



**Ndwedwe Local Municipality
Financial statements
for the year ended 30 June 2019**

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

General Information

Councillors

Mayor and Councillors

NV Chili (Mayor)
EN Blose (Deputy Mayor)
GK Ngidi (Speaker)
MP Busane (Executive Committee Member)
ZS Thoolsi (Executive Committee Member, formerly a Party Representative)
SB Sibisi (Executive Committee Member)
RT Nkwanyana (Executive Committee Member)
PS Shezi (Executive Committee Member)
NDC Maphumulo (Ward Councillor)
RM Cele (Ward Councillor, formerly an Executive Committee Member)
MM Khuzwayo (Ward Councillor)
MN Gwamanda (Ward Councillor)
SE Dladla (Ward Councillor)
SZ Mfeka (Ward Councillor)
BJ Blose (Ward Councillor)
M Ngidi (Ward Councillor)
TM Masinga (Ward Councillor)
LM Ndlovu (Ward Councillor)
MK Nkosi (Ward Councillor)
LG Ngcobo (Ward Councillor)
DM Qoqo (Ward Councillor)
VMR Magubane (Ward Councillor)
LZ Makhanya (Ward Councillor)
PS Goba (Ward Councillor)
S Zondi (Party Representative)
HLB Makatha (Party Representative)
T Mhlanga (Party Representative)
MV Shezi (Party Representative)
BR Mzobe (Party Representative)
SS Hlophe (Party Representative)
J Luthuli (Party Representative)
TS Jali (Party Representative)
NY Mlotshwa (Party Representative)
MB Vilakazi (Party Representative)
SM Sishi (Party Representative)
MV Phewa (Party Representative)
M Mthethwa (Ward Councillor)

Accounting Officer

Mr M.F Hadebe

Chief Finance Officer (CFO)

Mr SG Majola

Grading of local authority

Grade 3

Auditors

The Auditor General of South Africa

Bankers

ABSA Bank Verulam Branch

Registered office

Ndwedwe Local Municipality

Business address

P100
Ndwedwe

Ndwedwe Local Municipality

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General Information

	4342
Postal address	Private Bag X503 Ndwedwe 4342
Attorneys	C Ngubane & Company

Ndwedwe Local Municipality

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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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 ending 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

As an Accounting Officer I am responsible for the preparation of these annual financial statements, which are set out on pages 6 - 52, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 19 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr M.F. Hadebe
Accounting Officer (Acting)

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Going concern

The 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.

2. Accounting Officer

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

Name	Changes
Mr M.F Hadebe	Appointed 13 August 2018

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	1 448 543	2 115 670
Consumer debtors	5	6 166 587	7 892 487
Cash and cash equivalents	6	99 082 414	122 282 922
		106 697 544	132 291 079
Non-Current Assets			
Property, plant and equipment	7	312 512 158	277 591 077
Intangible assets	8	416 789	589 142
		312 928 947	278 180 219
Total Assets		419 626 491	410 471 298
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	16 193 374	24 514 864
Payables from non-exchange transactions	10	-	4 386 324
VAT payable	4	1 388 669	1 048 749
Unspent conditional grants and receipts	11	168 123	1 006 967
Provisions	12	239 593	19 252
		17 989 759	30 976 156
Non-Current Liabilities			
Provisions	12	2 292 978	1 396 538
Other liability		324	-
		2 293 302	1 396 538
Total Liabilities		20 283 061	32 372 694
Net Assets		399 343 430	378 098 604
Accumulated surplus		399 343 430	378 098 604

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment		445 135	641 286
Other income		1 287 049	112 098
Interest received - investment		9 687 933	10 483 658
Total revenue from exchange transactions		11 420 117	11 237 042
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	15	13 056 877	13 668 414
Interest received (trading)		541 573	695 306
Transfer revenue			
Government grants & subsidies	16	171 342 844	156 653 809
Public contributions and donations		2 202 707	-
Total revenue from non-exchange transactions		187 144 001	171 017 529
Total revenue	14	198 564 118	182 254 571
Expenditure			
Employees related cost	18	(48 423 378)	(35 407 462)
Remuneration of councillors	19	(15 154 454)	(17 011 364)
Depreciation and amortisation	20	(17 394 505)	(17 760 443)
Finance costs	22	-	(116 671)
Lease rentals on operating lease		(910 894)	(749 610)
Impairment loss	21	(4 376 804)	(2 371 628)
Repairs and maintenance		(5 511 580)	(739 043)
General expenses	17	(83 596 476)	(69 461 944)
Decrease /(increase in the leave accrued		(1 533 241)	(879 769)
Total expenditure		(176 901 332)	(144 497 934)
Surplus for the year from continuing operations		21 662 786	37 756 637
Gain or loss on disposal of assets and liabilities		(417 960)	(632 986)
Surplus for the period		21 244 826	37 123 651

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017 as restated*	340 974 953	340 974 953
Changes in net assets		
Surplus for the year	37 123 651	37 123 651
Total changes	37 123 651	37 123 651
Opening balance as previously reported	377 489 934	377 489 934
Adjustments		
Prior year adjustments	608 670	608 670
Balance at 01 July 2018	378 098 604	378 098 604
Changes in net assets		
Surplus for the year	21 244 826	21 244 826
Total changes	21 244 826	21 244 826
Balance at 30 June 2019	399 343 430	399 343 430

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Grants		172 118 000	169 232 812
Interest income		8 870 009	10 483 658
Other receipts		8 852 893	12 975 533
		<u>189 840 902</u>	<u>192 692 003</u>
Payments			
Employee costs		(61 338 879)	(52 418 826)
Suppliers		(102 726 441)	(75 103 582)
Finance costs		-	(116 671)
		<u>(164 065 320)</u>	<u>(127 639 079)</u>
Net cash flows from operating activities	23	<u>25 775 582</u>	<u>65 052 924</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	<u>(48 976 090)</u>	<u>(54 500 798)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(23 200 508)</u>	<u>10 552 126</u>
Cash and cash equivalents at the beginning of the year		122 282 922	111 730 796
Cash and cash equivalents at the end of the year	6	<u>99 082 414</u>	<u>122 282 922</u>

