,064,656
Intangible assets	12	11,521,374	491,102
Heritage assets	11	508,772	508,772
Long Term Investments	4	49,218,878	44,846,358
		221,290,502	205,910,888
Total Assets		746,566,590	779,267,267
Liabilities			
Current Liabilities			
Other financial liabilities	13	3,223,175	3,312,161
Finance lease obligation	14	456,471	217,780
Payables from exchange transactions	15	35,428,920	56,460,540
Consumer deposits	16	12,030	10,030
Defined benefit obligations	17	286,761	235,938
Provisions and impairment	18	573,014	435,664
		39,980,371	60,672,113
Non-Current Liabilities			
Other financial liabilities	13	1,542,534	4,627,602
Finance lease obligation	14	937,061	-
Defined benefit obligations	17	18,257,645	17,929,200
Provisions and impairment	18	2,668,031	2,255,791
		23,405,271	24,812,593
Total Liabilities		63,385,642	85,484,706
Net Assets		683,180,948	693,782,561
Accumulated surplus		683,180,946	693,782,560

* See Note 41 & 34

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2018

Statement of Financial Performance

Figures in Rand	Note(s)		Restated*
Revenue			
Revenue from exchange transactions			
Interest, dividend and rent on land	21	41,755,434	43,944,808
Rental from fixed assets	19	37,638	121,458
Operational revenue	20	490,014	1,994,791
Sale of goods		195,304	485,838
Total revenue from exchange transactions		42,478,390	46,546,895
Revenue from non-exchange transactions			
Taxation revenue			
Licences or permits		983,393	263,114
Transfer revenue			
Transfers and subsidies	22	346,663,000	339,467,000
Fines, penalties and forfeits		1,269,617	1,627,630
Total revenue from non-exchange transactions		348,916,010	341,357,744
Total revenue	23	391,394,400	387,904,639
Expenditure			
Employee related costs	24	(123,427,938)	(108,540,485)
Remuneration of councillors	25	(13,519,502)	(12,586,871)
Depreciation and amortisation	26	(10,573,072)	(9,608,535)
Interest, dividend and rent on land	27	(779,650)	(1,127,298)
Debt Impairment		(4,373)	-
Inventory consumed		(3,790,568)	(3,545,543)
Contracted services	28	(40,211,405)	(33,926,147)
Transfers and subsidies	29	(176,410,561)	(162,301,459)
Loss on disposal of assets and liabilities		(6,672)	(70,666)
Operational costs	30	(33,272,273)	(32,344,019)
Total expenditure		(401,996,014)	(364,051,023)
(Deficit) surplus for the year		(10,601,614)	23,853,616

* See Note 41 & 34

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	669,911,940	669,911,940
Adjustments		
Correction of error-refer to note 34.	17,000	17,000
Balance at July 1, 2016 as restated*	669,928,940	669,928,940
Changes in net assets		
Surplus for the year	23,832,028	23,832,028
Total changes	23,832,028	23,832,028
Opening balance restated	693,760,968	693,760,968
Adjustments		
Correction of errors - refer to note 34.	21,590	21,590
Restated* Balance at July 1, 2017 as restated*	693,782,560	693,782,560
Changes in net assets		
Surplus for the year	(10,601,614)	(10,601,614)
Total changes	(10,601,614)	(10,601,614)
Balance at June 30, 2018	683,180,946	683,180,946
Note(s)		

* See Note 41 & 34

Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended June 30, 2018

Cash Flow Statement

Figures in Rand	Note(s)	Restated*
Cash flows from operating activities		
Receipts		
Transfers and Subsidies		346,663,000
Interest, Dividend and Rent on Land		339,467,000
Rental of Fixed Assets		41,755,434
Other Receipts		37,638
Movement of VAT Receivable		685,317
		4,463,978
		5,669,548
		<u>394,810,937</u>
		<u>404,608,082</u>
Payments		
Employee costs		(124,379,892)
Suppliers and other payments		(268,751,035)
Finance costs		(779,650)
		<u>(393,910,577)</u>
		<u>(369,990,974)</u>
Net cash flows from operating activities	31	<u>900,360</u>
		<u>34,617,108</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	10	(21,621,125)
Proceeds from sale of property, plant and equipment	10	34,280
Proceeds from sale of other intangible assets	12	-
Purchases of heritage assets	11	-
Decreases/(Increases) of investments		(4,372,520)
		<u>(25,959,364)</u>
		<u>(38,504,915)</u>
Cash flows from financing activities		
Repayment of other financial liabilities		(3,085,068)
Finance lease payments		(323,910)
Finance lease receipts		1,499,675
		<u>(1,909,303)</u>
		<u>(3,352,989)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(26,968,307)</u>
Cash and cash equivalents at the beginning of the year		457,901,357
		465,142,151
Cash and cash equivalents at the end of the year	8	<u>430,933,050</u>
		<u>457,901,355</u>

* See Note 41 & 34

Nkangala District Municipality

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Annual Financial Statements for the year ended June 20, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on accrual basis

Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
REVENUE						
Revenue from Exchange Transactions						
Interest Dividend and Rent on Land	25 450 000	100 000	25 550 000	41 793 071	(16 243 071)	*
Operational Revenue	10 000	351 600	361 600	490 013	(128 413)	*
Rental from Fixed Assets	10 000	-	10 000	-	10 000	*
Sales of Goods and Rendering of Services	250 000	-	250 000	195 304	54 696	*
Total Revenue from Exchange Transactions	25 720 000	451 600	26 171 600	42 478 389	(16 306 789)	
Revenue from non-exchange transactions						
Fines Penalties and Forfeits	500 000	400 000	900 000	1 269 617	(369 617)	*
Licences or Permits	400 000	390 000	790 000	983 393	(193 393)	*
Transfers and Subsidies	344 488 000	-	344 488 000	344 488 000	-	*
Total Revenue from non-exchange Transactions	345 388 000	790 000	346 178 000	346 741 010	(563 010)	
Total Revenue	371 108 000	1 241 600	372 349 600	389 219 398	(16 869 798)	
EXPENDITURE						
Employee Related Cost	(136 884 887)	2 751 332	(134 133 555)	(123 427 934)	(10 705 621)	*
Remuneration of Councillors	(12 794 596)	(1 121 170)	(13 915 766)	(13 519 502)	(396 264)	*
Inventory Consumed	(5 675 694)	1 349 432	(4 326 262)	(3 790 568)	(535 694)	*
Depreciation and Amortisation	(10 911 829)	(493 002)	(11 404 831)	(10 573 072)	(831 759)	*
Interest Dividends and Rent on Land	(1 295 767)	(2 271)	(1 298 038)	(779 649)	(518 389)	*
Debt impairment	-	(5 000)	(5 000)	(4 373)	(627)	*
Contracted Services	(45 409 655)	(749 565)	(46 159 220)	(40 211 403)	(5 947 817)	*
Transfers and Subsidies	(112 095 276)	(53 446 419)	(165 541 695)	(176 410 562)	10 868 867	*
Operational Cost	(46 538 009)	4 513 396	(42 024 613)	(33 272 275)	(8 752 337)	
Operating Leases	(1 147 477)	(194 347)	(1 341 824)	-	(1 341 824)	*
Operational Cost	(45 390 532)	4 707 743	(40 682 789)	(33 272 275)	(7 410 513)	*
Total Expenditure	(371 605 713)	(47 203 267)	(418 808 980)	(401 989 340)	(16 819 640)	
Operating surplus/(deficit)	(497 713)	(45 961 667)	(46 459 380)	(12 769 941)	(33 689 439)	
Gain/(Loss) on disposal of assets	-	(7 000)	(7 000)	(6 672)	(328)	*
Transfers and Subsidies - Capital	2 175 000	-	2 175 000	2 175 000	-	*
	2 175 000	(7 000)	2 168 000	2 168 328	(328)	
Deficit before taxation	1 677 287	(45 968 667)	(44 291 380)	(10 601 613)	(33 689 767)	
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	1 677 287	(45 968 667)	(44 291 380)	(10 601 613)	(33 689 767)	

* Refer to CFO report for explanation of differences between actual and final budget, page 6.

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Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 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 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

The municipality assesses its trade 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 judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 18 - Provisions.

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Defined benefit obligations

The municipality obtains actuarial valuations of its defined benefit plan and other long term employee benefits. The defined benefit plan and other long term employee benefits identified are post retirement health benefit obligations and long service awards. The estimate liabilities are recorded in accordance with GRAP 25.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

Land is not depreciated as it is deemed to have an indefinite life.

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

Item	Depreciation method	Average useful life
Land		Indefinite life
Buildings and other structures	Straight line	15 to 30 years
Leased assets	Straight line	3 years
Machinery and equipment	Straight line	5 to 20 years
Furniture and office equipment	Straight line	1 to 15 years
Transport assets	Straight line	7 to 20 years
Computer equipment	Straight line	1 to 10 years
Infrastructure: Electricity	Straight line	20 years
Infrastructure: Roads, Pavements, Bridges and Stormwater	Straight line	10 to 30 years

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

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

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

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

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

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

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

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-15 years

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

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.5 Intangible assets (continued)

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).

1.6 Heritage assets

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.

Subsequent measurement

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

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).

1.7 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.

Classification

The Municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Investment	Financial asset measured at amortised cost
Bank	Financial asset measured at fair value
Cash	Financial asset measured at fair value

The Municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other Payables	Financial liability measured at amortised cost
Long term Liabilities	Financial liability measured at amortised cost
Finance lease liabilities	Financial liability measured at amortised cost
Other receivables	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality 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 municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality 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 (Taxes and Transfers), where it is the recipient of the loan.

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality 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.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.:

Financial assets measured at 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.

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality :
 - 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.

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.

Financial liabilities

The municipality 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 (Taxes and Transfers).

1.8 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.

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.8 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 interest rate implicit in the lease.

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term except where other systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.9 Inventories

The municipality constructs infrastructure projects, which will subsequently be transferred to local municipalities in its area of jurisdiction at no cost when the project is completed. Projects still in progress and not yet completed are disclosed as inventory. Inventory is measured at actual cost.

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

1.10 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.

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

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

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

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.

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.10 Construction contracts and receivables (continued)

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 completion of a physical proportion of the contract work.

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

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

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

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the statement of financial performance immediately. The recoverable amount of the asset is the higher of the asset's fair value less cost to sell and its value in use.

The fair value represents the amount obtained obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.

The value in use of an asset represents the expected future cash flows, from continuing use and disposal that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belong. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of the value in use, R1.00 or fair value less cost to sell.

A previously recognised impairment loss related to assets is reserved if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods,

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

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 or 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.

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.

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1.11 Impairment of cash-generating assets (continued)

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

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.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating 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.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.12 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.

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

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.

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

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.

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

Reversal of an impairment loss

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

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

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

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

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

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Accounting Policies

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits

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

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
- Non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phone) for current employees.

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

- as a liability (accrued expenses), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of benefits, the municipality recognises the 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;
- 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality 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 municipality has no realistic alternative but to make the payments.

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the statement of financial performance as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

The municipality contributes towards retirement benefits of its employees and councilors to the under- mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund

Municipal Gratuity Fund Councilors are members of the Municipal Councilor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

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1.13 Employee benefits (continued)

Defined benefit plans

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Post-employment medical care benefits:

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employee remaining in service up to retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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Accounting Policies

1.13 Employee benefits (continued)

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until;
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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) reflects the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

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1.13 Employee benefits (continued)

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

Accrued leave pay

The liability is based on the total accrued leave days at year end and it is recognised as it accrue for employees, regardless how the obligation will be settled at the future date.

1.14 Long service award

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

1.15 Contingent liabilities

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.

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1.15 Contingent liabilities (continued)

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

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 judgement. 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, an municipality recognises the obligation at the higher of:

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

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 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.

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

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.

Sale of tender documents

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental of facilities

Rental of facilities arising from the use by others of entity assets yielding interest is recognised when:

- 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;.

Interest

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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..

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Licences and permits

Revenue from the issuing of licenses and permits in terms of laws and regulations and is recognised when:

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

Government Grants

Government grants are recognised as revenue when:

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

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

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

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

Fines, penalties and Forfeits

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

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Accounting Policies

1.19 Cash and cash equivalents

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

1.20 Investment income

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

1.21 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.

1.22 Comparative figures

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

1.23 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.

1.24 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.

1.25 Irregular expenditure

- (a) this Act; or

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 municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular 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.

1.26 Budget information

The comparison of budget and actual amounts presents separately for each level of legislative oversight:

- the approved and final amounts
- the actual amounts on a comparable basis
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

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Accounting Policies

1.26 Budget information (continued)

Where the municipality prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the "Statement of Comparison of Budget and Actual Amounts". This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual
- include the same activities and entities
- use the same classification system
- are prepared for the same period.

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 7/1/2015 to 6/30/2018.

1.27 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.

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

1.28 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.

1.29 Value Added Tax

The Municipality is registered with the South African Revenue Services as a VAT vendor in accordance with section 15(2) of the Value Added Tax Act (No. 89 of 1991).