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage	Reference
Figures in Rand							
Statement of Financial Performance							
Revenue							
Revenue from exchange transactions							
Rental of facilities and equipment	426 000	31 000	457 000	445 135	(11 865)	(2.60)%	
Other income	120 000	812 155	932 155	1 287 049	354 894	38.07 %	1
Interest received - investment	12 500 000	(1 850 000)	10 650 000	9 687 933	(962 067)	(9.03)%	2.
Total revenue from exchange transactions	13 046 000	(1 006 845)	12 039 155	11 420 117	(619 012)	-	
Revenue from non-exchange transactions							
Taxation revenue							
Property rates	15 731 000	(1 230 000)	14 501 000	13 056 877	(1 444 123)	(9.96)%	3
Interest received (trading)	785 845	-	785 845	541 573	(244 272)	(31.08)%	4
Transfer revenue							
Government grants & subsidies (Includes operational & capital)	163 679 000	6 825 000	170 504 000	171 342 844	838 844	0.49 %	5
Public contributions and donations	-	-	-	2 202 707	2 202 707	-	6
Total revenue from non-exchange transactions	180 195 845	5 595 000	185 790 845	187 144 001	1 353 115	-	
Total revenue	193 241 845	4 588 155	197 830 000	198 564 118	734 118	0.37 %	
Expenditure							
Personnel	(62 307 000)	12 996 000	(49 311 000)	(48 423 378)	887 622	1.80 %	7
Remuneration of councillors	(14 324 378)	-	(14 324 378)	(15 154 454)	(830 076)	(5.79)%	8
Depreciation and amortisation	(20 000 000)	-	(20 000 000)	(17 394 505)	2 605 495	13.03 %	9
Lease rentals on operating lease	(1 600 000)	-	(1 600 000)	(910 894)	689 106	43.07 %	10
Debt Impairment	(2 600 000)	-	(2 600 000)	(4 376 804)	(1 776 804)	(68.34)%	11
Repairs and maintenance	(7 133 660)	-	(7 133 660)	(5 511 580)	1 622 080	22.74 %	12
General Expenses	(83 605 962)	(13 530 000)	(97 135 962)	(85 129 717)	12 006 245	12.36 %	13
Total expenditure	(191 571 000)	(534 000)	(192 105 000)	(176 901 332)	15 203 687	15 203 687	
Operating surplus	1 670 845	4 054 155	5 725 000	21 662 786	15 937 786		
Loss on disposal of assets and liabilities	-	-	-	(417 960)	(417 960)	DIV/0 %	
Surplus before taxation	1 670 845	4 054 155	5 725 000	21 244 826	15 519 826	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	1 670 845	4 054 155	5 725 000	21 244 826	15 519 826		
Capital Budget							
Capital Expenditure	71 491 000	(9 214 000)	62 277 000	(52 561 197)	9 715 803	(15.60)%	1

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Material variances

Revenue:

- 1. Other Income** - The budgeted other income is less than the actual amount. This is mostly due to the change as more tender documents were being sold in the current financial year pertaining to year 2019/2020, resulting in more revenue being received than anticipated.
- 2. Interest received on investment** - The spending trend during the year remain the man contributing factor to this variance. The situation sometimes required the municipality to spend some of it money before it being invested which reduces the possibility of earning more interest on investments as a result the municipality ending up receiving less than anticipated interest on investments.
- 3. Property Rates** -Upon budgeting the forgone revenue was included whereas the actual figure reflected excludes the forgone income, hence the reason for the variance.
- 4. Interest received outstanding debtors** - This relates to outstanding interest received from debtors, amounts were received from debtors timeously, therefore the budgeted was an anticipation that the debtors would take longer to pay and will generate more interest.
- 5. Government grants & subsidies** - The government grants and subsidies expenditure was paid from internal funding and later realised that there was a small town rehabilitation grant that was previously received and had to be utilised for that particular project.
- 6. Public contributions and donations** - The municipality did not anticipate at the time of the budget, that there will be donations received in the current financial year .

Expenditure

- 7. Personnel** -The variance arose due to budgeted posts not being filled on time.
- 8. Remuneration of councillors** - the variance between budget and actual expenditure is due to travel claims, which has been budgeted for under general expenditure.
- 9. Depreciation & amortisation** - The variance arose due to an anticipation of impairments for assets on the budgeted figure, however the municipality did not test for asset impairment during the current financial year, hence the variance was realised.
- 10. Lease rentals on operating lease** - The budget was based on the entire contract amount .
- 11. Debt impairment** - The difference arose due to the prior year sundry debtors balances being impaired, however this was not anticipated at for during the budget.
- 12. Repairs & maintenance** - The budget was unspent due to renovation quotes being higher than budgeted amount, which would have resulted in unauthorised expenditure , therefore the budget was not spent in the fully in the current financial year .
- 13. General Expenses** - There was an unspending of expenditure , this was due to effective cost cutting measures.
- 14. Capital expenditure** -The under expenditure was caused by the fact that some projects were delayed because of the ownership of land where these were supposed to be constructed.

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Financial Statements

The 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 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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

1.2 Comparative figures

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

When the presentation or classification of items in the financial statements is amended, prior period/comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year/comparatives are restated accordingly. Where there has been a change in accounting policy in the correct year, the adjustment is made retrospectively as far as is practicable, and the prior year/comparatives are restated accordingly.

1.3 Going concern assumption

These 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.

1.4 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.

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the depreciable amount, using the straight line method over the estimated lives of the asset. The depreciation amount is determined after taking into account an asset's residual value, where applicable. Component of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the estimated average asset useful lives.

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

Item	Average useful life
Buildings	30 years
Motor vehicles	5-7 years
• Graders	15 years
• Trucks	7 years
Infrastructure	
• Roads	10 years
• Street lights	40 years
• Bridges	30 years
• Stormwater pipes	50 years
• Electricity	20 years
Community	
• Buildings	30 years
• Recreational Facilities	20-30 years
• Sportsfields	30 years
Other property, plant and equipment	
• Building Improvements	30 years
• Heavy and Mobile plant	10 years
• Furniture and fittings	7 years
• Bins and containers	15 years
• Parkhome	7 years
• Office equipment	3-5 years
• Other items of plant and equipment	5-7 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.

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Impairment of assets

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

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.

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

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

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

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

Useful life is either:

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

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. Recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. 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. A reversal of an impairment loss for a non-cash generating asset is recognised immediately in surplus or deficit.

1.6 Intangible assets

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.

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.

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Intangible assets (continued)

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.

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

Item	Useful life
Computer software, other	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

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 an 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).

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Financial instruments

Initial Recognition and Measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments. The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets. For financial instruments which are not fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement of financial assets and financial liabilities

The fair values of quoted investments are based on current bid prices. Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method. Financial liabilities are reflected at amortised cost and are subsequently measured at amortised cost, using the effective interest rate method.

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

Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash 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. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Debtors

Debtors are recognised at fair value and measured at amortised cost using the effective interest method.

The amount of the provision is the difference between the assets carrying value and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Statement. An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.

Trade and Other Payables

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Trade creditors and other payables are measured at fair value.

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Accounting Policies

1.8 Taxation

Value Added Taxation

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

1.9 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 municipality assesses the classification of each element separately.

Municipality as Lessor

Rental income from operating leases is recognised over the term of the relevant lease.

Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

The lease is straight lined for the financial year.

1.10 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.11 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.

Ndwedwe Local Municipality

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Accounting Policies

1.11 Unauthorised expenditure (continued)

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.

1.12 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.

1.13 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003): -

- (a) the Municipal Systems Act (Act No. 32 of 2000)
- (b) the Public Office Bearers Act (Act No. 20 of 1998) or
- (c) is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

1.14 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases. Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP. Refer to Note 24.

Operational commitments where the contract period is beyond 12 months the municipality has an obligation to this contract are included in the commitments.

1.15 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

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; and 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.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the municipality.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Grant, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another municipality without directly giving approximately equal value in exchange.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Interest revenue is recognised on a time proportion basis.

1.17 Budget information

The annual budget figures have been presented in accordance with the GRAP 24 reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same municipality and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or municipality have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts. Refer to note 36.

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Accounting Policies

1.18 Employee benefits

Provident fund contribution

The municipality and its employees contribute to one provident fund that caters for the majority of the staff. The KZN Joint Municipal Provident Fund is a defined contribution fund. Additional information is disclosed in note 34.

Other employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service. Termination benefits are employee benefits payable as a result of either: an municipality's decision to terminate an employee's employment before normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.

1.19 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.

1.20 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

Trade 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 municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible 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 intangible and tangible assets are inherently uncertain and could materially change over time.

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 12 - Provisions.

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Accounting Policies

1.20 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Where an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service: as a liability (accrued expense), after deducting any contribution paid or as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. Contributions are made to the Kwazulu-Natal Joint Municipality Provident Fund by the municipality. Members may choose to contribute at a rate of 5%, 7% or 9.25% of their pensionable emoluments. Participating employers contribute at a rate of 1.95 times of their members contribution.

Other key assumptions for provident fund obligations are based on current market conditions. Additional information is disclosed in Note 13.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.21 Share capital / contributed capital

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

1.22 Borrowing costs

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

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

Ndwedwe Local Municipality

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2. New standards and interpretations

The ASB has issued the following GRAP pronouncements, with effective dates as indicated: GRAP pronouncement	Effective date	Status
GRAP 18 - <i>Segment reporting</i>	1 April 2020	Applicable
GRAP 20 - <i>Related-party disclosures</i>	1 April 2019	Applicable
GRAP 32 - <i>Service concession arrangements : grantor</i>	1 April 2019	Not applicable
GRAP 34 - <i>Separate financial statements</i>	1 April 2020	Not applicable
GRAP 35 - <i>Consolidated financial statements</i>	1 April 2020	Not applicable
GRAP 36 - <i>Investments in associates and joint ventures</i>	1 April 2020	Not applicable
GRAP 37 - <i>Joint arrangements</i>	1 April 2020	Not applicable
GRAP 38 - <i>Disclosure of interests in other entities</i>	1 April 2020	Not applicable
GRAP 104 - <i>Financial instruments</i> (Revised April 2019)	To be determined	Applicable
GRAP 108 - <i>Statutory receivables</i>	1 April 2019	Applicable
GRAP 109 - <i>Accounting by principals and agents</i>	1 April 2019	Applicable
GRAP 110 - <i>Living and non-living resources</i>	1 April 2020	Not applicable
IGRAP 1 <i>Applying the probability test on initial recognition revenue</i> (amendments)	1 April 2020	Applicable
IGRAP 17 - <i>Service concession arrangements where a grantor controls a significant residual interest in an asset</i>	1 April 2019	Not applicable
IGRAP 18 - <i>Recognition and derecognition of land</i>	1 April 2019	Not applicable
IGRAP 19 - <i>Liabilities to pay levies</i>	1 April 2019	Applicable
IGRAP 20 <i>Accounting for adjustments to revenue</i>	1 April 2020	Applicable
Guideline <i>Accounting for arrangements undertaken in terms of the national housing programme</i>	1 April 2019	Applicable
Guideline <i>Accounting for landfill sites</i>	To be determined	Not applicable
Guideline <i>The application of materiality to financial statements</i>	Voluntary*	

3. Receivables from exchange transactions

Other Debtors	1 143 213	1 622 247
Accrued revenue	305 330	493 423
	1 448 543	2 115 670

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
3. Receivables from exchange transactions (continued)		
Other debtors consist of:		
Opening Balance	2 115 671	-
Sundry Debtors	1 143 213	3 753 963
Provisions	(2 678 421)	(1 638 292)
	<u>580 463</u>	<u>2 115 671</u>
<p>Other Debtors of R 1 143 213 (2018: R3 753 963) includes salary overpayments, supplier overpayments and rental debtors . The Municipality has handed the debtors over to appointed attorneys regarding recoverability and collection. The municipality has raised a provision for doubtful debts against Other Debtor amounts.</p>		
4. VAT receivable / (payable)		
VAT	(1 388 669)	(1 048 751)
<p>VAT is payable on the payment basis. VAT is paid to SARS only once payment is received from debtors. The payable arose in the prior year due to the municipality (agent) which claimed VAT on electrification.</p>		
5. Consumer debtors		
Gross balances		
Rates	17 100 901	17 128 418
Less: Allowance for impairment		
Rates	(10 934 314)	(9 235 931)
Net balance		
Rates	<u>6 166 587</u>	<u>7 892 487</u>
Rates		
Current (0 -30 days)	232 316	517 818
31 - 60 days	153 181	180 573
61 - 90 days	158 847	138 086
91 - 120 days	158 457	150 781
121 - 365 days	105 640	358 298
> 365 days	5 219 344	6 546 931
	<u>6 027 785</u>	<u>7 892 487</u>

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
5. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	37 306	89 614
31 - 60 days	(3 326)	-
61 - 90 days	18 563	44 578
91 - 120 days	18 563	44 578
121 - 365 days	191 437	387 652
> 365 days	2 256 221	1 744 361
	2 518 764	2 310 783
Industrial/ commercial		
Current (0 -30 days)	275 770	583 152
31 - 60 days	(377)	(3 859)
61 - 90 days	132 054	250 402
91 - 120 days	131 665	215 130
121 - 365 days	1 144 482	1 908 644
> 365 days	8 305 615	4 872 650
	9 989 209	7 826 119
National and provincial government		
Current (0 -30 days)	6 301	50 116
61 - 90 days	6 568	14 767
91 - 120 days	6 568	14 693
121 - 365 days	1 690 829	1 015 799
> 365 days	3 713 753	2 677 023
	5 424 019	3 772 398
Total		
Current (0 -30 days)	232 316	802 371
31 - 60 days	153 181	641
61 - 90 days	158 847	332 264
91 - 120 days	158 457	286 061
121 - 365 days	105 640	3 506 767
> 365 days	16 153 656	12 200 314
	16 962 097	17 128 418
Less: Allowance for impairment	(10 934 314)	(9 235 931)
	6 027 783	7 892 487
Less: Allowance for impairment		
31 - 60 days	(294 242)	(248 499)
61 - 90 days	(274 703)	(232 036)
91 - 120 days	(269 367)	(227 531)
121 - 365 days	(790 048)	(670 107)
> 365 days	(9 305 954)	(7 857 758)
	(10 934 314)	(9 235 931)

* See Note 36

Ndwedwe Local Municipality

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Notes to the Financial Statements

	2019	2018 Restated*
5. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(9 235 931)	(6 864 304)
Contributions to allowance	(1 698 383)	(2 371 627)
	(10 934 314)	(9 235 931)

Credit quality of consumer debtors

The municipality profiled all debtors according to their risk profile. The risk profile was then used to calculate the doubtful debts provision.