The Municipality accounts for Value Added Tax on the payment basis as per the VAT Act

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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 July 1, 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18 (as amended 2016): Segment Reporting	April 1, 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	April 1, 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	April 1, 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	April 1, 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	April 1, 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	April 1, 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 1, 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 1, 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	April 1, 2019	Unlikely there will be a material impact

3. Inventories

Work in progress	87,497,575	103,093,998
Work in Progress		
	2018	2017
Balance at the beginning of the year	103,093,998	68,653,479
Current year expenditure	160,814,139	196,741,978
Less: Projects completed and transferred to Local Municipalities	(176,410,563)	(162,301,459)
	87,497,574	103,093,998

No inventories were pledged as security for liabilities in the current financial year

4. Long Term Investments

At amortised cost

Investec promissory note	49,218,878	44,846,358
The investment was made on 23 September 2015 and the maturity is September 2020 i.e after 5 years		

Non-current assets

At amortised cost	49,218,878	44,846,358
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Long term investment Movement

Opening balance	44,846,358	40,862,493
Interest Capitalised	4,372,520	3,983,865
	49,218,878	44,846,358

Nkangala District Municipality

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5. Construction contracts and receivables

Contracts in progress at statement of financial position date

Receivables Due	-	648
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6. VAT receivable

VAT	6,309,479	11,979,027
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The Municipality accounts for Value Added Tax on the payment basis

7. Trade and other receivables from exchange transactions

Gross balances

Debtors	88,098	162,773
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Net balance

Debtors	88,098	162,773
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Debtors

Current (0 -30 days)	-	56,836
91 - 120 days	5,947	45,012
121 - 365 days	86,524	60,925
Trade and other receivables - bad debts written off	(4,373)	-

88,098	162,773
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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10,200	10,200
Bank balances	4,717,559	8,741,100
Short-term deposits	426,205,292	449,150,057
	430,933,051	457,901,357

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8. Cash and cash equivalents (continued)

8.2 The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
ABSA Bank - Current Account - 1040161836	4,734,449	8,732,231	4,717,560	8,741,100
ABSA Bank - Fixed Deposit - 2076753485	-	3,345,663	-	3,345,663
ABSA Bank - Fixed Deposit - 207644254	-	5,000,000	-	5,000,000
ABSA Bank - Fixed Deposit - 2076506957	-	10,000,000	-	10,000,000
ABSA Bank - Fixed Deposit - 2076732582	-	18,000,000	-	18,000,000
ABSA Bank- Fixed Deposit - 2076153485	3,973,379	-	3,973,379	-
ABSA Bank- Fixed Deposit - 2076973584	3,000,000	-	3,000,000	-
ABSA Bank- Fixed Deposit - 2077216890	10,000,000	-	10,000,000	-
ABSA Bank- Fixed Deposit - 2077419232	16,000,000	-	16,000,000	-
Nedbank - Fixed Deposit- 03/7881531304/000239	-	5,000,000	-	5,000,000
Nedbank - Fixed Deposit- 03/7881531304/000248	-	10,000,000	-	10,000,000
Nedbank - Fixed Deposit- 03/7881531304/000188	-	5,000,000	-	5,000,000
Nedbank - Fixed Deposit- 03/7881531304/000246	-	5,308,502	-	5,308,502
Nedbank - Fixed Deposit- 03/7881531304/000243	-	17,000,000	-	17,000,000
Nedbank - Fixed Deposit- 03/7881531304/000255	3,000,000	-	3,000,000	-
Nedbank - Fixed Deposit- 03/7881531304/000188	864,669	-	864,669	-
Nedbank - Fixed Deposit- 03/7881531304/000188	2,000,000	-	2,000,000	-
Nedbank - Fixed Deposit- 03/7881531304/000273	5,000,000	-	5,000,000	-
Nedbank - Fixed Deposit- 03/7881531304/000274	5,000,000	-	5,000,000	-
Nedbank - Fixed Deposit- 03/7881531304/000269	17,000,000	-	17,000,000	-
FNB (RMB) Bank - Term Deposit - PVH55RA062	37,064,528	34,724,265	37,064,528	34,724,265
FNB (RMB) Bank - Term Deposit - 258591/0	-	5,000,000	-	5,000,000
FNB (RMB) Bank - Term Deposit - 2580878/0	-	571,814	-	571,814
FNB (RMB) Bank - Term Deposit - 25971/0	-	5,000,000	-	5,000,000
FNB (RMB) Bank - Term Deposit - 25971/0	-	5,000,000	-	5,000,000
FNB (RMB) Bank - Term Deposit - 258795/0	-	10,000,000	-	10,000,000
FNB (RMB) Bank - Term Deposit - 258592/0	-	14,000,000	-	14,000,000
FNB (RMB) Bank - Term Deposit - 250878/0	992,173	-	992,173	-
FNB (RMB) Bank - Term Deposit - 260876/0	3,000,000	-	3,000,000	-
FNB (RMB) Bank - Term Deposit - 266116/0	5,000,000	-	5,000,000	-
FNB (RMB) Bank - Term Deposit - 2266627/1	4,000,000	-	4,000,000	-
FNB (RMB) Bank - Term Deposit - 265844/0	15,000,000	-	15,000,000	-
Standard Bank - Cash Management	136,868,704	126,249,017	136,868,704	126,249,017
Standard Bank- Notice Deposit - 038433834#081	-	5,357,176	-	5,357,176
Standard Bank- Notice Deposit - 038433834#08	-	10,000,000	-	10,000,000
Standard Bank- Notice Deposit - 038433834#085	-	10,000,000	-	10,000,000
Standard Bank- Notice Deposit - 038433834#090	-	2,000,000	-	2,000,000
Standard Bank- Notice Deposit - 038433834#088	-	18,000,000	-	18,000,000
Standard Bank- Notice Deposit - 038433834#081	4,718,734	-	4,718,734	-
Standard Bank- Notice Deposit - 038433834#093	76,044	-	76,044	-
Standard Bank- Notice Deposit - 038433834#094	5,000,000	-	5,000,000	-
Standard Bank- Notice Deposit - 038433834#088	5,000,000	-	5,000,000	-
Standard Bank- Notice Deposit - 038433834#084	16,000,000	-	16,000,000	-
Sanlam	88,651,042	82,230,967	88,651,042	82,230,967
Investec- Call deposit- 1400121751	49,218,878	44,846,358	49,218,878	44,846,358
Investec -Fixed Deposit- JB5M2361	-	1,109,889	-	1,109,889
Investec -Fixed Deposit- JB99314891	-	3,498,571	-	3,498,571
Investec -Fixed Deposit- JB9291192	-	10,000,000	-	10,000,000
Investec -Fixed Deposit- JB9436866	-	4,000,000	-	4,000,000
Investec -Fixed Deposit- JB9462822	-	5,000,000	-	5,000,000
Investec -Fixed Deposit- JB	-	16,000,000	-	16,000,000
Interest Accrued	2,357,360	2,754,189	2,357,360	2,754,189
Investec -Fixed Deposit- JB5M2361	2,116,252	-	2,116,252	-
Investec -Fixed Deposit- JB99314891	3,522,407	-	3,522,407	-

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8. Cash and cash equivalents (continued)

Investec -Fixed Deposit- JB9711561	5,000,000	-	5,000,000	-
Investec -Fixed Deposit- JB9779631	5,000,000	-	5,000,000	-
Investec -Fixed Deposit- JB9778571	5,000,000	-	5,000,000	-
Investec -Fixed Deposit- JB9718851	16,000,000	-	16,000,000	-
Total	480,158,619	502,728,642	480,141,730	502,737,511

8.3 Summary of call investments

The municipality has the following investments

ABSA	32,973,379	36,345,664
Nedbank	32,864,669	42,308,502
First National Bank	27,992,173	39,571,814
Standard Bank	30,794,777	45,357,177
Sanlam	88,651,042	82,230,967
Investec	36,638,659	39,608,462
Stanlib	136,868,704	126,249,017
FNB Retention	37,064,528	34,724,265
Accrued Interest	2,357,360	2,754,189
	426,205,291	449,150,057

9. Prepayments

Prepayments	447,885	218,576
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2017-Prepayments relates to payments made to Vodacom and for CPMD.

2018-Prepayments relates to payments made to School of Governance and for CPMD

10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	810,000	-	810,000	810,000	-	810,000
Machinery and Equipment	35,659,542	(12,308,740)	23,350,802	17,798,223	(10,903,687)	6,894,536
Furniture and Office Equipment	14,140,911	(8,596,339)	5,544,572	12,768,575	(8,172,864)	4,595,715
Transport Assets	45,120,742	(18,868,168)	26,252,574	41,976,463	(14,757,148)	27,219,315
Computer Equipment	10,062,903	(5,917,371)	4,145,532	7,730,998	(4,830,132)	2,900,864
Community- Buildings	51,024,160	(3,113,974)	47,910,186	16,876,165	(2,443,470)	14,432,695
Other property, plant and equipment-Buildings	59,839,363	(23,976,192)	35,863,171	58,272,211	(22,033,758)	36,238,452
Sanitation Infrastructure	56,728	(233)	56,495	-	-	-
Water Supply Infrastructure	67,310	(276)	67,034	-	-	-
Roads Infrastructure	2,391,548	(636,960)	1,754,588	1,288,287	(543,776)	744,512
Stormwater Infrastructure	6,493,177	(1,386,056)	5,107,121	2,060,582	(1,170,148)	890,433
Construction work in progress	3,543,709	-	3,543,709	63,604,949	-	63,604,949
Electrical Infrastructure	4,869,551	(835,094)	4,034,457	1,957,613	(742,377)	1,215,236
ICT Infrastructure	1,303,684	(1,118,567)	185,117	1,303,683	(1,004,507)	299,176
Leased Assets	1,499,664	(83,544)	1,416,120	787,686	(568,913)	218,773
Total	236,882,992	(76,841,514)	160,041,478	227,235,439	(67,170,783)	160,064,656

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Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals Cost	Transfers	Disposal Accum. Depn	Depreciation	Total
Land	810,000	-	-	-	-	-	810,000
Machinery and Equipment	6,894,536	1,068,745	(5,600)	16,798,173	5,600	(1,410,652)	23,350,802
Furniture and Office Equipment	4,595,715	1,248,159	(13,928)	138,101	2,856	(426,331)	5,544,572
Transport Assets	27,219,315	3,144,280	-	-	-	(4,111,021)	26,252,574
Computer Equipment	2,900,864	1,992,660	(32,694)	371,940	2,815	(1,090,053)	4,145,532
Community	14,432,695	156,912	-	33,991,083	-	(670,504)	47,910,186
Other property, plant and equipment	36,238,452	1,567,153	-	-	-	(1,942,434)	35,863,171
Sanitation Infrastructure	-	56,728	-	-	-	(233)	56,495
Water Supply Infrastructure	-	67,310	-	-	-	(276)	67,034
Roads Infrastructure	744,512	-	-	1,103,261	-	(93,185)	1,754,588
Stormwater Infrastructure	890,433	-	-	4,432,596	-	(215,908)	5,107,121
Construction work in progress	63,604,949	10,760,401	-	(70,821,641)	-	-	3,543,709
Electrical Infrastructure	1,215,236	59,112	-	2,852,826	-	(92,717)	4,034,457
ICT Infrastructure	299,176	-	-	-	-	(114,059)	185,117
Leased Assets	218,773	1,499,663	(787,687)	-	787,681	(302,310)	1,416,120
	160,064,656	21,621,123	(839,909)	(11,133,661)	798,952	(10,469,683)	160,041,478

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Reclassifications	Disposals	Transfers	Depreciation	Total
Land	810,000	-	-	-	-	-	810,000
Buildings and Other Structures	52,559,525	-	(50,096,903)	-	-	(2,462,622)	-
Machinery and Equipment	7,304,097	876,713	97,565	(57,060)	-	(1,326,779)	6,894,536
Furniture and Office Equipment	4,006,781	1,021,543	(13,253)	(54,227)	-	(365,129)	4,595,715
Transport Assets	27,601,578	1,534,875	(696,318)	(196,445)	2,803,272	(3,827,647)	27,219,315
Computer Equipment	3,354,534	761,747	(261,413)	(44,969)	-	(909,035)	2,900,864
Infrastructure: Roads, Pavements, Bridges and Stormwater	1,916,771	-	(1,634,946)	-	-	(281,825)	-
Community	-	-	14,432,695	-	-	-	14,432,695
Other property, plant and equipment	-	-	36,238,452	-	-	-	36,238,452
Roads Infrastructure	-	-	744,512	-	-	-	744,512
Stormwater Infrastructure	-	-	890,433	-	-	-	890,433
Construction work in progress	36,308,785	30,099,436	-	-	(2,803,272)	-	63,604,949
Electrical Infrastructure	1,295,994	-	-	-	-	(80,758)	1,215,236
ICT Infrastructure	-	-	299,176	-	-	-	299,176
Leased assets	481,439	-	-	-	-	(262,666)	218,773
	135,639,504	34,294,314	-	(352,701)	-	(9,516,461)	160,064,656

Pledged as security

None of these assets has been pledged as security.

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

Included in property, plant and equipment are assets which have been fully depreciated but still in use. These assets are held at R1 each.

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

Contracted Services

-Machinery and equipment	1,003,778	1,107,026
-Transport assets	1,636,307	676,291
-Other property, plant and equipment	2,870,181	2,679,263
-Furniture and equipment	150,193	397,896
-Information and communication infrastructure	2,848,713	237,291
-Computer equipment	43,628	-

Operational Costs

-Transport assets	106,873	65,767
-Information and communication infrastructure	-	254,305
	8,659,672	5,417,840

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11. Heritage assets (continued)

	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Municipal Jewellery	508,772	-	508,772	508,772	-	508,772

Reconciliation of heritage assets 2018

	Opening balance	Total
Municipal Jewellery	508,772	508,772

Reconciliation of heritage assets 2017

	Opening balance	Additions	Total
Municipal Jewellery	-	508,772	508,772

Age and/or condition of heritage assets

The heritage asset relates to the Mayoral Chain which was purchased and brought in to use in the previous financial year.:

Pledged as security

None of heritage assets were pledged as security.:

12. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	12,717,866	(1,196,492)	11,521,374	1,584,205	(1,093,103)	491,102

Reconciliation of intangible assets - 2018

	Opening balance	Transfers received	Amortisation	Total
Computer software	491,102	11,133,661	(103,389)	11,521,374

Reconciliation of intangible assets - 2017

	Opening balance	Disposals	Amortisation	Total
Computer software	583,177	(1)	(92,074)	491,102

Pledged as security

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12. Intangible assets (continued)

Expenditure incurred to repair and maintain intangible assets

Expenditure incurred to repair and maintain intangible assets included in Statement of Financial Performance

Operational Costs

Intangible assets	-	-
	4,446,585	5,639,783
	4,446,585	5,639,783

13. Other financial liabilities

At amortised cost

DBSA Short Term Portion	3,223,175	3,312,161
DBSA Long Term Portion	1,542,534	4,627,602
	4,765,709	7,939,763

Total other financial liabilities

4,765,709	7,939,763
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Non-current liabilities

At amortised cost	1,542,534	4,627,602
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Current liabilities

At amortised cost	3,223,175	3,312,161
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Annuity loans 2018	Opening Balance	Current Year Receipts	Redeemed during the year	Closing balance	Short Term Portion	Long Term Portion
DBSA:1996@ 6 months JIBAR plus 2% redeemable at 30/09/2019	7,939,763	-	(3,906,391)	4,765,709	3,223,175	1,542,534
	-	-	-	-	-	-
	7,939,763	-	(3,906,391)	4,765,709	3,223,175	1,542,534

Annuity loans 2017	Opening Balance	Current Year Receipts	Redeemed during the year	Closing balance	Short Term Portion	Long Term Portion
DBSA:1996@ 6 months JIBAR plus 2% redeemable at 30/09/2019	11,115,668	-	(3,175,905)	7,939,763	3,312,161	4,627,602
	11,115,668	-	(3,175,905)	7,939,763	3,312,161	4,627,602
	11,115,668	-	(3,175,905)	7,939,763	3,312,161	4,627,602

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14. Finance lease obligation

Minimum lease payments due

- within one year	594,121	226,260
- in second to fifth year inclusive	1,039,710	-
	<u>1,633,831</u>	<u>226,260</u>
less: future finance charges	(240,299)	(8,480)
Present value of minimum lease payments	<u>1,393,532</u>	<u>217,780</u>

Present value of minimum lease payments due

- within one year	456,471	217,780
Non-current liabilities	937,061	-
Current liabilities	456,471	217,780
	<u>1,393,532</u>	<u>217,780</u>

15. Payables from exchange transactions

Payables and accruals	10,311,354	31,674,445
Advance payments	571	-
Retentions	16,483,311	18,047,244
Leave accrual	8,633,684	6,699,983
Other creditors- Donations	-	37,000
Unallocated deposit	-	1,868
	<u>35,428,920</u>	<u>56,460,540</u>

16. Consumer deposits

Rental properties	12,030	10,030
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Consumer deposits relates to the office space rented out by the municipality.

17. Defined benefit obligation

Projected accrued liability

The post-employment medical aid benefits are provided for retired employees and their legitimate spouses and is paid monthly. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The provision is an estimate of the liability based on historical staff turnover and life expectancy of the relevant people and is discounted by using the inflation rate at the reporting date. The following is a reconciliation of the unfunded accrued liability:

Opening balance	18,165,138	16,146,640
Current service cost	1,703,976	1,577,037
Interest cost	1,805,129	1,510,939
Actuarial gain/ (loss)	(2,893,899)	(881,214)
Expected employer benefit payments	(235,938)	(188,264)
Total liability	<u>18,544,406</u>	<u>18,165,138</u>
Current portion of liability	286,761	235,938
Non-current portion of liability	18,257,645	17,929,200
Total post-retirement medical benefit liability	<u>18,544,406</u>	<u>18,165,138</u>

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17. Defined benefit obligation (continued)

Valuation method

The method used is called the "Projected unit credit method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to the valuation date. Assumptions are made in respect of, inter-alia, medical scheme contribution increases, withdrawals, deaths and ill-health, early and normal retirements. These payments are discounted at the valuation rate of discount to determine the present value of the liabilities at the valuation date.

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17. Defined benefit obligation (continued)

Key financial assumptions

The following key financial assumptions were used to calculate the unfunded accrued liability and the expense figures for the current financial year:

Assumption	2018 value p.a.	2017 value p.a.
Discount rate	9,76%	10%
Health care cost inflation rate	7,50%	8,27%
Net effective discount rate	2,10%	1,60%
Salary inflation rate	5,25%	5,83%

Sensitivity Analysis

The liability at the Valuation Date was recalculated to show the effect of:

- i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- ii) A 1% increase and decrease in the discount rate;
- iii) A one-year age reduction in the assumed rates of post-retirement mortality;
- iv) A one-year decrease in the assumed average retirement age; and
- v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

The table below summarises the results of the sensitivity on the accrued liability:

	Changes in assumptions	In-service R'Million	Continuation R'Million		
Central assumptions		14.607	3.938	18.545	
Health care inflation	+1%	15.708	4.164	19.872	7 %
	-1%	13.068	3.658	16.726	-10 %
Discount rate	+1%	12.323	3.579	15.902	-14 %
	-1%	17.532	4.366	21.898	18 %
Post retirement mortality	-1yr	14.956	4.057	19.013	3 %
Average retirement age	-1yr	15.782	3.938	19.720	6 %
Continuation of membership at retirement	-10%	13.193	3.938	17.131	-8 %

The table below summarises the results of the sensitivity analysis on the current service and interest costs for the year ending June 30, 2018:

	Changes in assumptions	Service cost R'000s	Interest cost R'000s		
Central assumptions		1,704,000	1,805,100	3,509,100	
Health care inflation	+1%	1,813,700	1,919,300	3,733,000	6 %
	-1%	1,515,100	1,642,400	3,157,500	-10 %
Discount rate	+1%	1,381,100	1,702,400	3,083,500	-12 %
	-1%	2,129,800	1,918,700	4,048,500	15 %
Post retirement mortality	-1yr	1,742,800	1,852,100	3,594,900	2 %
Average retirement age	-1yr	1,783,800	1,920,200	3,704,000	6 %
Continuation of membership at retirement	-10%	1,544,200	1,662,300	3,206,500	-9 %

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17. Defined benefit obligation (continued)

Reconciliation of movement in post-employment medical aid benefit and provision long term portion

Balance at the beginning of the year	17,929,200	15,985,180
Contributions to post employment medical aid benefit	615,206	2,179,958
Transfer to current post employment medical aid benefit	(286,761)	(235,938)
Balance at the end of year	18,257,645	17,929,200

Post retirement medical benefits projection for the year

	Year ending 30 June 2020	Year ending 30 June 2019
Opening balance	21,737,650	18,544,406
Current service cost	1,848,072	1,683,739
Interest cost	2,106,901	1,796,266
Expected employer benefit payments	(308,268)	(286,761)
Total liability	25,384,355	21,737,650
Current liability	308,268	286,761
Non-current liability	25,076,087	21,450,889
Total liability	25,384,355	21,737,650

Amounts for the current and previous four years are as follows:

	30-Jun-2018	30-Jun-2017	30-Jun-2016	30-Jun-2015	30-Jun-2014
Present value of accrual	18,544,406	18,165,138	16,146,640	13,798,769	12,684,320

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18. Provisions and impairment

Long service awards

Opening balance	2,691,455	2,555,244
Current service cost	530,163	581,698
Interest cost	210,034	207,336
Actuarial gain / (loss)	245,057	(302,039)
Expected employer benefits payments	(435,664)	(350,784)
	3,241,045	2,691,455
Current portion of liability	573,014	435,664
Additional provisions	2,668,031	2,255,791
	3,241,045	2,691,455

Key financial assumptions

The following key financial assumptions were used to calculate the unfunded accrued liability and the expense figures for the current year

Assumption	2018 value p.a	2017 value p.a
Discount rate	8.58%	8.48%
Health care cost rate		8.44%
Net effective discount rate	2.26%	2.05%
Salary inflation rate	6.18%	6.30%

Sensitivity Analysis

The liability at the valuation date was recalculated to show the effect of:

- A 1% increase and decrease in the assumed general salary inflation rate;
- A 1% increase and decrease in the discount rate;
- A two-year decrease and increase in the assumed average retirement age of employees; and
- A 50% decrease in the assumed withdrawal rates from service.

The table on the next page summarises the results of the sensitivity on the accrued liability:

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18. Provisions and impairment (continued)

Assumption	Changes in assumptions	Liability R' Million	% Change
Central assumptions		3.241	
General salary inflation	+1%	3.459	7%
	-1%	3.044	-6%
Discount rate	+1%	3.038	-6%
	-1%	3.470	7%
Average retirement age	-2 yrs	2.968	-8%
	+2 yrs	3.506	8%
Withdrawals rate	-50 yrs	4.139	28%

The table below summarises the results of the sensitivity analysis on the current service and interest costs for the year ending 30 June 2018:

Assumption	Changes in assumptions	Service cost	Interest cost	Total	% Change
Central assumptions		530,200	210,000	740,200	
General salary inflation	+1%	573,900	225,000	798,900	8%
	-1%	491,100	196,500	687,600	-7%
Discount rate	+1%	494,200	219,200	713,400	-4%
	-1%	571,000	199,200	770,200	4%
Average retirement age	-2 yrs	492,800	191,600	684,400	-8%
	+2 yrs	576,800	232,600	809,400	9%
Withdrawals rate	-50 yrs	744,500	272,100	1,016,600	37%

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18. Provisions and impairment (continued)

Reconciliation of movement in long service awards provision-Long term portion

Balance at the beginning of the year	2,255,791	2,245,440
Contribution to long service benefit	985,254	446,015
Transfer to current long service benefit	(573,014)	(435,664)
	2,668,031	2,255,791

Long service award benefit projections for the year

	Year ending 30 June 2020	Year ending 30 June 2019
Opening balance	3,571,449	3,241,045
Current service cost	705,133	649,413
Interest cost	294,506	254,005
Expected employer benefit payments	(283,806)	(573,014)
Total liability	4,287,282	3,571,449
Current liability	283,806	573,014
Non-current liability	4,003,476	2,998,435
	4,287,282	3,571,449

Amount of the current and previous four years are as follows:

	30-June-2018	30-June-2017	30-June-2016	30-June-2015	30-June-2014
Present value of accrual	3,241,045	2,691,455	2,555,244	1,247,286	1,301,876

19. Rental from Fixed Assets

Premises

Buildings: Excluding Residential	37,638	121,458
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20. Operational Revenue

Request for Access to Information	121	3,026
Handling fees	1,138	351
Insurance refund	-	1,749,182
Skills development	467,091	197,231
Commision	21,664	19,036
Discounts or early settlements	-	25,966
	490,014	1,994,792

21. Interest, Dividend and Rent on Land

Interest revenue

Current and Non-current Assets: Short Term Investments and Call Accounts	41,253,570	43,295,196
Current and Non-current Assets: Bank Accounts	501,864	625,816
Interest received on VAT	-	23,796
	41,755,434	43,944,808

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22. Transfers and subsidies

Operating grants

Equitable share	339,056,000	333,667,000
Financial Management Grant	1,250,000	1,250,000
Expanded Public Works Programme Integrated Grant for Municipalities	4,182,000	2,318,000
Private Institutions	-	156,000
	<u>344,488,000</u>	<u>337,391,000</u>

Capital grants

Rural Road Asset Management Systems Grant	2,175,000	2,076,000
	<u>346,663,000</u>	<u>339,467,000</u>

Conditional and Unconditional Grants

Included in above are the following grants and subsidies received:

Conditional grants received	7,607,000	5,644,000
Unconditional grants received	339,056,000	333,667,000
	<u>346,663,000</u>	<u>339,311,000</u>

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Rural Road Asset Management Systems Grant

Current-year receipts	2,175,000	2,076,000
Conditions met - transferred to revenue	(2,175,000)	(2,076,000)
	<u>-</u>	<u>-</u>

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

Financial Management Grant

Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
	<u>-</u>	<u>-</u>

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

Expanded Public Works Programme Integrated Grant for Municipalities

Current-year receipts	4,182,000	2,318,000
Conditions met - transferred to revenue	(4,182,000)	(2,318,000)
	<u>-</u>	<u>-</u>

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

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23. Revenue

Sale of goods	195,304	485,838
Rental of facilities and equipment	37,638	121,458
Licences or Permits	983,393	263,114
Operational revenue	490,014	1,994,791
Interest received	41,755,434	43,944,808
Transfers and subsidies	346,663,000	339,467,000
Fines, penalties and forfeits	1,269,617	1,627,630
	391,394,400	387,904,639

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

Sale of goods	195,304	485,838
Rental of facilities and equipment	37,638	121,458
Operational revenue	490,014	1,994,791
Interest received	41,755,434	43,944,808
	42,478,390	46,546,895

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

Taxation revenue		
Licences or permits	983,393	263,114
Transfer revenue		
Transfers and subsidies	346,663,000	339,467,000
Fines, Penalties and Forfeits	1,269,617	1,627,630
	348,916,010	341,357,744

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24. Employee related costs

Basic Salary and Wages	74,818,033	67,503,689
Salaries Wages and Allowances: Bonuses	5,902,982	4,528,598
Social Contributions: Medical	6,491,409	5,706,731
Social Contributions: Unemployment Insurance	420,357	390,187
Allowance: Leave Pay	3,918,393	1,898,810
Social Contributions: Pension	12,653,449	10,608,477
Allowance: Overtime	4,215,464	2,981,612
Allowance: Service Related Benefits: Long Service Award	1,125,785	486,997
Allowance: Acting and Post Related Allowances	572,758	381,591
Allowance: Travel or Motor Vehicle	10,050,649	9,475,497
Allowance: Housing Benefits and Incidental: Housing Benefits	543,126	436,287
Social Contributions: Group Life Insurance	715,421	590,986
Allowance: Cellular and Telephone	1,332,152	1,324,448
Social Contributions: Bargaining Council	22,755	19,813
Post-retirement Benefit: Medical	645,205	2,206,762
	123,427,938	108,540,485

Remuneration of Municipal Manager

Annual Remuneration	1,181,864	1,367,943
Performance Bonuses	106,848	134,400
Contribution to UIF, Medical and Pension Funds	309,784	292,857
Cellphone Allowance	39,600	39,600
Car Allowance	138,526	136,209
Leave Pay	253,403	106,848
	2,030,025	2,077,857

Remuneration of Chief Finance Officer

Annual Remuneration	988,370	968,601
Car Allowance	139,019	136,840
Performance Bonuses	74,642	110,499
Contributions to UIF, Medical and Pension Funds	203,067	192,631
Cellphone Allowance	27,600	27,600
Leave Pay	63,237	171,100
Acting Allowance	15,967	7,158
Long Service Allowance	16,470	-
	1,528,372	1,614,429

General Manager Planning and Economic Development

Annual Remuneration	434,839	-
Car Allowance	72,000	-
Contributions to UIF, Medical and Pension Funds	65,960	-
Cellphone Allowance	13,800	-
Leave Pay	27,494	-
	614,093	-

The position of the General Manager Planning and Economic was only established in the current year.