There is credit balances of R138 802 which is reflected in trade payables.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	18 976	21 698
Bank balances	6 580 509	17 601 108
Short-term deposits	92 482 929	104 660 116
	99 082 414	122 282 922

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
ABSA BANK - Fixed Deposit Account -2075383437	6 553 185	6 129 700	6 553 185	6 129 700
ABSA BANK - Fixed Deposit Account -20173633680	7 328 953	6 855 335	7 328 953	6 855 335
ABSA BANK - Fixed Deposit Account -2068130142	6 993 273	6 541 348	6 993 273	6 541 348
ABSA BANK - Main Account -4079294191	11 963 695	901 962	6 580 509	30 802
ABSA BANK - Call Account -9123945833	2 898 539	4 969 744	2 898 539	4 969 744
ABSA BANK - Call Account - 9345892694	3 093 948	-	3 093 948	-
Ithala Call Account -17621154	-	-	-	3 407 543
Ithala Fixed Deposit Account -17621146	-	2 633 824	-	2 633 824
Ithala Fixed Deposit Account -17651276	-	6 108 015	-	6 108 015
Investec Call Account -1100463139502	7 016 700	864 581	7 016 700	864 581
Investec Fixed Deposit -1100463139451	13 102 623	12 156 276	13 102 623	12 156 276
Investec Fixed Deposit -1100463139452	12 443 657	11 544 905	12 443 657	11 544 905
Investec Fixed Deposit -1100463139454	-	8 336 790	-	8 349 432
Investec Fixed Deposit -1100463139455	8 300 784	7 695 366	8 300 784	7 696 879
Nedbank Call Account - 7881149922	5 159 938	-	5 159 938	-
Standard Bank Call Account-058681019001	1 834 991	7 297 828	1 834 991	7 297 828
Standard Bank Call Account-058681019011	3 828 282	3 598 094	3 828 282	3 598 094
Standard Bank Call Account-058681019013	6 486 153	6 056 162	6 486 153	6 056 162
FNB Call Account - 62087920635	1 010 966	951 098	1 010 966	951 098
FNB Cheque Account 62027922930	6 501 784	17 571 676	6 449 913	17 570 306
FNB Fixed Deposit - 74305967356	-	9 520 050	-	9 520 050
Total	104 517 471	119 732 754	99 082 414	122 281 922

* See Note 36

Ndwedwe Local Municipality
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7. Property, plant and equipment

	2019		2018			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	15 590 411	(5 883 846)	9 706 565	13 988 466	(5 292 917)	8 695 549
Motor vehicles	13 656 941	(5 173 024)	8 483 917	13 581 447	(3 881 223)	9 700 224
Infrastructure	175 125 116	(70 996 389)	104 128 727	157 834 325	(61 595 783)	96 238 542
Community	107 820 085	(32 919 730)	74 900 355	92 655 417	(29 233 635)	63 421 782
Other property, plant and equipment	25 281 446	(10 780 925)	14 500 521	20 056 388	(8 953 316)	11 103 072
Work in Progress	100 792 073	-	100 792 073	88 431 908	-	88 431 908
Total	438 266 072	(125 753 914)	312 512 158	386 547 951	(108 956 874)	277 591 077

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Financial Statements for the year ended 30 June 2019
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7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Donated Assets	Disposals	Transfers	Other changes, movements	Depreciation	Total
Buildings	8 695 549	-	1 601 946	-	-	-	(590 929)	9 706 566
Motor vehicles	9 700 224	472 529	-	(143 310)	-	-	(1 545 526)	8 483 917
Infrastructure	96 238 542	-	-	(81 997)	17 290 791	-	(9 400 607)	104 128 726
Community	63 421 782	-	-	(192 654)	15 410 402	-	(3 849 828)	74 900 359
Other property, plant and equipment	11 103 072	4 816 588	600 761	-	8 015	-	(1 835 262)	14 500 520
Work in Progress	88 431 908	43 686 973	1 382 400	-	(32 709 208)	-	-	100 792 073
	277 591 077	48 976 090	3 585 107	(417 961)	-	-	(17 222 152)	312 512 161

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	9 271 683	-	-	-	(576 134)	-	8 695 549
Motor vehicles	11 343 847	1 462 854	(1 453 870)	-	(1 652 607)	-	9 700 224
Infrastructure	94 298 179	-	-	12 037 192	(9 588 151)	(508 678)	96 238 542
Community	67 123 819	77 185	-	-	(3 778 974)	(248)	63 421 782
Other property, plant and equipment	11 280 789	1 336 269	(31 885)	-	(1 448 047)	(34 054)	11 103 072
Work in Progress	47 921 712	52 547 388	-	(12 037 192)	-	-	88 431 908
	241 240 029	55 423 696	(1 485 755)	-	(17 043 913)	(542 980)	277 591 077

Ndwedwe Local Municipality

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Notes to the Financial Statements

	2019			2018 Restated*
7. Property, plant and equipment (continued)				
Reconciliation of Work-in-Progress 2019				
	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	74 084 316	12 515 592	1 832 000	88 431 908
Additions/capital expenditure	7 428 931	-	-	7 428 931
Buildings	-	-	36 258 042	36 258 042
Donated Assets	-	-	1 382 400	1 382 400
Transferred to completed items	(17 290 791)	(15 410 402)	(8 015)	(32 709 208)
	64 222 456	(2 894 810)	39 464 427	100 792 073

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	33 574 120	12 515 592	1 832 000	47 921 712
Additions/capital expenditure	52 547 388	-	-	52 547 388
Transferred to completed items	(12 037 192)	-	-	(12 037 192)
	74 084 316	12 515 592	1 832 000	88 431 908

The reasons for delays in certain projects reflected within work-in-progress, is due to funding received in phases.

8. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 079 225	(662 436)	416 789	1 079 225	(490 083)	589 142

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	589 142	(172 353)	416 789

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	762 713	(173 571)	589 142

* See Note 36

Ndwedwe Local Municipality

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Notes to the Financial Statements

	2019	2018 Restated*
9. Payables from exchange transactions		
Trade payables	2 418 527	12 170 919
Retentions	6 820 344	8 457 860
Other payables	2 037 510	-
Accrued leave	3 794 821	2 936 285
Salary (13th Cheque)	1 122 172	949 800
	16 193 374	24 514 864

The trade payables includes an amount of R138 802 which related to trade receivables from non exchange credit balances.