Remuneration of Manager: Corporate Services

Annual Remuneration	611,167	961,309
Car Allowance	56,000	111,547

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24. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	1,099	67,663
Acting Allowance	-	2,488
CellPhone Allowance	16,100	25,300
Leave Pay	32,077	199,046
	<u>716,443</u>	<u>1,367,353</u>

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24. Employee related costs (continued)

Remuneration of Manager: Technical Services

Annual Remuneration	170,619	918,316
Car Allowance	21,747	136,209
Contributions to UIF, Medical and Pension Funds	166	102,404
Acting Allowance	-	4,976
Cellphone Allowance	4,600	27,600
Leave Pay	27,494	218,951
	224,626	1,408,456

Remuneration of Manager: Social Services

Annual Remuneration	778,635	325,246
Car Allowance	197,142	73,620
Performance Bonuses	21,635	51,710
Contributions to UIF, Medical and Pension Funds	183,408	74,249
Acting Allowance	3,013	-
Cellphone Allowance	27,600	12,034
Leave Pay	107,136	112,454
	1,318,569	649,313

25. Remuneration of councillors

Councillors	7,896,773	8,284,262
Councillors' pension contribution	969,345	934,980
Councillors' medical and other contributions	4,653,384	3,367,629
	13,519,502	12,586,871

In-kind benefits

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

The Executive Mayor and the Speaker have the use of the Council owned vehicles for official duties.

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25. Remuneration of councillors (continued)

Remuneration of the Executive Mayor

Annual Remuneration	740,881	654,586
Car Allowance	123,000	166,298
Cellphone Allowance	43,500	32,212
Contribution to UIF, Medical and Pension Funds	104,127	111,805
	1,011,508	964,901

Remuneration of the Speaker

Annual Remuneration	498,183	456,252
Car Allowance	193,601	176,037
Cellphone Allowance	44,400	30,757
Contribution to UIF, Medical and Pension Funds	82,621	72,462
	818,805	735,508

Remuneration of the Chief Whip

Annual Remuneration	493,423	444,538
Car Allowance	181,501	169,274
Cellphone Allowance	44,400	26,439
Contribution to UIF, Medical and Pension Funds	51,081	63,283
	770,405	703,534

Remuneration of the Mayoral Committee Members

Annual Remuneration	2,642,734	2,638,268
Car Allowance	1,027,787	1,004,128
Cellphone Allowance	252,500	157,611
Contribution to UIF, Medical and Pension Funds	461,720	405,901
	4,384,741	4,205,908

Remuneration of other Councillors

Annual Remuneration	4,014,974	3,924,321
Car Allowance	1,381,204	1,243,956
Cellphone Allowance	648,374	344,568
Contribution to UIF, Medical and Pension Funds	489,491	464,174
	6,534,043	5,977,019

26. Depreciation and amortisation

Property, plant and equipment	10,469,684	9,516,460
Intangible assets	103,388	92,075
	10,573,072	9,608,535

27. Finance costs

Interest Paid: Finance Leases	47,313	33,759
Current borrowings	732,337	1,093,539
	779,650	1,127,298

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28. Contracted services

Outsourced Services

Administrative and Support Staff	1,985,353	1,295,684
Professional Staff	180,385	-
Business and Advisory	2,952,602	3,434,022
Cleaning Services	1,232,779	1,591,842

Consultants and Professional Services

Business and Advisory	8,514,547	9,604,234
Infrastructure and Planning	1,943	-
Laboratory Services	2,396,320	2,341,122
Legal Cost	2,646,843	1,408,903

Contractors

Artists and Performers	28,800	-
Translators	24,502	-
Audio-visual Services	99,800	755,524
Catering Services	5,421,902	2,413,589
Employee Wellness	353,510	418,453
Event Promoters	45,000	35,000
Fire Protection	300,866	664,593
Gardening Services	1,136,357	639,605
Graphic Designers	61,536	121,747
Maintenance of Buildings and Facilities	2,960,799	2,778,908
Maintenance of Equipment	1,233,738	1,562,218
Maintenance of Unspecified Assets	4,306,502	502,865
Plants, Flowers and Other Decorations	169,808	64,640
Transportation	1,158,539	1,176,731
Safeguard and Security	2,732,808	2,841,843
Stage and Sound Crew	266,166	274,624
	40,211,405	33,926,147

29. Transfers and subsidies

Operational

Community and Social Services	5,536,781	2,949,196
Environmental Protection	335,680	503,520
Finance and Admin	7,813,277	8,058,488
Planning and Development	21,645,750	26,655,276
Public Safety	4,900,026	-
Road Transport	2,323,075	1,927,925
Water	3,177,743	1,264,275
	45,732,332	41,358,680

Capital

Community and Social Services	5,516,985	7,796,016
Finance and Admin	-	1,248,178
Planning and Development	20,822,200	10,017,274
Public Safety	5,777,218	7,245,924
Road Transport	76,576,575	39,308,096
Sport and Recreation	-	3,068,676
Waste Water Management	7,622,325	17,379,813
Water	14,362,926	34,878,802
	130,678,229	120,942,779
	176,410,561	162,301,459

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29. Transfers and subsidies (continued)

Transfers and Subsidies paid classified by region

General	21,830,060	20,942,868
Dr JS Moroka	37,112,224	20,830,346
Emakhazeni	40,861,402	36,838,865
Emalaheni	12,382,268	3,551,217
Steve Tshwete	1,866,830	43,604,223
Thembisile Hani	56,505,259	22,892,002
Victor Khanye	5,852,519	13,641,937
	176,410,562	162,301,458

30. Operational Costs

Achievement and awards	-	99,750
Advertising Publicity and Marketing	2,715,618	1,847,380
Bank Charges Facility and Card Fees	132,990	108,038
Courier and Delivery Services	2,270	6,469
Catering Municipal Activities	-	2,580,716
Insurance Underwriting	533,332	761,587
External Computer Service	4,919,072	5,689,701
Skills Development Fund Levy	1,078,419	954,666
Motor vehicle licences	106,873	65,767
Wet Fuel	1,222,326	952,933
Printing, Publications and Books	564,702	1,329,745
Uniform and Protective Clothing	1,947,805	869,349
Professional Bodies Membership and Subscription	353,919	209,709
Communication	4,019,981	4,424,189
Transport Provided as Part of Departmental Activities	1,786,886	545,540
Travel and Subsistence	6,372,391	5,822,394
Municipal Services - Rates, Water & Electricity	3,019,579	2,778,949
Toll Gate Fees	180,555	142,896
Travel Agency Fees	290,946	234,120
Workmen's Compensation Fund	590,599	591,154
Registration Fees	2,913,592	1,693,484
Learnership and internships	520,418	635,483
	33,272,273	32,344,019

Nkangala District Municipality

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Figures in Rand

31. Cash generated from operations

(Deficit) surplus	(10,601,614)	23,853,616
Adjustments for:		
Depreciation and amortisation	10,573,072	9,608,535
Loss/(Gain) on sale of assets and liabilities	6,672	70,666
Debt impairment	4,373	-
Movements in employee benefits obligation	379,268	2,018,498
Movements in provisions	549,590	136,211
Less : Prior year accrued interest	(227,102)	(317,938)
Add: Current year accrued interest	138,107	227,102
Correction of error		
Inventories	15,596,423	(34,440,519)
Trade and other receivables from exchange transactions	70,304	393
Prepayments	(229,309)	(218,576)
Construction contracts and receivables	648	-
Payables from exchange transactions	(21,031,620)	16,951,064
Value Added Tax receivable	5,669,548	16,732,296
Consumer deposits	2,000	(4,240)
	900,360	34,617,108

32. Commitments

Authorised capital expenditure

Contracted and Authorised by Accounting Officer

• Property, plant and equipment	17,687,862	4,144,908
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Total capital commitments

Contracted and Authorised by the Accounting Officer	17,687,862	4,144,908
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Authorised operational expenditure

Already contracted for but not provided for

• Victor Khanye	9,900,381	17,384,577
• Dr JS Moroka	5,663,220	5,983,143
• Emalahleni	11,014,301	43,701,460
• Steve Tshwete	1,559,948	2,588,193
• Emakhazeni	11,242,228	16,042,062
• Thembisile Hani	4,120,148	28,345,991
• Nkangala	21,310,723	9,180,441

	64,810,949	123,225,867
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Total operational commitments

Already contracted for but not provided for	64,810,949	123,225,867
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Total commitments

Total commitments

Authorised capital expenditure	17,687,862	4,144,908
Authorised operational expenditure	64,810,949	123,225,867
	82,498,811	127,370,775

The district municipality entered into contracts with service providers to construct projects, which will subsequently be transferred to local municipalities on completion.

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33. Contingencies

Contingent assets

The municipality is not aware of any contingent assets .

Contingent Liabilities

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 37, civil proceedings have commenced against the employees concerned to recover an amount of R -. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

Contigent Liabilities

J Ntuli	1,550,000	1,550,000
TC Makola	1,960,000	1,609,739
Pipe Jack Gauteng	1,898,495	1,898,455
MSB Seretse	1,553,500	-
Diamond Ntuli	45,000	45,000
Magiya Women Development	1,887,705	1,887,705
	8,894,700	6,990,899

- Mrs J Ntuli is claiming an amount of R 1 550 000 for personal damages suffered due to her falling into an open trench in the area of Boekenhoutdoek, KwaNdebele.
- Mr TC Mokola is claiming to be paid an amount of R 1 960 000.00 including due to the loss of office suffered whilst he was still a municipal manager of NDM.
- Messrs Pipe Jack (Pty) is suing NDM an amount of R 1 898 495 for outstanding contract price due to the work done at NDM
- MSB Seretse has instituted a civil claim against NDM and other for an amount of R 1 553 500 for compensation, medical expenses and loss of income.
- Mr Diamond Ntuli is suing NDM an amount of R 45 000 for loss of Councillor allowances from September 2014 to the date of reinstatement
- Messrs Magiya Women Development is suing NDM an amount of R 1 887 705 for termination of contract done in December 2015 in accordance with the GCC.

34. Prior period errors

,The municipality discovered that an amount of R 2 458 914 relating to Payables from exchange transactions, was erroneously credited against Cash and Cash Equivalents in 2016/2017.

The municipality further discovered during the current financial year that a sundry debtor (vodacom) relating to rental of a piece of land owned by the municipality was not recorded in the prior period. The total amount of R 38 590 was debited against the Trade and other receivables and credited against accrued income.

Both the errors were retrospectively corrected in the annual financial statement by restating the prior year figures.

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

Statement of financial position

Increase Payables from exchange transaction	-	(2,458,914)
Increase in Bank	-	2,458,914
Increase in Sundry Debtors	-	43,993
Decrease in Vat Receivable	-	5,402

Statement of financial performance

Increase in Rental of fixed assets 16/17	-	21,590
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Statement of Net Assets

Increase in accumulated surplus 15/16	-	17,000
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Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2018

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35. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's risk management policies are established and analyse the risks faced by the municipality, to set up limits and controls to monitor risks and adherence to limits. The risk management policy is reviewed annually and a risk assessment is performed annually and monitored regularly to effect changes in the municipality's activities and risk profile..

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.