The fair value of trade and other payables approximates their carrying amounts.

Other payables consists of 3 party payments.

R 211 421.26 related to trade payables with debit balances in the current financial year.

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
10. Payables from non-exchange transactions		
Integrated National Electrification Programme Grant (INEP)	-	4 386 324

The fair value payables from non-exchange approximates their carrying amounts.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	-	1 525
Kwaloshe Tourism Project grant	97 097	97 097
KZN Sports & Recreation grant	43 523	8 673
Small Town Rehabilitation Grant	27 503	899 672
	168 123	1 006 967

Movement during the year

Balance at the beginning of the year	1 006 967	6 148 251
Additions during the year	170 504 000	19 268 000
Income recognition during the year	(171 342 844)	(24 409 284)
	168 123	1 006 967

12. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Long-service awards	1 396 538	896 440	-	2 292 978
Long-service awards (short-term)	19 252	448 744	(228 403)	239 593
	1 415 790	1 345 184	(228 403)	2 532 571

Refer to note 13.

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Long service awards	1 091 347	305 191	-	1 396 538
Long-service awards (short-term)	311 130	-	(291 878)	19 252
	1 402 477	305 191	(291 878)	1 415 790
Non-current liabilities			2 292 978	1 396 538
Current liabilities			239 593	19 252
			2 532 571	1 415 790

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

2019

2018
Restated*

13. Employee benefit obligations

Defined benefit plan

The Council provides retirement benefits to employees by contributing to a provident fund. Membership of the provident fund is compulsory for all permanent employees. The personnel are members of the following provident funds:

Kwazulu-Natal Joint Municipality Provident Fund

Interim Actuarial valuation as at 31 March 2018.

Results of the valuation

The Fund self-insures its risk benefits in excess of the full benefit. It therefore maintains a Risk Reserve Account as a measure of protection against volatility in claims experience. The amount of R142 482 000 is required to be held in the Risk Reserve Account. The market value of the assets exceeded the liabilities by R4 105 682 000 at the valuation date. At the previous valuation date there was a surplus. The Fund is financially sound as at the valuation date.

Benefits

Pension age	65 years
Earliest retirement age	58 years

Full benefit - Initial transfer plus member's contributions plus employer's contributions for full benefits plus investment earnings and bonuses.

Member's portion of full benefits - Initial transfer plus members contributions plus local authorities contributions for full benefits plus interim, special and final bonuses.

Benefit on retirement after earliest retirement age or pension age - Full benefit.

Benefit on retirement because of ill health - Full benefit.

Benefit on death in service - Full benefit plus 0,7% of annual pensionable salary for each month of potential service to a maximum of 2.1 years salary.

Contributions

Members may choose to contribute at a rate of 5%, 7% or 9,25% of their pensionable emoluments in terms of regulation 14(a)

Participating employers contribute at a rate of 1,95 times of the rate of members contribution in terms of regulation 17(1)(b)

Of the contribution by the Employer, 3,75% of pensionable emoluments is applied to meeting cost of the risk benefits and expenses

Long Service Award Liability

Definition

A defined benefit pension plan is a type of pension plan in which an employer/sponsor promises a specified pension payment, lump-sum or combination thereof on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

2019	2018 Restated*
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It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and current-service costs are recognised over time.

The key financial and demographic assumptions are summarised below.

Key financial assumptions

The summary of the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year.

Assumptions	Value p.a.
Discount rate	8.29%
General Salary Inflation (long-term)	5.62%
Net effective discount rate	2.53%

The salaries used in the valuation include an assumed increase on 1 July 2019 of 6.50% as per the SALGBC Circular No.: 01/2019. The next salary increase was assumed to take place on 1 July 2020.

Key demographic assumptions

The summary of the key demographic assumptions used.

Assumptions	Value		
Average retirement age	62		
Mortality during employment	SA 85-90		
Withdrawal from service (sample annual rates)	Rate		
	Age	Female	Male
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

Result

Introduction

The results presented in this report focus on the Accrued Liability, as described in Section 4.2. This section contains a summary of the results.

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
Accrued Liability		
The summary of the Unfunded Accrued Liability as at 30 June 2019.		
Unfunded Accrued Liability		
Unfunded Accrued Liability	2 532 571	1 415 790
	-	-
Reconciliation of unfunded Accrued Liability		
Opening balance	1 415 790	1 401 936
Current - Service cost	158 014	151 556
Interest cost	123 057	106 491
Actuarial (Gain)/ Loss	674 172	66 937
Past service cost	389 941	-
Employer Benefit Vesting	(228 403)	(311 130)
	2 532 571	1 415 790
Current-Service, Interest Costs and Actuarial Loss/(Gains)		
The summary of the Current-service Cost and the Interest Cost for the current and next financial years, is reflected below. The actuarial loss/(gains) arise from three components: the effects of changes in net discount rates, membership and salaries.		
Current-Service, Interest Costs and Actuarial Loss/(Gains)		
Current Service cost	158 014	151 556
Interest cost	123 057	106 491
Actuarial gain / loss	674 172	66 937
Past-service cost	389 941	-
Reconciliation of liability - Balance Sheet		
Opening balance	1 415 790	1 401 936
Current - service cost	158 014	151 556
Interest cost	123 057	106 491
Actuarial (Gain)/ loss Recognised in Profit & loss	674 172	66 937
Past service cost recognised	389 941	-
Subtotal	2 760 974	1 726 920
	(228 403)	(311 130)
Closing balance	2 532 571	1 415 790
Less: Current Portion of liability	(239 593)	(19 252)
Non - current portion of liability	2 292 978	1 396 538

Notes:

(i) The Current-service Cost reflects the additional liability that is expected to accrue in respect of in-service members' service over the corresponding year.

(ii) The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit vestings, over the corresponding year. This arises because all future LSA benefits are one year closer to payment.