At June 30, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	3,085,068	1,542,534	-	-
Derivative financial instruments	594,120	512,230	424,830	-
At June 30, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	3,312,161	3,085,068	1,542,534	-
Derivative financial instruments	217,780	-	-	-

Credit risk

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

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

	2018	2017
Financial instrument		
Trade and other receivables from exchange transaction	88,098	162,773
Investments	49,218,878	44,846,358
Cash and cash equivalents	430,933,050	457,901,357
Construction contracts and receivables	-	648
Prepayments	447,885	218,576

Market risk

Interest rate risk

36. Going concern

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

Nkangala District Municipality

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Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

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37. Fruitless and wasteful expenditure

Opening balance	-	14,387
Amount recovered	-	(14,387)
	<u>-</u>	<u>-</u>

38. Irregular expenditure

Opening balance	800,683	-
Add: Irregular Expenditure - current year	38,775	859,933
Less: Amounts written off by Council	(761,425)	-
Less: Amounts recovered.	(53,437)	(59,250)
	<u>24,596</u>	<u>800,683</u>

Analysis of Irregular expenditure

Current year	38,775	800,683
Prior years	800,683	-
	<u>839,458</u>	<u>800,683</u>

Details of irregular expenditure – current year

	Steps taken	
Clr was paid on the incorrect municipality Grading	Amount to be recovered by Council	15,967
Clr was paid as MMC instead of Chairperson of MPAC	Amount to be recovered by Council	13,957
Service provider made false declaration on the MBO form	Council Committee investigated and recommended that expenditure to be written off	8,851
		<u>38,775</u>

Details of Irregular expenditure written off relating to prior years:

Procurement of Mayoral Chain (Heritage Asset) using deviation process	Council committee investigated the matter and found out that the deviation was valid	(508,772)
False declarations made by suppliers, invalid deviations and possible cover quoting by suppliers	False declarations made by suppliers, invalid deviations and possible cover quoting were investigated by Council Committees. The Committees recommended that the benefit of the goods and services were already enjoyed by Council and Council resolved to writeoff the expenditures as irrecoverable. Further disciplinary actions were taken against the responsible officials	(248,280)
Clr was paid on the incorrect municipality grading	The Clr passed away in the previous financial year and the debt was written off as irrecoverable	(4,373)
		<u>(761,425)</u>

Details of irregular expenditure recoverable (not written off)

Overpayment of Clrs in prior periods	18,649
Overpayment of Clr in the current period	5,947
	<u>24,596</u>

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39. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,371,933	1,462,045
Amount paid - current year	(1,371,933)	(1,462,045)
	<u>-</u>	<u>-</u>

Audit fees

Current year fees	3,780,506	3,746,108
Amount paid - current year	(3,780,506)	(3,746,108)
	<u>-</u>	<u>-</u>

PAYE and UIF

Current year subscription / fee	20,658,917	21,459,855
Amount paid - current year	(20,658,917)	(21,459,855)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year subscription / fee	20,333,900	27,356,443
Amount paid - current year	(20,333,900)	(27,356,443)
	<u>-</u>	<u>-</u>

40. Deviation from supply chain management regulations

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

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

Refer to register of SCM deviations on page 70.

41. Comparative figures and reclassifications

Certain comparative figures have been reclassified.

The purpose of these reclassifications was to align the comparative figures prepared on mSCOA version 5.4 to the current year which was prepared on mSCOA version 6.1.

For the reclassifications regarding property, plant and equipment please refer to note 10, Reconciliation of property, plant and equipment - 2017

The other reclassifications relates to the internal breakdown of employee related costs. Refer to note 24.

42. Related parties

Other than the related parties included in note 29 the municipality do not have any other related parties.

No transactions occurred with related parties that were not at arm's length or not in the ordinary course of business.

When the municipality enters into agreements with service providers who made declarations that close family members or directors are in service of the State. The municipality considers the transactions to be at an arms length and in the ordinary course of business

Register of SCM deviations

Refer to note 40

DEVIATION REPORT 2017 - 2018 FINANCIAL YEAR										
NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION			
							DEPARTMENT	AM: SCM	PAYMENT NO	PAYMENT DATE
DEVIATIONS APPROVED AND EXPENDITURES PAID:										
1	000117	TRAINING OF IA STAFF	INTERNAL AUDIT	WOLTER KLUWER	R 91 668.28	10-Jul-17	Services available from single provider	Services available from single provider	EF071287-0007	04-Aug-17
2	000118	MEMBERSHIP IIASA	RISK	INSTITUTE OF INTERNAL AUDITORS	R 11 799.00	11-Jul-17	Services available from single provider	Services available from single provider	EF0712575-0001	25-Jul-17
3	000119	South African IA Conference	IA	INSTITUTE OF INTERNAL AUDITORS	R 31 122.00	17-Jul-17	Services available from single provider	Services available from single provider	EF071277-0001	26-Jul-17
4	000121	PUBLICATION OF CLEAN AUDIT	PUBLIC LIASON	INDEPENDENT NEWSPAPERS (PTY) LTD	R 68 400.00	12-Jul-17	Services available from single provider	Services available from single provider	EF071412-0002	25-Oct-17
5	000122	Skills Gap Training for Cllr Mthimunye	Corporate Services	Wits Business School	R 30 500.00	13-Jul-17	Continuation of Studies	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071350-0001	02-Aug-17
6	000120	CIGFARO IMFO TRAINING	SCM	CIGFARO	R 5 998.00	14-Jul-17	Services available from single provider	Services available from single provider	EF071288-0001	04-Aug-17
7	000134	PUBLICATION ON HERALD NEWSPAPER	PUBLIC LIASON	HERALD NEWSPAPER	R 6 200.00	24-Jul-17	Services available from single provider	Services available from single provider	EF071297-0009	08-Aug-17
8	000135	PUBLICATION ON MYABA MEDIA & TECH NEWSPAPER	PUBLIC LIASON	MYABA MEDIA & TECH NEWSPAPER	R 5 952.98	24-Jul-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071357-0009	18-Sep-17
9	000129	BROADCASTING OF THE STATE OF THE DISTRICT ADDRESS	PUBLIC LIASON	MPUMALANGA COMMUNITY RADIO FORUM	R 40 000.00	24-Jul-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071677-0001	26-Apr-18

NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION		PAYMENT NO	PAYMENT DATE
							DEPARTMENT	AM: SCM		
10	000133	PUBLICATION OF THE SODA ADVERT	PUBLIC LIASON	X-PRESS NEWSPAPERS	R 5 899.00	24-Jul-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071357-0010	18-Sep-17
11	000132	PUBLICATION OF THE SODA ADVERT	PUBLIC LIASON	LOWVELD MEDIA	R 18 257.33	24-Jul-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071363-0014	21-Sep-17
12	000139	TRAINING FOR ICT STAFF	ICT	INTELLIGENT AFRICA	R 92 329.74	26-Jul-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071312-0014	21-Aug-17
13	000141	Skills Gap Training for Mr. Seerane	Corporate Services	Leadership Academy	R 22 788.60	27-Jul-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071362-0006	21-Sep-17
14	000142	Skills Gap Training for Mr. Masemola	Corporate Services	Leadership Academy	R 22 788.60	03-Aug-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071396-0018	19-Oct-17
15	000143	Skills Gap Training for Mr. Mthethwa	Corporate Services	Helena Burger and Associates	R 10 750.00	08-Aug-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071352-0001	15-Sep-17
16	000140	MFMP TRAINING FOR FOUR (4) FINANCE INTERNS	CORPORATE SERVICES	MMANAPE MANAGEMENT SOLUTION	R 199 800.00	10-Aug-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071380-0001	05-Oct-17

NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION		PAYMENT NO	PAYMENT DATE
							DEPARTMENT	AM: SCM		
17	000148	ANNUAL MEMBERSHIP CIGFARO	MUNICIPAL MANAGERS OFFICE	CHARTERED INSTITUTE OF GOVERNMENT FINANCE AUDIT & RISK OFFICERS	R 790.00	17-Aug-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071335-0001	07-Sep-17
18	000154	Skills Gap Training for Ms. K Simelane	Corporate Services	UNISA	R 11 330.00	29-Aug-17	Continuation in archives and records management	In any other exceptional case where it is impractical or impossible to follow official procurement processes	'00001161	01-Sep-17
19	000153	Skills Gap Training for eight Cllrs	Corporate Services	National School Of Government	R 242 000.00	29-Aug-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	'EF071394-0002	17-Oct-17
20	000160	SIPDM TRAINING	Finance	CESA	R 3 600.00	15-Sep-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071368-0002	22-Sep-17
21	000162	Skills Gap Training for Mr. Machike	Corporate	UNISA	R 4 825.00	29-Sep-17	Continuation of Mr Machike's studies with UNISA	In any other exceptional case where it is impractical or impossible to follow official procurement processes	'00001163	16-Oct-17
22	000163	The Lexis Nexis database for legal, financial & legislative content	Corporate	Lexis Nexis	R 4 050.88	09-Oct-17	Lexis Nexis is the only provider and publisher of the Act and Regulations	If such goods or services are produced or available from single provider	EF071490-005	14-Dec-17
23	000164	Executive Mayor's Dialogue with the Elderly	Social Services	uBhetyan-o-africa	R 69 100.00	23-Oct-17	Nkangala District Municipality is in partnership with Steve Tshwete Local Municipality, and both municipalities chose the set venue	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071422-0001	02-Nov-17

NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION			
							DEPARTMENT	AM: SCM	PAYMENT NO	PAYMENT DATE
24	000168	Procurement of Gazetting	Legal Unit	Government Printing Works	R 179 500.00	10-Oct-17	Sole Provider for Gazetting	If such goods or services are produced or available from sigle provider		
25	000172	Procurement of Foam	Social Services	Lymae	R 72 325.00	27-Oct-17	Urgent supply of foams for fire-fighting to a burning mall (Siyabuswa mall)	The possibility of human injury or death, damage to property or suffering & death of livestock and animals	EF071425-0001	02-Nov-17
26		Procurement of Foam	Social Services	Andy's Suspensions	R 83 050.00	27-Oct-17	Urgent supply of foams for fire-fighting to a burning mall (Siyabuswa mall)	The possibility of human injury or death, damage to property or suffering & death of livestock and animals	EF071424-0002	02-Nov-17
27	000173	Munsoft Annual General Meeting	Finance	Munsoft	R 50 000.00	01-Nov-17	Meeting arranged by sole supplier of financial system operating in the municipality	If such goods or services are produced or available from sigle provider	EF071452-0001	29-Nov-17
28	000174	Payment of Membership Fees for Mr. ME Maseko at the IPM	Corporate Services	Institute of People Management (IPM)	R 1 720.00	07-Nov-17	Only service provider for the membership	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071544-0001	30-Jan-18
29	000175	Renewal of Membership Fees	Corporate Services	Institute of Municipal People Practitioners of South Africa	R 300.00	07-Nov-17	Renewal of membership fees for Mr ME Maseko. IMPSA is the only professional body for the provision of this membership	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071431-0001	09-Nov-17
30	000176	Skills Gap Training for Ms. L Makhanya	Corporate Services	University of South Africa	R 14 300.00	08-Nov-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	00001174	05-Feb-18

NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION			
							DEPARTMENT	AM: SCM	PAYMENT NO	PAYMENT DATE
31	000177	Institute of Municipal People Practitioner of Southern Africa Annual International Conference	Corporate Services	Institute of Municipal People Practitioners of South Africa	R 10 650.00	08-Nov-17	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071431-0002	09-Nov-17
32	000179	Munsoft Annual General Meeting	Municipal Manager's Office	Munsoft	R 12 500.00	16-Nov-17	Meeting arranged by sole supplier of financial system operating in the municipality	If such goods or services are produced or available from sigle provider	EF071463-0007	30-Nov-17
33	000178	Munsoft Annual General Meeting	ICT	Munsoft	R 25 000.00	20-Nov-17	Meeting arranged by sole supplier of financial system operating in the municipality	If such goods or services are produced or available from sigle provider	EF071463-0006	30-Nov-17
34	000180	CIGFARO Annual Membership	INTERNAL AUDIT	CIGFARO	R 790.00	12-Dec-17	Sole provider	If such goods or services are produced or available from sigle provider	EF071637-0006	27-Mar-18
35	000181	Training For Bid Committees	SCM	National School Of Government	R 141 750.00	21-Dec-17	A resolution was taken at the strategic lekgotla to train bid committee members. Treasury has given us a list of service providers who can do the training	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071668-0001	23-Apr-18
36	000188	Audit & Risk Indaba	IA	Chartered Institute of Government Finance Audit& Risk Officers	R 11 298.00	12-Jan-18	The serice provider is the only one who facilitates and hosts this type of event for audit and risk officers	If such goods or services are produced or available from single provider	EF071527-0005	17-Jan-18
37	000187	Skills Gap Training for Ms. T Van Niekerk	Corporate Services	UNISA	R 4 320.00	18-Jan-18	Countinuation of studies with UNISA	In any other exceptional case where it is impractical or impossible to follow official procurement processes	001171-0001	24-Jan-18
38	000189	Procurement of Gazetting	Legal Unit	Government Printing Works	R 43 000.00	15-Jan-18	Sole provider for gazetting	If such goods or services are produced or available from sigle provider	EF071595-0012	05-Mar-18

NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION		PAYMENT NO	PAYMENT DATE
							DEPARTMENT	AM: SCM		
39	000192	Skills Gap Training for Ms. HB Nkosi	Corporate Services	UNISA	R 5 790.00	18-Jan-18	UNISA	In any other exceptional case where it is impractical or impossible to follow official procurement processes	001172-0001	24-Jan-18
40	000197	Workshop for risk management, anti-fraud and anti-corruption committee	Risk	Institute of Risk Management SA	R 71 706.00	29-Jan-18	Institute of Risk management SA has been recognised by the South African qualification authority as the only professional body for risk managers in Southern Africa	If such goods or services are produced or available from single provider	EF071566-0009	31-Jan-18
41	000194	Skills Gap Training for Ms. TM Lengwate	Corporate Services	University of Witwatersrand	R 80 150.00	30-Jan-18	Ms TM Lengwate has identified the Postgraduate Diploma in Business Management as a priority training during the skills audit process and it was included in the approved institutional plan.	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071645-0001	15-Feb-18
42		Cleaning of the Mayoral Chain	Corporate Services	Touch Of Gold	R 58 000.00	31-Aug-16	Sole supplier registered on CSD	The asset was acquired from the service provider and the guarantee provided by them.	EF070903-0007	02-Sep-16
43	000221	Nkangala District Municipality vs Makola case	Mayors Office	Allardyce & Partners	R 30 072.42	19-Feb-18	Allardyce & Partners were appointed by NDM for the NDM vs Makola case	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071595-0003	22-Feb-18
44	000212	Skills Gap Training for Ms. RC Lobese and Ms. TE Mangwege	Corporate Services	University of Johannesburg	R 52 800.00	14-Mar-18	Both Ms RC Lobese and Ms TE Mangwege have identified a course in Municipal Governance Programme NQF 6 during the skills audit process and it was included in the approved institutional plan.	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071642-0002	16-Mar-18
45	000227	Munsoft VAT Training for finance staff	Finance	Munsoft	R 10 000.00	14-Mar-18	munsoft is offering VAT training as per the training schedule.	If such goods or services are produced or available from single provider	EF071642-0003	19-Mar-18

NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION		PAYMENT NO	PAYMENT DATE
							DEPARTMENT	AM: SCM		
46	000225	Skills Gap Training for Ms. AS Mashaba	Corporate Services	University of South Africa	R 15 655.00	13-Mar-18	Ms SA Mashaba has identified a course in Bachelors of Commerce Honours in Logistics during the skills audit process and it was included in the approved institutional plan.	In any other exceptional case where it is impractical or impossible to follow official procurement processes	001178-0001	23-Mar-18
47	000221	Nkangala District Municipality vs Makola case	Mayors Office	Allardyce & Partners	R 30 072.42	19-Feb-18	Allardyce & Partners were appointed by NDM for the NDM vs Makola case	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071595-0003	22-Feb-18
48	000226	Strip and Quote for HNX 700 MP	Corporate Services	Kunene Motors Motors	R 22 100.90	14-Mar-18	The Mayoral vehicle was booked in for repairs at an authorised dealer for the made of the vehicle strip and quote was to be made before repairs. HNX 700 MP	Repairs and maintenance - on strip and quote	'EF071757-002	14-Jun-18
49	000231	Towing of FFH 290 MP	Corporate Services	Kunene Motors Motors	R 3 929.90	15-Mar-18	The Speakers car had broken down at DR JS Moroka and it was towed away by Kunene Motors for Diagnoses	Repairs and maintenance - on strip and quote	'EF071757-002	14-Jun-18
50	000228	Munsoft Fixed Asset Training, for finance staff	Finance	Munsoft	R 19 950.00	20-Mar-18	Munsoft is offering VAT training as per the training schedule.	If such goods or services are produced or available from single provider	EF071705-0008	23-Mar-18
51	000239	Broadcasting of the IDP/Budget indaba	PUBLIC LIASON	Mpumalanga Community Radio Forum	R 53 200.00	04-Apr-18	The service provided by these local stations and covers a large targeted audience within the District and they are not within the SABC	In any other exceptional case where it is impractical or impossible to follow official procurement processes	'EF071707-0009	15-May-18
52	000220	Auditing the management and reporting of performance info	IA	Institute of Internal Auditors	R 5 209.00	11-Apr-18	Services available from single provider	Services available from single provider	'EF071739-001	11-Jun-18

NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION			
							DEPARTMENT	AM: SCM	PAYMENT NO	PAYMENT DATE
53	000243	Membership Registration of SCM officials	Finance	Chartered Institute of Procurement & Supply	R 17 714.03	24-Apr-18	In any other exceptional case where it is impractical or impossible to follow official procurement processes	In any other exceptional case where it is impractical or impossible to follow official procurement processes	'EF071729-004	30-May-18
54	000244	Exhibition Stand for Tourism Indaba	PED	Synergy Bussiness Events	R 274 271.35	19-Apr-18	Service is provided by the sole provider	In any other exceptional case where it is impractical or impossible to follow official procurement processes	'EF071760-004	19-Jun-18
55	000246	Tourism Indaba	PED	Durban ICC	R 2 935.00	03-May-18	9 people namely, 3 SMMEs, 4 officials and 2 politician are attending Durban Indaba at the ICC where lunch is not	In any other exceptional case where it is impractical or impossible to follow	'EF071707-0006	15-May-18
56	000248	Society of Agricultural Extension Conference	PED	South African Society Of Agricultural Extension	R 3 500.00	14-May-18	SASAE is the sole provider of this conference and the registration fee	If such goods or services are produced or available from single provider	'EF071723-001	29-May-18
57	000249	Buying of Farm Geluk	Legal Unit	Maphanga & Essa Inc	R 1 600 000.00	28-Mar-18	Nkangala district municipality is purchasing a piece of land (Farm Geluuk) and this is payment of the purchase price payable to the seller of the farm via council's attorney's trust account	In any other exceptional case where it is impractical or impossible to follow official procurement processes	'EF071713-0001	21-May-18
58	000251	Broadcasting of the Mining Indaba	Public Liason	Mpumalanga Community Radio Forum	R 49 500.00	11-May-18	The service provided by these local stations and covers a large targeted audience within the District and they are not within the SABC	In any other exceptional case where it is impractical or impossible to follow official procurement processes	'EF071725-011	29-May-18
59	000253	Training for Internal Audit	IA	Institute of Internal Auditors SA	R 7 812.00	21-May-18	The service provider is the only one which offers the courses specified and also a professional body	In any other exceptional case where it is impractical or impossible to follow official procurement processes	'EF071769-001	26-Jun-18

NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION		PAYMENT NO	PAYMENT DATE
							DEPARTMENT	AM: SCM		
60	000256	Training for Bid Committees	Finance	National School Of Government	R 200 000.00	28-May-18	National Treasury has given an instruction to utilize only catering service provider for bid committee training	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071761-001	19-Jun-18
61	000257	Broadcasting of the Water Summit	Public Liason	Mpumalanga Community Radio Forum	R 33 000.00	30-May-18	The service provided by these local stations and covers a large targeted audience within the District and they are not within the SABC	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071734-015	08-Jun-18
62	000261	Catering and Venue for Bid Committee Training	Finance	National School Of Government	R 70 000.00	27-Jun-18	National School of Government has been approved for the training & we therefore request that an additional cost for the venue and catering to be included which initially was not and they are still the lowest with the cost for the training of	In any other exceptional case where it is impractical or impossible to follow official procurement processes	EF071788-003	28-Jun-18
DEVIATIONS APPROVED AND STILL IN PROGRESS:										
63	000128	SAIRR DATABASE & SA SURVEY ANNUALS	CORPORATE SERVICES	SOUTH AFRICAN INSTITUTE OF RACE RELATIONS	R 55 589.82	24-Jul-17	Services available from single provider	Services available from single provider	Pending	
64	000171	Procurement of Gazetting	Legal Unit	Government Printing Works	R 260 000.00	25-Oct-17	Sole Provider for Gazetting	If such goods or services are produced or available from single provider	Pending	
65	000207	Skills Gap Training for Ms. ME Mokgolomotho	Corporate Services	North West University	R 62 075.00	02-Feb-18	Ms Mokgolomotho M has identified the MBA during the skills audit process and it	In any other exceptional case where it is impractical or	Pending	

NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION		PAYMENT NO	PAYMENT DATE
							DEPARTMENT	AM: SCM		
66	000210	Skills Gap Training for Ms. DMN Mthimunye	ICT	BYTES PEOPLE SOLUTIONS	R 42 526.56	02-Feb-18	Ms DMN Mthimunye has identified a course in Microsoft Certified Exam during the skills audit process and it was included in the approved institutional plan.	In any other exceptional case where it is impractical or impossible to follow official procurement processes	Pending	
67	000211	Skills Gap Training for Mr. MJ Nhlapho	Corporate Services	University of South Africa	R 5 845.00	02-Feb-18	Continuation of studies with UNISA	In any other exceptional case where it is impractical or impossible to follow official procurement processes	Pending	
68	000219	Skills Gap for Mrs. TMR Mangena	Corporate Services	Tshwane University of Technology	R 24 380.00	02-May-18	Mrs TMR Mangena is currently studying with TUT for the masters of Environmental Health. She has already completed the other qualifications in the field of Environmental Health with the institution	In any other exceptional case where it is impractical or impossible to follow official procurement processes	Pending	
69	000252	Skills Gap for Mr. PB Mahlangu	Corporate Services	Tshwane University of Technology	R 28 750.00	23-May-18	Mr PB Mahlangu is studying with the Tshwane University of Technology for the Doctor of Business Administration. He is registered for his Thesis: Business Administration which is the last subject on the curriculum .	In any other exceptional case where it is impractical or impossible to follow official procurement processes	Pending	
70	000254	Renewal of Membership Fees for Mr Mbulaheni RM	Corporate Services	South African Institute of Occupational Safety and Health	R 929.10	23-May-18	Only service provider for the membership	In any other exceptional case where it is impractical or impossible to follow official procurement processes	Pending	
71	000260	Renewal of Membership Fees for Mr SS Links	Social Services	Institute of Environment and Recreation Management	R 2 230.00	27-Jun-18	Membership fees only paid to the Supplier	In any other exceptional case where it is impractical or impossible to follow official procurement processes	Pending	

NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION		PAYMENT NO	PAYMENT DATE
							DEPARTMENT	AM: SCM		
72	000265	Messrs R van As was requested to be a professional witness in legal proceedings for the matter on Magiya Women Developers and NDM	Legal Unit	SCIP Engineering	R 28 721.25	29-Jun-18	Messrs R van As was requested to be a professional witness in legal proceedings for the matter on Magiya Women Developers and NDM	In any other exceptional case where it is impractical or impossible to follow official procurement processes	Pending	

Appendix A

2017 / 2018 REGISTER OF UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE															
NKANGALA DISTRICT MUNICIPALITY															
NO	Date of discovery	Date reported to the Accounting Officer	Service Provider	Amount	Description of incident	Person liable (Official or Political office bearer)	Type of prohibited expenditure	Status							
								UI	DP	CC	TR	P	WO	General comments	
2016/17 Opening Balance (Audited)				R 800 683.00											
11	2018-01-31	2018-01-31	Bente Fitment Centre	R 8 850.60	Service provider has a director in the service of the state and made false declaration.	SCM Unit	irregular expenditure	✓							Matter is reported to Council.
14	2018-01-31	2018-01-31	Clr DJ Bath	R 15 966.66	Clr was paid on the incorrect municipality grading.	Finance Department	Irregular expenditure	✓				✓			Matter is reported to Council.
15	2017-07-31	2018-01-31	Clr XS Ngwenya	R 13 956.82	Clr was paid as a MMC instead of chairperson of MPAC.	Finance Department	Irregular expenditure	✓				✓			Matter is reported to Council.
Closing balance as at 28 February 2018				R 839 457.08											
Amounts investigated and written off by Council.				R -761 425.00											
Amounts recovered				R -53 437.00											
Closing balance as at 30 June 2018 (recoverable)				R 24 595.08											

Abbreviations

UI:	Irregular expenditure under investigation
DP:	Disciplinary process initiated against responsible person
CC:	Criminal charges laid with SAPS
TR:	Transferred to receivables for recovery
P:	Paid or in process of paying in installments
WO:	Written-off by Council as irrecoverable

Appendix B

Nkangala District Municipality

Interpretation of results

The green indicate that the results is within the norm

The red indicate that the result is not within the acceptable norms and corrective action plans should be prepared

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS		
					2018	2017	
" R 000 "							
1. FINANCIAL POSITION							
A. Asset Management/Utilisation							
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports, IDP and AR	10% - 20%		5%	9%
					Total Operating Expenditure	401 996 014	364 051 023
					Taxation Expense	-	-
					Total Capital Expenditure	21 621 125	34 294 314
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/(Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100	Statement of Financial Position, Notes to the AFS and AR	0%		6%	6%
					PPE, Investment Property and Intangible Impairment	10 573 072	9 608 535
					PPE at carrying value	160 550 250	160 573 427
					Investment at carrying value	-	-
						11 521 374	491 101
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure/ Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-Year Reports	8%		5%	3%
					Total Repairs and Maintenance Expenditure	8 501 039	4 843 991
					PPE at carrying value	172 071 624	161 064 528

B. Debtors Management

1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget , In-Year Reports, IDP and AR	95%		260%	92%
					Gross Debtors closing balance	88 098	162 773
					Gross Debtors opening balance	162 773	143 786
					Bad debts written Off	4 373	-
					Billed Revenue	43 993	238 376

2	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off/Provision for Bad debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		#DIV/0!	#DIV/0!
					Consumer Debtors Bad debts written off	4 373	-
					Consumer Debtors Current bad debt Provision	-	-

3	Net Debtors Days	((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 days		695 days	249 days
					Gross debtors	88 098	162 773
					Bad debts Provision	4 373	-
					Billed Revenue	43 993	238 376

C. Liquidity Management

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In year Reports and AR	1 - 3 Months		13 Month	15 Month
					Cash and cash equivalents	430 933 050	457 901 357
					Unspent Conditional Grants	-	-
					Overdraft	-	-
					Short Term Investments	-	-
					Total Annual Operational Expenditure	401 996 014	364 051 023

2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		13.14	9.45
					Current Assets	525 276 088	573 356 379
					Current Liabilities	39 980 371	60 672 113

D. Liability Management

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost(Interest Paid and Redemption) / Total Operating Expenditure x 00	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%		1%	1%
					Interest Paid	779 650	1 127 298
					Redemption	3 408 978	3 352 989
					Total Operating Expenditure	401 996 014	364 051 023
					Taxation Expense		

2	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non current Finance Lease Obligation + Short Term Borrowings + Long term borrowing) / (Total Operating Revenue -	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		2%	2%
					Total Debt	6 159 241	8 157 543
					Total Operating Revenue	391 394 400	387 904 639
					Operational Conditional Grants	7 607 000	5 644 000

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank overdraft + Short Term Investment + Long Term Investment - Unspent grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		70%	72%
					Cash and cash Equivalents	430 933 050	457 901 357
					Bank Overdraft	-	-
					Short Term Investment	-	-
					Long Term Investment	49 218 878	44 846 358
					Unspent Grants	-	-
					Net Assets	683 180 948	693 782 556
					Share Premium	-	-
					Share Capital	-	-
					Revaluation Reserve	-	-
Fair Value Adjustment Reserve	-	-					
Accumulated Surplus	-	-					

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure)/Total Operating Revenue	Statement of Financial Performance, Budget, In-Year reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Asset	= or > 0%		0%	9%
					Total Operating Revenue	391 394 400	387 904 639
					Depreciation - Revalued Portion <i>(Only populate if depreciation line item in the Statement of Financial</i>	10 573 072	9 608 535
					Total Operating Expenditure	401 996 014	364 051 023
					Taxation Expense	-	-

2	Net Surplus /Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure/Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	0% - 15%		#DIV/0!	#DIV/0!
					Total Electricity Revenue		
					Total Electricity Expenditure		

3	Net Surplus /Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%		#DIV/0!	#DIV/0!
					Total Water Revenue		
					Total Water Expenditure		

4	Net Surplus /Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%		#DIV/0!	#DIV/0!
					Total Refuse Revenue		
					Total Refuse Expenditure		

5	Net Surplus /Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= or > 0%		#DIV/0!	#DIV/0!
					Total Sanitation and Water Waste Revenue		
					Total Sanitation and Water Waste Expenditure		

B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	(Number of Electricity Units Purchased and/or Generated - Number of units sold) / Number of Electricity Units Purchased and/or generated) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%	Number of units purchased and/or generated	#DIV/0!	#DIV/0!
					Number of units sold	-	-

2	Water Distribution Losses (Percentage)	(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%	Number of kilolitres purchased and/or purified	#DIV/0!	#DIV/0!
					Number of kilolitres sold	-	-

C. Revenue Management

1	Growth in Number of Active Consumer Accounts	(Period under review's number of Active Debtor Accounts - previous period's number of Active Debtor Accounts) / previous number of Active Debtor Accounts x 100	Debtors System	None	Number of Active Debtors Accounts (Previous)	#DIV/0!	#DIV/0!
					Number of Active Debtors Accounts (Current)		

2	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue) / previous period's Total Revenue) x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= CPI		1%	2%
					CPI	7%	7%
					Total Revenue (Previous)	387 904 639	381 787 914
					Total Revenue (Current)	391 394 400	387 904 639

3	Revenue Growth (%) - Excluding capital grants	(Period under review's Total Revenue Excluding capital grants-previous period's Total Revenue excluding capital grants) / previous period's Total Revenue excluding capital grants) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-Year reports and AR	= CPI		1%	2%
					CPI	7%	7%
					Total Revenue Exl.Capital (Previous)	385 828 639	379 777 914
					Total Revenue Exl.Capital (Current)	389 219 400	385 828 639

D. Expenditure Management

						14 days	43 days
1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-Year reports and AR	30 days			
					Trade Creditors	10 311 354	31 674 445
					Contracted Services	31 710 366	29 082 156
					Repairs and Maintenance	8 501 039	4 843 991
					General expenses	213 473 402	198 191 021
					Bulk Purchases		
					Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property</i>)	21 621 125	34 294 314
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		0%	0%
					Irregular, Fruitless and Wasteful and Unauthorised Expenditure	24 596	800 683
					Total Operating Expenditure	401 996 014	364 051 023
					Taxation Expense		
3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	25% - 40%		34%	33%
					Employee/personnel related cost	123 427 938	108 540 483
					Councillors Remuneration	13 519 502	12 586 871
					Total Operating Expenditure	401 996 014	364 051 023
					Taxation Expense		
4	Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	2% - 5%		10%	9%
					Contracted Services	40 211 405	33 926 147
					Total Operating Expenditure	401 996 014	364 051 023
					Taxation Expense		-

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	Own funded Capital Expenditure (Internally generated funds + Borrowings) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-Year reports and AR	None		100%	100%
					Internally generated funds	21 621 125	34 294 314
					Borrowings		
					Total Capital Expenditure	21 621 125	34 294 314

2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information) Budget, IDP, In-Year reports and AR	None		100%	100%
					Internally generated funds	21 621 125	34 294 314
					Total Capital Expenditure	21 621 125	34 294 314

3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	Own Source Revenue (Total revenue - Government grants and Subsidies - Public Contributions and Donations)/ Total Operating Revenue (including agency services) x 100	Statement Financial Performance, Budget, IDP, In-Year reports and AR	None		12%	13%
					Total Revenue	391 394 400	387 904 639
					Government grant and subsidies	344 488 000	337 235 000
					Public contributions and Donations	-	156 000
					Capital Grants	2 175 000	2 076 000

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	Actual capital Expenditure / Budget Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, In-Year reports and AR	95% - 100%		85%	87%
					Actual Capital Expenditure	21 621 125	34 294 314
					Budget Capital Expenditure	25 498 452	39 339 066

2	Operating Expenditure Budget Implementation Indicator	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		96%	75%
					Actual Operating Expenditure	401 996 014	364 051 023
					Budget Operating Expenditure	418 815 980	487 715 013

3	Operating Revenue Budget Implementation Indicator	Actual Operating Revenue / Budget Operating Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		105%	105%
					Actual Operating Revenue	391 394 400	387 904 639
					Budget Operating Revenue	374 524 600	368 678 248

4	Service Charges and Property Rates Revenue Budget Implementation Indicator	Actual Service Charges and Property Rates Revenue / Budget Service Charges and Property Rates Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		#DIV/0!	#DIV/0!
					Actual Service Charges and Property Rates Revenue	-	-
					Budget Service Charges and Property Rates Revenue	-	-

Nkangala District Municipality

Appendix C1

Budgeted Financial Performance (revenue and expenditure by functional classification)

	2018/2017							2017/2016			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional											
Municipal governance and administration	368 700 996	501 604	369 202 600		369 202 600	385 934 856		16 732 256	105 %	105 %	385 323 084
Executive and council	10 000	600	10 600		10 600	1 138		(9 462)	11 %	11 %	9 912
Finance and administration	368 690 996	501 004	369 192 000		369 192 000	385 933 718		16 741 718	105 %	105 %	385 313 172
Internal audit	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-
Community and public safety	-	1 100 000	1 100 000		1 100 000	1 036 239		(63 761)	94 %	DIV/0 %	9 605
Community and social services	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-
Public safety	-	350 000	350 000		350 000	294 150		(55 850)	84 %	DIV/0 %	-
Health	-	750 000	750 000		750 000	742 089		(7 911)	99 %	DIV/0 %	9 605
Economic and environmental services	4 582 000	(360 000)	4 222 000		4 222 000	4 423 304		201 304	105 %	97 %	2 571 950
Planning and development	4 182 000	-	4 182 000		4 182 000	4 182 000		-	100 %	100 %	2 318 441
Environmental protection	400 000	(360 000)	40 000		40 000	241 304		201 304	603 %	60 %	253 509
Total Revenue - Functional	373 282 996	1 241 604	374 524 600		374 524 600	391 394 399		16 869 799	105 %	105 %	387 904 639

Nkangala District Municipality

Appendix C1

Budgeted Financial Performance (revenue and expenditure by functional classification)

	2018/2017						2017/2016				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional											
Governance and administration	149 739 979	(3 354 269)	146 385 710	-	146 385 710	126 993 952	-	(19 391 758)	87 %	85 %	124 151 291
Executive and council	35 761 945	(1 824 261)	33 937 684	-	33 937 684	31 228 835	-	(2 708 849)	92 %	87 %	33 788 065
Finance and administration	104 399 211	(1 091 316)	103 307 895	-	103 307 895	87 762 433	-	(15 545 462)	85 %	84 %	83 804 600
Internal audit	9 578 823	(438 692)	9 140 131	-	9 140 131	8 002 684	-	(1 137 447)	88 %	84 %	6 558 626
Community and public safety	88 691 075	595 404	89 286 479	-	89 286 479	84 733 825	-	(4 552 654)	95 %	96 %	71 538 916
Community and social services	26 822 998	860 090	27 683 088	-	27 683 088	27 213 004	-	(470 084)	98 %	101 %	29 629 723
Public safety	34 540 890	(1 677 276)	32 863 614	-	32 863 614	31 843 449	-	(1 020 165)	97 %	92 %	20 497 672
Health	27 327 187	1 412 590	28 739 777	-	28 739 777	25 677 372	-	(3 062 405)	89 %	94 %	21 411 521
Economic and environmental services	131 032 137	49 254 648	180 286 785	-	180 286 785	185 919 760	-	5 632 975	103 %	142 %	166 836 670
Planning and development	127 522 393	49 791 466	177 313 859	-	177 313 859	183 723 047	-	6 409 188	104 %	144 %	165 295 298
Environmental protection	3 509 744	(536 818)	2 972 926	-	2 972 926	2 196 713	-	(776 213)	74 %	63 %	1 541 372
Other	2 142 512	714 488	2 857 000	-	2 857 000	4 348 475	-	1 491 475	152 %	203 %	-
Other	2 142 512	714 488	2 857 000	-	2 857 000	4 348 475	-	1 491 475	152 %	203 %	1 524 143
Total Expenditure - Functional	371 605 703	47 210 271	418 815 974	-	418 815 974	401 996 012	-	(16 819 962)	96 %	108 %	364 051 020
Surplus/(Deficit) for the year	1 677 293	(45 968 667)	(44 291 374)		(44 291 374)	(10 601 613)		33 689 761	24 %	(632)%	23 853 619

Nkangala District Municipality
Appendix C2
Budgeted Financial Performance (revenue and expenditure by municipal vote)

	2018/2017							2017/2016						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote														
Council General	10 000	600	10 600		10 600	1 138	(9 462)	11 %	11 %					9 912
Municipal Manager	-	-	-		-	-	-	DIV/0 %	DIV/0 %					-
Manager Finance	368 691 000	501 000	369 192 000		369 192 000	385 933 718	16 741 718	105 %	105 %					385 313 172
Manager Social Services	400 000	740 000	1 140 000		1 140 000	1 277 543	137 543	112 %	319 %					263 114
Local Economic Development Unit	4 182 000	-	4 182 000		4 182 000	4 182 000	-	100 %	100 %					2 318 000
Development and Planning Unit	-	-	-		-	-	-	DIV/0 %	DIV/0 %					441
Manager Technical services	-	-	-		-	-	-	DIV/0 %	DIV/0 %					-
Manager Corporate Services	-	-	-		-	-	-	DIV/0 %	DIV/0 %					-
Total Revenue by Vote	373 283 000	1 241 600	374 524 600		374 524 600	391 394 399	16 869 799	105 %	105 %					387 904 639
Expenditure by Vote to be appropriated														
Council General	32 000 946	(1 379 631)	30 621 315	(149 184)	30 472 131	28 252 694	(2 219 437)	93 %	88 %	-	-	-	-	30 345 165
Municipal Manager	48 744 584	1 224 176	49 968 760	(3 514 336)	46 454 424	39 071 675	(7 382 749)	84 %	80 %	-	-	-	-	32 593 732
Manager Finance	31 011 938	14 940	31 026 878	35 800	31 062 678	27 055 493	(4 007 185)	87 %	87 %	-	-	-	-	29 179 748
Manager Social Services	92 200 817	58 580	92 259 397	-	92 259 397	86 930 538	(5 328 859)	94 %	94 %	-	-	-	-	73 080 287
Local Economic Development Unit	23 209 484	2 596 773	25 806 257	60 277	25 866 534	23 524 614	(2 341 920)	91 %	101 %	-	-	-	-	24 046 689
Development and Planning Unit	19 396 528	(1 328 674)	18 067 854	(1 012 089)	17 055 765	16 219 809	(835 956)	95 %	84 %	-	-	-	-	23 839 533
Manager Technical Services	80 748 823	47 014 229	127 763 052	4 215 312	131 978 364	143 659 249	11 680 885	109 %	178 %	-	-	-	-	116 191 258
Manager Corporate Services	44 292 587	(990 120)	43 302 467	364 220	43 666 687	37 281 940	(6 384 747)	85 %	84 %	-	-	-	-	34 774 608
Total Expenditure by Vote	371 605 707	47 210 273	418 815 980	-	418 815 980	401 996 012	(16 819 968)	96 %	108 %	-	-	-	-	364 051 020
Surplus/(Deficit) for the year	1 677 293	(45 968 673)	(44 291 380)		(44 291 380)	(10 601 613)	33 689 767	24 %	(632)%					23 853 619

Nkangala District Municipality
Appendix C3
Budgeted Financial Performance (revenue and expenditure)

	2018/2017							2017/2016						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source														
Rental of facilities and equipment	10 000	-	10 000		10 000	-		(10 000)	- %	- %				121 456
Interest earned - external investments	25 450 000	100 000	25 550 000		25 550 000	41 793 071		16 243 071	164 %	164 %				43 921 012
Interest earned - outstanding debtors	-	-	-		-	-		-	DIV/0 %	DIV/0 %				23 796
Fines, penalties and forfeits	500 000	400 000	900 000		900 000	1 269 617		369 617	141 %	254 %				821 588
Licences and permits	400 000	390 000	790 000		790 000	983 393		193 393	124 %	246 %				263 114
Agency services	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies	344 488 000	-	344 488 000		344 488 000	344 488 000		-	100 %	100 %				337 235 000
Other revenue	259 996	351 604	611 600		611 600	685 317		73 717	112 %	264 %				3 442 671
Gains on disposal of PPE	-	-	-		-	-		-	DIV/0 %	DIV/0 %				15 988
Total Revenue (excluding capital transfers and contributions)	371 107 996	1 241 604	372 349 600		372 349 600	389 219 398		16 869 798	105 %	105 %				385 844 625