History of liabilities and assets	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019
Accrued liability	959 157	1 202 134	1 401 936	1 415 790	2 532 571
Fair value of plan asset	-	-	-	-	-
Surplus deficit	959 157	1 202 134	1 401 936	1 415 790	2 532 571

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019				2018
					Restated*
History of experience adjustments: (Gains) and Losses	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019
Liabilities : (Gains) / Loss	105 054	89 636	80 719	92 623	322 562
Asset: Gain /(Loss)	-	-	-	-	-
	105 054	89 636	80 719	92 623	322 562
Past year and future projected liability			30/06/2019	30/06/2020	30/06/2021
Opening Accrued liability			1 415 790	2 532 571	2 836 673
Current - service cost			158 014	343 478	371 952
Interest cost			123 057	200 217	225 926
Benefits vesting			(228 403)	(239 593)	(227 292)
Total Annual Expense			52 668	304 102	370 586
Past - service cost			389 941	-	-
			674 172	-	-
Closing Accrued Liability			2 532 571	2 836 673	3 207 259

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

		2019	2018
			Restated*
Sensitivity Analysis on current Service and Interest costs for the year	change	current service cost	interest cost
Central assumptions		158 000	123 100
General Inflation	+1%	170 600	131 900
	-1%	146 600	114 900
Discount rate	+1%	147 500	127 700
	-1%	169 800	117 400
Average retirement age	-2 yrs	145 500	113 500
	+2 yrs	171 200	134 100
Withdrawal rates	-50%	214 400	156 700
			371 100
			% change
			-
			8 %
			(7)%
			(2)%
			2 %
			(8)%
			9 %
			32 %

14. Revenue

Rental of facilities and equipment	445 135	641 286
Other income	1 287 049	112 098
Interest received - investment	9 687 933	10 483 658
Property rates	13 056 877	13 668 414
Interest received (trading)	541 573	695 306
Government grants & subsidies	171 342 844	156 653 809
Public contributions and donations	2 202 707	-
	198 564 118	182 254 571

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

Rental of facilities and equipment	445 135	641 286
Other income	1 287 049	112 098
Interest received - investment	9 687 933	10 483 658
	11 420 117	11 237 042

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

Taxation revenue		
Property rates	13 056 877	13 668 414
Interest received (trading)	541 573	695 306
Transfer revenue		
Government grants & subsidies	171 342 844	156 653 809
Public contributions and donations	2 202 707	-
	187 144 001	171 017 529

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*				
15. Property rates						
Rates received						
Residential	226 294	-				
Commercial	12 820 552	-				
State	1 050 712	-				
Small holdings and farms	847 870	-				
Property rates	44 591	16 306 187				
Less: Income forgone	(1 933 142)	(2 637 773)				
	13 056 877	13 668 414				
Valuations						
Residential	18 598 000	18 598 000				
Commercial	23 345 000	22 345 000				
State	642 692 000	642 692 000				
Agriculture	645 845 000	661 842 000				
Institutional	440 000	890 000				
Special Purposes	2 265 000	2 265 000				
Agriculture (Residential/Commercial)	8 944 000	9 494 000				
Industrial	1 875 000	1 875 000				
Land Reform Beneficiary Communal Trust	52 178 000	35 663 000				
Place of Worship	2 835 000	2 835 000				
Municipal	20 951 000	20 951 000				
Public Service Infrastructure	123 000	123 000				
	1 420 091 000	1 419 573 000				
Rates reconciliation:						
Billing	14 567 387	15 130 660				
Rates received	(12 734 441)	(7 286 546)				
	1 832 946	7 844 114				
Rate Reconciliation	Market value	Exempt	After Exemption	Tariff	Amount	Income forgone
Residential	18 598 000	(9 627 000)	8 971 000	0.01016000	91 145	(97 810)
Commercial	23 345 000	-	23 345 000	0.03800000	887 110	-
State	642 692 000	-	642 692 000	0.02025000	13 014 513	-
Agriculture	645 845 000	(482 591 500)	163 253 500	0.00254000	414 664	(1 127 182)
Institutional	440 000	-	440 000	0.02025000	8 910	-
Special Purposes	2 265 000	-	2 265 000	0.03800000	86 070	-
Place of Worship	2 835 000	(2 835 000)	-	0.01016000	-	(28 804)
Municipal	20 951 000	(3 620 000)	17 331 000	0.02025000	350 953	(73 305)
Industrial	1 875 000	(1 055 000)	820 000	0.04051000	33 218	(42 738)
Public Service Infrastructure	123 000	(123 000)	-	0.02025000	-	(2 491)
Land Reform Beneficiary Communal Trust	52 178 000	(52 178 000)	-	0.01016000	-	(530 128)
Agriculture (Residential/Commercial)	8 944 000	(3 020 000)	5 924 000	0.01016000	60 188	(30 683)
	420 091 000	(555 049 500)	865 041 500	-	14 946 771	(1 933 141)

The municipal valuations and property rates were firstly implemented with effect 1 July 2009 in terms of Municipal Rates Act.

Valuations on land and buildings are valid for four years.

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
15. Property rates (continued)		
A second valuation roll was implemented on 1 July 2014.		
Interim valuations are processed on a quarterly basis to take into account changes on individual property values due to alterations, consolidations, subdivisions and new township development. Various rates in the Rand were applied in accordance with categories determined in terms of the Municipal Property Rates Act.		
Rebates applicable were applied in line with the municipal property rates policy. Rebates are levied on a monthly basis in terms of municipal rates policy and interest is charged on outstanding amounts as determined by the municipality in terms of rates policy and approved tariffs.		
16. Government grants and subsidies		
Operating grants		
Equitable share	129 855 000	118 243 000
Indigent Register	3 000 000	-
Sport & recreation	15 150	-
Ilembe Grant	50 000	-
EPWP	1 195 000	1 768 000
Financial Management Grant (FMG)	1 970 000	1 900 000
Library Computer Assistant	1 617 000	1 325 000
	<u>137 702 150</u>	<u>123 236 000</u>
Capital grants		
Small Town Rehabilitation Grant	872 169	740 007
Municipal Infrastructure Grant (MIG)	32 768 525	32 677 802
	<u>33 640 694</u>	<u>33 417 809</u>
	<u>171 342 844</u>	<u>156 653 809</u>

Equitable Share

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

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
17. General expenses		
Advertising	546 396	613 973
Small Tools	311 863	-
Auditors remuneration	1 574 327	3 065 716
Bank charges	196 645	73 737
Cleaning	837 500	1 074 429
Conferences and seminars	1 044 429	2 636 229
Consulting and professional fees	20 998 214	8 430 909
Consumables	1 145 890	125 394
Council Industrial/ Skills Development	97 113	17 706
Council committee	1 820 000	317 060
Electricity	1 269 178	1 938 461
Entertainment	6 676 294	5 235 592
Fines and penalties	12 369	-
Fuel and oil	2 196 184	2 404 416
IT expenses	7 391	60 629
Indigent Burial	914 200	2 453 507
Insurance	850 448	642 747
LED Support	432 675	-
Marketing	1 032 492	537 269
Medical expenses	5 660	-
Motor vehicle expenses	359 169	335 681
Study Assistance	1 240 801	680 719
Postage and courier	5 224	-
Printing and stationery	1 042 897	1 398 368
Project: Electrification cost	17 793 922	9 645 126
Re-location costs	24 956	-
Refuse	1 079 635	1 384 755
Security (Guarding of municipal property)	4 625 775	-
Skills Development	306 788	418 364
Social Responsibility	626 842	48 930
Software expenses	3 425 595	4 396 287
Sport, Arts and Recreation	-	28 580
Staff welfare	83 300	-
Subscriptions and membership fees	2 254 362	10 572 610
Telephone and fax	2 001 110	1 353 309
Tourism development	116 561	642 098
Travel - local	7 456 268	7 928 919
Uniforms	717 244	1 000 424
	83 596 476	69 461 944

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
18. Employee related costs		
Basic	31 782 949	23 491 965
Bonus	1 855 631	2 006 530
Medical aid - company contributions	2 006 436	1 748 340
UIF	218 086	319 372
Pension Funds	4 851 302	5 406 963
Subsistence and travel	1 252 814	775 533
Overtime payments	652 436	1 214 849
Long-service awards	1 116 781	13 313
Acting allowances	-	38 036
Housing benefits and allowances	181 634	201 549
Uniform allowances	399 454	191 012
	44 317 523	35 407 462
Remuneration of Municipal Manager -Cele		
Annual Remuneration	77 760	874 438
Car Allowance	25 920	291 471
Contributions to UIF	297	11 225
	103 977	1 177 134
Remuneration of Municipal Manager -MF HADEBE (Acting)		
Annual Remuneration	549 167	-
Car Allowance	212 567	-
Back Pay	88 534	-
Contributions to UIF	1 487	-
	851 755	-
The former municipal manager's contract ended on 30 November 2016.		
Remuneration of Director Economic Development and Planning - Mr SDG Khuzwayo		
Annual Remuneration	563 899	185 336
Car Allowance	195 365	61 785
Backpay	12 512	-
Contributions to UIF, Medical and Pension Funds	11 469	2 493
	783 245	249 614

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
18. Employee related costs (continued)		
Remuneration of Chief Finance Officer - TM Nkosi		
Annual Remuneration	-	279 358
Car Allowance	-	86 897
Contributions to UIF, Medical and Pension Funds	-	16 870
Leave pay	-	203 086
	-	586 211
Remuneration of Chief Finance Officer - L Sibisi		
Annual Remuneration	223 168	-
Car Allowance	78 602	-
Contributions to UIF, Medical and Pension Funds	1 041	-
Backpay	12 059	-
Leave Pay	22 267	-
	337 137	-
Remuneration of Chief Finance Officer - GS Majola		
Annual Remuneration	341 889	-
Car Allowance	113 963	-
Contributions to UIF, Medical and Pension Funds	1 041	-
	456 893	-
Remuneration of Director EDP - PN Mhlongo		
Annual Remuneration	-	165 086
Car Allowance	-	49 526
Contributions to UIF, Medical and Pension Funds	-	2 747
Leave pay	-	221 902
	-	439 261
Remuneration of Director Technical Services - Mr DH Mzolo		
Annual Remuneration	525 454	463 009
Car Allowance	195 365	169 909
Backpay	12 512	7 745
Contributions to UIF, Medical and Pension Funds	50 455	46 945
	783 786	687 608
Remuneration of Director Corporate Services - Dr MG Ntuli		
Annual Remuneration	529 627	738 914
Car Allowance	195 365	215 388
Backpay	18 329	-
Contributions to UIF, Medical and Pension Funds	45 741	10 263
	789 062	964 565

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
19. Remuneration of councillors		
Mayor: NV Chili		
Salary	774 056	711 753
Telephone allowance	40 800	40 800
Backpay	17 382	50 253
Medical aid	35 140	33 954
	867 378	836 760
Deputy mayor: EN Blose		
Salary	548 645	268 643
Telephone allowance	40 800	40 800
Backpay	14 076	58 558
Pension	82 297	56 683
Medical aid	16 402	15 508
	702 220	440 192
Speaker: GK Ngidi		
Salary	597 662	568 214
Telephone allowance	40 800	40 800
Backpay	13 764	40 203
Medical aid	49 681	28 314
	701 907	677 531
Executive Committee Members and Other Councillors		
Salaries	11 104 221	11 834 830
Travel	1 288 420	127 186
Telephone allowance	1 509 600	1 509 600
Backpay	219 994	849 516
Pension	616 757	958 550
Medical aid	289 797	343 333
Subsistence and travel	-	1 279 621
SDL	125 665	118 475
	15 154 454	17 021 111

In-kind benefits

The Mayor, Deputy 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 Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards . The Deputy Mayor and speaker have two full-time bodyguards.

The Mayor has two full-time bodyguards. Bodyguards are employed by the municipality

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
20. Depreciation and amortisation		
Property, plant and equipment	17 222 152	17 586 872
Intangible assets	172 353	173 571
	17 394 505	17 760 443
21. Impairment loss		
Contributions to debt impairment provision	4 376 804	2 371 628
22. Finance costs		
Interest	-	116 671
23. Cash generated from operations		
Surplus	21 244 826	37 123 651
Adjustments for:		
Depreciation and amortisation	17 394 505	17 760 443
Gain on sale of assets and liabilities	417 960	632 986
Debt impairment	4 376 804	2 371 628
Movements in provisions	1 116 508	13 313
INEP Grant	(4 386 000)	-
Increase in leave accrual	1 533 241	879 769
Non cash item	(608 328)	-
Donations non cash items	(2 202 707)	(26 986)
Changes in working capital:		
Receivables from exchange transactions	67 671	(1 015 742)
Consumer debtors	27 517	(5 958 326)
Payables from exchange transactions	(8 321 491)	9 483 991
VAT	339 920	4 546 955
Payables from (non exchange)	(4 386 324)	4 382 526
Unspent conditional grants and receipts	(838 844)	(5 141 284)
Non current liabilities	324	-
	25 775 582	65 052 924

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
24. Commitments		
Authorised expenditure		
Already contracted for but not provided for		
• Capital Commitments	46 298 641	16 690 350
• Operating commitments	13 981 780	18 886 585
	60 280 421	35 576 935
Total capital & Operating commitments		
Already contracted for but not provided for	60 280 421	83 060 151
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	999 258	939 643
- in second to fifth year inclusive	343 495	1 096 250
	1 342 753	2 035 893

Operating lease payments represent rentals payable by the municipality for certain of its office photocopiers. Leases are negotiated for an average term of four to five years. No contingent rent is payable.

25. Related parties

Related party transactions

Interest paid to (received from) related parties

Consulting and professional fees - 457 000

Related party transactions

K2016484930 (South Africa)	53 250	-
Amandla Ongabonwa Investments	145 232	-
Amavununundu General Trading	19 750	-

26. Taxation

Municipalities are exempt from paying tax in terms of section 10(1)(a) of the Income Tax Act

27. Going concern

We draw attention to the fact as at 30 June 2019, the municipality had accumulated surplus of R 399 343 430 and that the municipality's total assets exceed its liabilities by R 399 343 430.

The 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.

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
28. Fruitless and wasteful expenditure		
Eskom Interest on late payment	6 969	-
	-	-
	-	-
	<u>6 969</u>	<u>-</u>

29. Investigations

This is still in progress and it has not been finalised in the current financial year.