Nkangala District Municipality
Appendix C3
Budgeted Financial Performance (revenue and expenditure)

2018/2017

2017/2016

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type														
Employee related costs	136 884 887	(4 575 711)	132 309 176	1 824 380	134 133 556	123 427 934	-	(10 705 622)	92 %	90 %	-	-	-	108 540 487
Remuneration of councillors	12 794 596	1 121 170	13 915 766	-	13 915 766	13 519 502	-	(396 264)	97 %	106 %	-	-	-	12 586 871
Debt impairment	-	-	-	5 000	5 000	4 373	-	(627)	87 %	DIV/0 %	-	-	-	-
Depreciation & asset impairment	10 911 829	45 422	10 957 251	447 580	11 404 831	10 573 072	-	(831 759)	93 %	97 %	-	-	-	9 608 533
Finance charges	1 295 767	41 761	1 337 528	(39 490)	1 298 038	779 649	-	(518 389)	60 %	60 %	-	-	-	1 127 296
Other materials	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contracted services	45 409 655	2 142 362	47 552 017	(1 392 796)	46 159 221	40 211 403	-	(5 947 818)	87 %	89 %	-	-	-	33 926 146
Transfers and subsidies	112 095 273	52 202 383	164 297 656	1 244 036	165 541 692	176 410 562	-	10 868 870	107 %	157 %	-	-	-	162 301 459
Other expenditure	52 213 702	(3 767 116)	48 446 586	(2 095 710)	46 350 876	37 062 844	-	(9 288 032)	80 %	71 %	-	-	-	35 889 560
Loss on disposal of PPE	-	-	-	7 000	7 000	6 672	-	(328)	95 %	DIV/0 %	-	-	-	86 654
Total Expenditure	371 605 709	47 210 271	418 815 980	-	418 815 980	401 996 011	-	(16 819 969)	96 %	108 %	-	-	-	364 067 006
Surplus/(Deficit)	(497 713)	(45 968 667)	(46 466 380)		(46 466 380)	(12 776 613)		33 689 767	27 %	2 567 %				21 777 619
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	2 175 000	-	2 175 000		2 175 000	2 175 000		-	100 %	100 %				2 076 000
Surplus/(Deficit) after capital transfers & contributions	1 677 287	(45 968 667)	(44 291 380)		(44 291 380)	(10 601 613)		33 689 767	24 %	(632)%				23 853 619
Surplus/(Deficit) after taxation	1 677 287	(45 968 667)	(44 291 380)		(44 291 380)	(10 601 613)		33 689 767	24 %	(632)%				23 853 619
Surplus/(Deficit) attributable to municipality	1 677 287	(45 968 667)	(44 291 380)		(44 291 380)	(10 601 613)		33 689 767	24 %	(632)%				23 853 619
Surplus/(Deficit) for the year	1 677 287	(45 968 667)	(44 291 380)		(44 291 380)	(10 601 613)		33 689 767	24 %	(632)%				23 853 619

Nkangala District Municipality

Appendix C4

Budgeted Capital Expenditure by vote, function and funding

	2018/2017							2017/2016						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote														
Multi-year expenditure														
Single-year expenditure														
Council General	1 800 000	300 000	2 100 000	-	2 100 000	1 952 156	-	(147 844)	93 %	108 %	-	-	-	508 772
Municipal Manager	10 305 000	(750 000)	9 555 000	-	9 555 000	8 701 991	-	(853 009)	91 %	84 %	-	-	-	761 747
Manager Finance	50 000	-	50 000	-	50 000	136 977	-	86 977	274 %	274 %	-	-	-	27 302 533
Manager Social Services	9 350 000	(806 108)	8 543 892	-	8 543 892	6 076 676	-	(2 467 216)	71 %	65 %	-	-	-	3 770 362
Local Economic Development Unit	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	4 500
Development and Planning	42 000	-	42 000	-	42 000	-	-	(42 000)	- %	- %	-	-	-	-
Manager Technical Services	1 500 000	(131 000)	1 369 000	-	1 369 000	1 461 445	-	92 445	107 %	97 %	-	-	-	-
Manager Corporate Services	6 337 500	(2 498 940)	3 838 560	-	3 838 560	3 291 978	-	(546 582)	86 %	52 %	-	-	-	2 455 173
Capital single-year expenditure sub-total	29 384 500	(3 886 048)	25 498 452	-	25 498 452	21 621 223	-	(3 877 229)	85 %	74 %	-	-	-	34 803 086
Total Capital Expenditure - Vote	29 384 500	(3 886 048)	25 498 452	-	25 498 452	21 621 223	-	(3 877 229)	85 %	74 %	-	-	-	34 803 086

Nkangala District Municipality

Appendix C4

Budgeted Capital Expenditure by vote, function and funding

2018/2017

2017/2016

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Functional														
Governance and administration	18 492 500	(2 948 940)	15 543 560	-	15 543 560	14 083 101	-	(1 460 459)	91 %	76 %	-	-	-	31 028 224
Executive and council	1 800 000	300 000	2 100 000	-	2 100 000	2 045 601	-	(54 399)	97 %	114 %	-	-	-	508 772
Finance and administration	16 672 500	(3 248 940)	13 423 560	-	13 423 560	12 021 750	-	(1 401 810)	90 %	72 %	-	-	-	30 519 452
Internal audit	20 000	-	20 000	-	20 000	15 750	-	(4 250)	79 %	79 %	-	-	-	-
Community and public safety	9 320 000	(806 108)	8 513 892	-	8 513 892	6 076 677	-	(2 437 215)	71 %	65 %	-	-	-	3 770 362
Community and social services	840 000	-	840 000	-	840 000	212 604	-	(627 396)	25 %	25 %	-	-	-	-
Public safety	5 880 000	(350 000)	5 530 000	-	5 530 000	3 826 299	-	(1 703 701)	69 %	65 %	-	-	-	2 942 862
Health	2 600 000	(456 108)	2 143 892	-	2 143 892	2 037 774	-	(106 118)	95 %	78 %	-	-	-	827 500
Economic and environmental services	1 572 000	(131 000)	1 441 000	-	1 441 000	1 461 445	-	20 445	101 %	93 %	-	-	-	4 500
Planning and development	1 542 000	(131 000)	1 411 000	-	1 411 000	1 461 445	-	50 445	104 %	95 %	-	-	-	4 500
Environmental protection	30 000	-	30 000	-	30 000	-	-	(30 000)	- %	- %	-	-	-	-
Total Capital Expenditure - Functional	29 384 500	(3 886 048)	25 498 452	-	25 498 452	21 621 223	-	(3 877 229)	85 %	74 %	-	-	-	34 803 086
Funded by:														
National Government	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Provincial Government	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
District Municipality	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other transfers and grants	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - capital	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public contributions & donations	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Borrowing	-	-	-		-	1 499 664		1 499 664	DIV/0 %	DIV/0 %				-
Internally generated funds	29 384 500	(3 886 040)	25 498 460		25 498 460	20 121 559		(5 376 901)	79 %	68 %				34 803 086
Total Capital Funding	29 384 500	(3 886 040)	25 498 460		25 498 460	21 621 223		(3 877 237)	85 %	74 %				34 803 086

Nkangala District Municipality
Appendix C5
Budgeted Cash Flows

2018/2017

2017

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities										
Receipts										
Property rates	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Service charges	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Other revenue	1 169 996	-	1 169 996	-	1 169 996	6 392 505	5 222 509	546 %	546 %	21 196 274
Government - operating	344 488 000	-	344 488 000	-	344 488 000	344 488 000	-	100 %	100 %	337 391 000
Government - capital	2 175 000	-	2 175 000	-	2 175 000	2 175 000	-	100 %	100 %	2 076 000
Interest	25 450 000	-	25 450 000	-	25 450 000	41 755 434	16 305 434	164 %	164 %	43 944 809
Dividends	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments										
Suppliers and employees	(246 766 366)	(53 340 913)	(300 107 279)	(7 000)	(300 114 279)	(216 720 366)	83 393 913	72 %	88 %	(206 562 214)
Finance charges	(1 295 760)	(20)	(1 295 780)	-	(1 295 780)	(779 650)	516 130	60 %	60 %	(1 127 296)
Transfers and Grants	(112 095 273)	(51 367 253)	(163 462 526)	-	(163 462 526)	(176 410 562)	(12 948 036)	108 %	157 %	(162 301 459)
Net cash flow from/used operating activities	13 125 597	(104 708 186)	(91 582 589)	(7 000)	(91 589 589)	900 361	92 489 950	(1)%	7 %	34 617 114
Cash flow from investing activities										
Receipts										
Proceeds on disposal of PPE	-	-	-	7 000	7 000	34 280	27 280	490 %	DIV/0 %	282 036
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	(3 984 093)	-	(3 984 093)	-	(3 984 093)	(4 372 520)	(388 427)	110 %	110 %	(3 983 865)
Payments										
Capital assets	(29 384 500)	3 886 048	(25 498 452)	-	(25 498 452)	(21 621 125)	3 877 327	85 %	74 %	(34 803 086)
Net cash flow from/used investing activities	(33 368 593)	3 886 048	(29 482 545)	7 000	(29 475 545)	(25 959 365)	3 516 180	88 %	78 %	(38 504 915)
Cash flow from financing activities										
Receipts										
Short term loans	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments										
Repayment of borrowing	(3 302 846)	-	(3 302 846)	-	(3 302 846)	(1 909 303)	1 393 543	58 %	58 %	(3 352 989)
Net cash flow from/used financing activities	(3 302 846)	-	(3 302 846)	-	(3 302 846)	(1 909 303)	1 393 543	58 %	58 %	(3 352 989)
Net increase/(decrease) in cash held	(23 545 842)	(100 822 138)	(124 367 980)	-	(124 367 980)	(26 968 307)	97 399 673	22 %	115 %	(9 699 708)
Cash/cash equivalents at the year begin:	408 811 389	93 262 107	502 073 496	-	502 073 496	457 901 357	-	-	-	465 142 151
Cash/cash equivalents at the year end:	385 265 547	(7 560 031)	377 705 516	-	377 705 516	430 933 050	97 399 673	114 %	112 %	457 901 358

APPENDIX C6

Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended June 20, 2018

Appropriation Statement

Figures in Rand	Budget		Final Adjustments Budget	Virement to council approved policy	Final budget	Actual 2017/2018	Variance	Actual outcome as	
	Original Budget	Adjustments (s28 and s31 MFMA)						Actual outcome as % of final budget	% of original budget
Financial Performance									
Investment Revenue	25 450 000	100 000	25 550 000	-	25 550 000	41 755 433	16 205 433	163.43%	164.07%
Transfers recognised - operational	344 488 000	-	344 488 000	-	344 488 000	344 488 000	-	100.00%	100.00%
Other own revenue	1 170 000	1 141 600	2 311 600	-	2 311 600	2 975 965	664 365	128.74%	254.36%
Total Revenue (excluding capital transfers and contributions)	371 108 000	1 241 600	372 349 600	-	372 349 600	389 219 398	16 869 798	104.53%	104.88%
Employee costs	(136 884 887)	4 575 712	(132 309 175)	(1 824 380)	(134 133 555)	(123 427 934)	10 705 621	92.02%	90.17%
Remuneration of Councillors	(12 794 596)	(1 121 170)	(13 915 766)	-	(13 915 766)	(13 519 502)	396 264	97.15%	105.67%
Contracted Services	(45 409 655)	(2 142 361)	(47 552 016)	1 392 796	(46 159 220)	(40 211 403)	5 947 817	87.11%	88.55%
Depreciation and asset impairment	(10 911 829)	(45 422)	(10 957 251)	(447 580)	(11 404 831)	(10 573 072)	831 759	92.71%	96.90%
Finance charges	(1 295 767)	(41 761)	(1 337 528)	39 490	(1 298 038)	(779 649)	518 389	60.06%	60.17%
Inventory consumed	(5 675 694)	465 557	(5 210 137)	883 875	(4 326 262)	(3 790 568)	535 694	87.62%	66.79%
Transfers and grants	(112 095 276)	(52 202 383)	(164 297 659)	(1 244 036)	(165 541 695)	(176 410 562)	(10 868 867)	106.57%	157.38%
Other expenditure	(46 538 009)	3 301 561	(43 236 448)	1 199 835	(42 036 613)	(33 283 320)	8 753 292	79.18%	71.52%
Total Expenditure	(371 605 713)	(47 210 267)	(418 815 980)	-	(418 815 980)	(401 996 011)	16 819 969	95.98%	108.18%
Surplus/(Deficit)	(497 713)	(45 968 667)	(46 466 380)	-	(46 466 380)	(12 776 613)	(33 689 767)	27.50%	2567.06%
Transfers recognised - capital	2 175 000	-	2 175 000	-	2 175 000	2 175 000	-	100.00%	100.00%
Surplus/(Deficit) after capital transfers and contributions	1 677 287	(45 968 667)	(44 291 380)	-	(44 291 380)	(10 601 613)	33 689 767	23.94%	-632.07%
Surplus/(Deficit) for the year	1 677 287	(45 968 667)	(44 291 380)	-	(44 291 380)	(10 601 613)	33 689 767	23.94%	-632.07%
Capital expenditure and funds sources									
Total capital expenditure	29 384 500	(4 136 048)	25 498 452		25 498 452	21 621 223	(3 877 229)	84.79%	73.58%