30. Unauthorised expenditure

Opening balance	<u>7 271 267</u>	<u>7 271 267</u>
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No investigations of this unauthorised expenditure took place in the current financial year. No unauthorised expenditure was incurred in the current financial year.

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
31. Irregular expenditure		
Opening balance	55 074 479	51 739 470
Add: Irregular Expenditure - current year	14 128 774	3 335 009
Less: Amounts condoned	-	-
	69 203 253	55 074 479
SUPPLIER NAME	Nature for deviation	Payment
A1 Electrical connection of Macathu Area	Impractical or Impossible to follow the official SCM processes	6 448 255
AYANDA MBANGA	Impractical or Impossible to follow the official SCM processes as per regulation 36 (i)	1 075 722
A1 Electricial Connection of Onyazini/ Khenana	This was an emergency due to IT system crashed and was awarded as per regulation 36 (i)	4 044 117
DOLPHIN COAST	Impractical or Impossible to follow the official SCM processes as per regulation 36 (i)	1 896 964
Millsfitchet Africa (Pty) Ltd	Impractical or Impossible to follow the official SCM processes as per regulation 36 (i)	663 716
		14 128 774

* See Note 36

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2019

Notes to the Financial Statements

	2019	2018 Restated*
32. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	550 000	500 000
Amount paid - current year	(550 000)	(500 000)
	-	-
Audit fees		
Current year subscription / fee	1 402 789	1 265 626
Amount paid - current year	(1 402 789)	(1 265 626)
	-	-
PAYE and UIF		
Current year subscription / fee	9 360 741	4 742 972
Amount paid - current year	(9 360 741)	(4 742 972)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	11 299 344	12 637 146
Amount paid - current year	(11 299 344)	(12 637 146)
	-	-
VAT		
VAT payable	(1 388 672)	(1 048 749)

VAT output payables and VAT input receivables are shown in note 4.

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

* See Note 36

Ndwedwe Local Municipality

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Notes to the Financial Statements

	2019	2018 Restated*	
33. Financial instruments disclosure			
Categories of financial instruments			
2019			
Financial assets			
	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 448 543	1 448 543
Consumer debtors	-	6 166 587	6 166 587
Cash and cash equivalents	99 082 414	-	99 082 414
	99 082 414	7 615 130	106 697 544

In accordance with GRAP 104.3 the financial assets of the municipality were classified as above.

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	16 193 374	16 193 374

2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	3 171 844	3 171 844
Consumer debtors	-	7 892 487	7 892 487
Cash and cash equivalents	122 282 922	-	122 282 922
	122 282 922	11 064 331	133 347 253

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	24 514 867	24 514 867

34. 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 overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

* See Note 36

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2019	2018
	Restated*

34. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Credit risk

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

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

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

Financial instrument	2019	2018
Consumer Debtors	6 166 587	7 892 487
Cash and cash equivalent	99 082 414	122 282 922
Trade and other receivables from exchange transactions	1 448 543	3 171 844

Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

* See Note 36

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35. 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 financial statements. Deviations totalled R2 150 347 period ended 30 June 2019.

SUPPLIER NAME	ORDER NUMBER	PAYMENT	NATURE FOR DEVIATION	DESPRIPTION	AMOUNT
WORK DYNAMICS (PTY) LTD	PO01083	EFT 3259 & 3276	Impractical or Impossible to follow the official SCM processes	Competency assesement for the position of CFO 3 candidates	21 862
CLASSIC TRADE 116 T/A ITHAMBO	PO01675	not paid	This was an emergency due to disaster and was awarded as per regulation 36 (i)	Supply and delivery of food parcels for the affected families in ward 01	9 642
CLASSIC TRADE 116 T/A ITHAMBO	PO01744	not paid	This was an emergency due to disaster and was awarded as per regulation 36 (i)	Supply and delivery of food parcels for the affected families in ward 12	3 536
MANDLA GROUP	PO01228	EFT 2238	Impractical or Impossible to follow the official SCM processes	transport services for mayoral imbizo at msonono sportsfield on the 19th of october 2018	34 500
Payday Software (Pty) Ltd		EFT 2382& 3277	Impractical or Impossible to follow the official SCM processes as per regulation 36 (i)	Payroll software consultants	54 016
Ion Consulting		EFT 2510	Impractical or Impossible to follow the official SCM processes as per regulation 36 (i)	Purchase of server	2 016 466
CLASSIC TRADE 116 T/A ITHAMBO	PO01273	EFT 2386	This was an emergency due to disaster and was awarded as per regulation 36 (i)	supply and delivery of food parcels for the affected family at ward 17	10 325
BARGAIN UNIFORMS AND SPORTS	PO01303	EFT 2657	Impractical or Impossible to follow the official SCM processes	salga kzn sdr games sport apparel for athletes, councillors, officials(caps,bags,tr acksuits	199 925
DOUBLE L HOLDINGS (PTY) LTD	PO01516	EFT 2993	This was an emergency due to disaster and was awarded as per regulation 36 (i)	supply and delivery of food parcels to 6 x affected families in ward 06	16 667

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36. Prior period errors

The following adjustments were made to amounts previously reported in the annual financial statements

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

Statement of financial position

	Previously reported	Adjustment	Restated balance
Property, plant & equipment	275 926 234	1 664 843	277 591 077
Accounts receivables from exchange transactions	3 171 844	(1 056 174)	2 115 670
Accumulated surplus	(377 489 934)	(608 670)	(378 098 604)

Statement of financial performance

Reclassification

	Previously reported	Reclassification	Restated balance
Repairs & maintenance	-	739 043	739 043
General Expenses	70 200 987	(739 043)	69 461 944
	70 200 987	-	70 200 987

Property, plant & equipment

The effect of the prior year adjustments arose as a result of reclassification from work in progress to completed assets.

37. Contingencies

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of . The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Litigation is in process against the municipality that occurred in during the financial year were as follows:

Litigations	Nature of Litigation	2019	2018
PALISADE CONCRETE	rendering of fencing services	772 110	-
AFRICAN DIRECTORY SERVICES	bogus advertising company	83 784	-
MNTUNGAKHOHLWA MNGADI	relinquish of property	522 000	-
ILLOVO SUGAR (PTY) LTD	Evication of tenant	-	-
NGONYAMA TRUST BOARD	Transfer or ownership of land	-	-
ESICONGWENI	Breach of contract	-	417 842
		1 377 894	417 842

The NGONYAMA TRUST BOARD and ESICONGWENI were previous cases that rolled over to the current financial year, however there was no monetary valued attached to Ngonyama Trust Board.

The PALISADE CONCRETE,AFRICAN DIRECTORY SERVICES,MNTUNGAKHOHLWA MNGADI and ILLOVO SUGAR (PTY) LTD were current year litigation cases, however no monetary value was assigned for the Illovo Sugar (Pty) Ltd case.

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38. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from 2018/07/01 to 2019/06/30. The financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget.