



***Dr Nkosazana Dlamini Zuma Municipality***  
**Annual financial statements**  
**for the year ended 30 June 2020**

**Dr Nkosazana Dlamini Zuma Municipality**  
Annual financial statements  
for the year ended 30 June 2020

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**Abbreviations**

GRAP	Generally Recognised Accounting Practice
HOA	Housing Operating Account
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
mSCOA	Municipal Standard Chart of Accounts
AGSA	Auditor General of South Africa
SARS	South African Revenue Services
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
PAYE	Pay As You Earn
IGRAP	Interpretation of Generally Recognised Accounting Practice
Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)

**Dr Nkosazana Dlamini Zuma Municipality**

Annual financial statements for the year ended 30 June 2020

**General Information****Members of Council**

Mayor	Cllr PN Mncwabe
Deputy Mayor	Cllr PP Shange
Speaker	Cllr M B Banda
Exco Member	Cllr KA Hadebe
Exco Member	Cllr ZP Mkhize
Exco Member	Cllr D Adam
Councillor	MT Zikode
Councillor	WN Magoso
Councillor	MV Phoswa
Councillor	WM Khumalo
Councillor	L Mncwabe
Councillor	ZA Mtolo
Councillor	VAT Mthembu
Councillor	SK Jaca
Councillor	Q Dlamini
Councillor	ZP Gcume
Councillor	BK Zondi
Councillor	T Ndlovu
Councillor	NM Dlamini
Councillor	NC Mbanjwa
Councillor	SJ Phakathi
Councillor	NG Dlamini
Councillor	BC Mncwabe
Councillor	WN Kheswa
Councillor	ST Shabane
Councillor	ST Dlamini
Councillor	DR Ngcamu
Councillor	SB Mqwambi
Councillor	SV Zulu

Service Delivery: Rates, Waste Management and General services. Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development. The mandate of the municipality is in terms of section 152 of the Constitution of South Africa

**Nature of business and principle activities****Municipal demarcation code**

KZN 436

**Grading of local authority**

3

**Municipal Manager**

Mr NC Vezi

**Chief Financial Officer**

Mr KMB Mzimela

**Registered Office**

Municipal Offices, Main Street, Creighton

**Physical address**Main Street  
Creighton  
3263**Postal address**P O Box 62  
Creighton  
3263**Bankers**

First National Bank, Investec, Nedbank and Standard Bank

**Auditors**

Auditor General of South Africa

## **Dr Nkosazana Dlamini-Zuma Municipality**

**Annual financial statements for the year ended 30 June 2020**

### **Accounting Officer's Responsibilities and Approval**

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

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

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

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

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I certify that salaries, allowances and benefits of councilors, as disclosed in the notes to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read in conjunction with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality has implemented National Treasury's Municipal Standard Chart of Accounts. The new chart is designed to enhance comparability between municipalities and therefore results in information disclosed being more understandable, relevant, reliable and comparable. Due to the implementation of the new chart, certain comparative figures needed restated to allow a comparison between the current period figures and the prior year's figures that were presented based on the old municipal chart of accounts.

The annual financial statements have been prepared on the going concern basis, were approved on 31 October 2020 and were signed on its behalf by:

**Mr NC Vezi Bachelor of Education, Executive Municipal Leadership Programme, Specialist Local Government Law and Municipal Administration, Postgraduate Diploma in Governance and Political Transformation, Masters in Public Administration, Masters in Governance and Political Transformation**

**Dr Nkosazana Dlamini Zuma Municipality**  
Annual financial statements for the year ended 30 June 2020

**Statement of Financial Position as at 30 June 2020**

	Note	2020 R	Restated 2019 R
<b>ASSETS</b>			
<b>Current Assets</b>			
Value added tax receivable	2	-	458,999
Receivables from non-exchange transactions	3.1/3.2	31,648,336	24,729,608
Receivables from exchange transactions	3.1	2,931,163	2,148,058
Cash and cash equivalents	4	124,203,182	121,685,386
<b>Non-Current Assets</b>			
Investment property	5	20,411,000	20,300,000
Property, plant and equipment	6(a)	409,878,152	362,223,150
Intangible assets	7	42,562	61,675
<b>Total Assets</b>		<b>589,114,394</b>	<b>531,606,877</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Value added tax payable	8	606,914	-
Finance lease obligation	9	369,734	677,739
Payables from exchange transactions	10	40,233,798	43,415,716
Unspent conditional grants	11	8,704,450	4,545,339
Long service awards obligation	12.2	165,000	148,649
Post retirement health care benefits	12.3	75,000	44,575
<b>Non Current Liabilities</b>			
Finance lease obligation	9	170,712	540,445
Provision for landfill site rehabilitation	12.1	9,163,804	8,805,803
Long service awards obligation	12.2	2,357,000	2,077,352
Post retirement health care benefits	12.3	5,421,000	5,780,425
<b>Total Liabilities</b>		<b>67,267,411</b>	<b>66,036,042</b>
<b>Net Assets</b>		<b>521,846,983</b>	<b>465,570,835</b>
<b>TOTAL NET ASSETS</b>			
Housing Operating Account	13	5,228,239	4,826,843
Accumulated surplus		516,618,742	460,743,992
<b>Total Net Assets</b>		<b>521,846,983</b>	<b>465,570,835</b>

**Statement of Financial Performance for period ended 30 June 2020**

	Note	2020 R	Restated 2019 R
<b>Revenue</b>	14		
<b>Revenue from exchange transactions</b>			
Service charges	15	3,423,443	3,305,343
Licences and permits	16	492,897	578,385
Rental of facilities and equipment	17	836,031	829,030
Other income	18	376,244	2,056,370
Interest received	19	8,171,889	7,944,839
Gain on disposal of assets	20	4,515,876	378,283
<b>Total revenue from exchange transactions</b>		<u>17,816,379</u>	<u>15,092,250</u>
<b>Revenue from non exchange transactions</b>			
Property rates	21	33,001,175	31,042,487
Penalties	21	4,864,327	3,231,621
Government grants and subsidies	22	167,034,449	153,622,807
Assets donated	23	2,275,114	332,890
Traffic fines	24	714,850	1,182,510
Pound Fees		105,017	39,258
<b>Total revenue from non exchange transactions</b>		<u>207,994,934</u>	<u>189,451,573</u>
<b>Total revenue</b>		<u><b>225,811,313</b></u>	<u><b>204,543,824</b></u>
<b>Expenditure</b>			
Employee related costs	25	60,266,406	52,690,534
Remuneration of councillors	26	11,597,582	11,200,471
Depreciation, impairment and amortisation	27	27,481,442	23,499,280
Finance costs	28	177,390	106,954
Debt impairment	29	9,332,920	8,603,538
Transfers and subsidies	30	13,610,828	1,460,976
Operational Costs	31	47,179,599	56,738,989
<b>Total expenditure</b>		<u><b>169,646,165</b></u>	<u><b>154,300,741</b></u>
Total revenue		225,811,313	204,543,824
Total expenditure		169,646,165	154,300,741
<b>Operating surplus</b>		<u><b>56,165,147</b></u>	<u><b>50,243,083</b></u>
Fair value adjustments	5	111,000	236,000
		<u>111,000</u>	<u>236,000</u>
<b>Surplus for the year</b>		<u><u><b>56,276,147</b></u></u>	<u><u><b>50,479,083</b></u></u>

**Dr Nkosazana Dlamini Zuma Municipality**  
Annual financial statements for the year ended 30 June 2020

**Statement of Changes in Net Assets for the period ended 30 June 2020**

	Housing Operating Account	Accumulated Surplus	Assets
	R	R	R
<b>Audited Balance at 1 July 2018</b>	4,260,996	410,932,649	415,193,645
Prior year error		101,894	101,894
<b>Restated Balance at 1 July 2018</b>	4,260,996	410,830,755	415,091,751
<b>Changes in net assets</b>			
Surplus for the period(restated)	-	50,479,083	50,479,083
Transfer Housing Operating Account interest on call	565,846	(565,846)	-
<b>Total changes</b>	565,846	49,913,237	50,479,083
<b>Balance at 30 June 2019</b>	4,826,842	460,743,992	465,570,834
<b>Changes in net assets</b>			
Surplus for the period	-	56,276,147	56,276,147
Transfer Housing Operating Account interest on call	401,397	(401,397)	-
<b>Total changes</b>	401,397	55,874,750	56,276,147
<b>Balance at 30 June 2020</b>	5,228,239	516,618,742	521,846,983

**Dr Nkosazana Dlamini Zuma Municipality**  
Annual financial statements for the year ended 30 June 2020

**Cash flow Statement for the period ended 30 June 2020**

	Note	2020 R	2019 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>		<b>248,120,709</b>	<b>222,944,527</b>
VAT refunds		14,774,487	13,528,958
Cash receipts from ratepayers and consumers		27,564,278	31,950,948
Cash receipts from grants		205,781,944	177,464,621
<b>Payments</b>		<b>183,564,906</b>	<b>115,391,699</b>
Cash payments to employees		59,177,805	52,193,534
Cash payments to councillors		11,597,582	11,200,471
Cash paid retentions		5,390,042	4,864,159
Cash payments to suppliers for goods and services		107,399,477	47,133,535
<b>Net cash flows from operating activities before interest</b>	32	<b>64,555,803</b>	<b>107,552,827</b>
Interest received		8,037,212	7,944,839
Interest paid		(7,863)	(15,418)
<b>Net cash flows from operating activities after interest</b>		<b>72,585,151</b>	<b>115,482,248</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		7,043,478	417,718
Purchase of property, plant and equipment and intangible assets		(76,263,569)	(51,232,741)
<b>Net cash flows from investing activities</b>		<b>(69,220,090)</b>	<b>(50,815,023)</b>
<b>Cash flows from financing activities</b>			
Repayment of finance leases		(847,265)	(707,712)
repayment of suppliers on behalf of the principal		-	(31,110,243)
		<b>(847,265)</b>	<b>(31,817,955)</b>
Net increase in cash and cash equivalents		2,517,796	32,849,271
Net cash and cash equivalents at the beginning of the period		121,685,387	88,836,116
Net cash and cash equivalents at the end of the period	4	<b>124,203,182</b>	<b>121,685,387</b>



Statement of Comparison of Budget and Actual amounts

	Original Budget	Budget Adjustments	Virement	Final Budget	Actual	Difference between final budget and actual	Variations comments Ref No.	% Variations
	R	R	R	R	R	R		
<b>Statement of Financial Performance</b>								
<b>Revenue</b>								
<b>Revenue from exchange transactions</b>								
Service charges	3,799,676	-	-	3,799,676	3,423,443	376,233	1	10%
Rental of facilities and equipment	1,144,240	(282,030)	-	862,210	836,031	26,179		3%
Licences and permits	998,133	(247,130)	-	751,003	492,897	258,106	2	34%
Other income	1,594,750	(608,800)	-	985,950	376,244	609,706	3	62%
Interest received - investment	7,741,359	-	-	7,741,359	8,171,889	(430,530)	4	-6%
<b>Total revenue from exchange transactions</b>	<b>15,278,158</b>	<b>-1,137,960</b>	<b>-</b>	<b>14,140,198</b>	<b>13,300,503</b>	<b>839,695</b>		
<b>Revenue from non-exchange transactions</b>								
Property rates	37,561,095	(5,180,607)	-	32,380,488	33,001,175	(620,687)		-2%
Property rates - penalties	1,800,000	394,758	-	2,194,758	4,864,327	(2,669,569)	5	-122%
Fines, penalties and forfeits	664,797	30,000	-	694,797	819,867	(125,070)	6	-18%
Government grants and subsidies	162,556,000	7,416,343	-	169,972,343	167,034,449	2,937,894		2%
Assets donated	-	-	-	-	2,275,114	(2,275,114)	7	100%
<b>Total revenue from non-exchange transactions</b>	<b>202,581,892</b>	<b>2,660,494</b>	<b>-</b>	<b>205,242,386</b>	<b>207,994,934</b>	<b>-2,752,548</b>		
<b>TOTAL REVENUE</b>	<b>217,860,050</b>	<b>1,522,534</b>	<b>-</b>	<b>219,382,584</b>	<b>221,295,437</b>	<b>(1,912,853)</b>		
<b>Expenditure</b>								
Employee related costs	63,964,945	(3,274,627)	-	60,690,318	60,266,406	423,912		1%
Remuneration of councillors	12,627,427	-	-	12,627,427	11,597,582	1,029,845	8	8%
Depreciation and amortisation	34,653,954	(6,852,625)	-	27,801,329	27,481,442	319,887		1%
Finance costs	424,737	(50,000)	-	374,737	177,390	197,347	9	53%
Debt impairment	6,477,748	-	-	6,477,748	9,332,920	(2,855,172)	10	-44%
Transfers and Subsidies	1,905,000	9,824,856	-	11,729,856	13,610,828	(1,880,972)	11	-16%
Operational costs	67,984,693	2,095,273	-	70,079,966	47,179,599	22,900,367	12	33%
	<b>188,038,504</b>	<b>1,742,877</b>	<b>-</b>	<b>189,781,381</b>	<b>169,646,165</b>	<b>20,135,216</b>		
<b>Operating Surplus</b>	<b>29,821,546</b>	<b>(220,343)</b>	<b>-</b>	<b>29,601,203</b>	<b>51,649,271</b>	<b>18,222,363</b>		
Fair value adjustments	-	-	-	-	111,000	(111,000)	13	-100%
Gains on disposal of PPE	345,000	4,458,835	-	4,803,835	4,515,876	287,959	14	6%
	<b>345,000</b>	<b>4,458,835</b>	<b>-</b>	<b>4,803,835</b>	<b>4,626,876</b>	<b>176,959</b>		
<b>Surplus for the year</b>	<b>30,166,546</b>	<b>4,238,492</b>	<b>-</b>	<b>34,405,038</b>	<b>56,276,147</b>	<b>18,399,322</b>		

Dr Nkosazana Dlamini Zuma Municipality Annual financial statements for the year ended 30 June 2020									
Statement of Comparison of Budget and Actual amounts									
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual	Difference between final budget and actual	Variance comments Ref No.	% Variances	
<b>Cash Flow Statement</b>									
<b>Receipts</b>	<b>205,440,150</b>	<b>2,652,959</b>	-	<b>208,093,109</b>	<b>248,120,709</b>	<b>(40,027,600)</b>			
VAT refunds	-	-	-	-	14,774,487	(14,774,487)	15	100%	
Cash receipts from ratepayers and consumers	34,884,150	(4,763,384)	-	30,120,766	27,564,278	2,556,488	16	8%	
Cash receipts from grants	170,556,000	7,416,343	-	177,972,343	205,781,944	(27,809,601)	17	-16%	
<b>Payments</b>	<b>154,482,065</b>	<b>(582,772)</b>	-	<b>153,899,293</b>	<b>183,564,906</b>	<b>(29,665,613)</b>			
Cash payments to employees	63,964,945	(3,274,627)	-	60,690,318	59,177,805	1,512,513		2%	
Cash payments to councillors	12,627,427	-	-	12,627,427	11,597,582	1,029,845	18	8%	
Cash paid to retentions	-	-	-	-	5,390,042	(5,390,042)	19	-100%	
Cash payments to suppliers for goods and services	77,889,693	2,691,855	-	80,581,548	107,399,477	(26,817,929)	20	-33%	
<b>Sub total</b>	<b>50,958,085</b>	<b>3,235,731</b>	-	<b>54,193,816</b>	<b>64,555,803</b>	<b>(10,361,987)</b>			
Interest received	7,741,359	-	-	7,741,359	8,037,212	(295,853)		-4%	
Interest paid	(424,737)	50,000	-	(374,737)	(7,863)	(382,600)	21	102%	
<b>Net cash flows from operating activities</b>	<b>58,274,707</b>	<b>3,285,731</b>	-	<b>61,560,438</b>	<b>72,585,151</b>	<b>(11,040,439)</b>			
<b>Cash flows from investing activities</b>									
Proceeds on disposal of PPE	345,000	4,458,835	-	4,803,835	7,043,478	(2,239,643)	22	-47%	
Purchase of property, plant and equipment and intangibles	(68,644,000)	(20,155,946)	-	(88,799,946)	(76,263,569)	(12,536,377)	23	14%	
<b>Net cash flows from investing activities</b>	<b>(68,299,000)</b>	<b>(15,697,111)</b>	-	<b>(83,996,111)</b>	<b>(69,220,090)</b>	<b>(14,776,021)</b>			
<b>Cash flows from financing activities</b>									
Repayment of borrowings	(770,589)	776,438	-	5,848	(847,265)	853,114	24	14588%	
	<b>(770,589)</b>	<b>776,438</b>	-	<b>5,848</b>	<b>(847,265)</b>	<b>853,114</b>			
Net increase in cash and cash equivalents	(10,794,882)	(11,634,942)	-	(22,429,825)	2,517,796	(24,947,621)			
Net cash and cash equivalents at the beginning of the period	66,827,586	54,857,801	-	121,685,387	121,685,387	-			
Net cash and cash equivalents at the end of the period	56,032,704	43,222,858	-	99,255,562	124,203,183	(24,947,621)			
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>68,644,000</b>	<b>20,155,946</b>	-	<b>88,799,946</b>	<b>78,642,673</b>	<b>10,157,273</b>			
Transfers recognised - capital	27,149,000	6,585,000	-	33,734,000	31,239,950	2,494,050	25	7%	
Public contributions & donations	-	-	-	-	2,275,114	(2,275,114)	7	100%	
Borrowing	-	-	-	-	-	-			
Internally generated funds	41,495,000	13,570,946	-	55,065,946	45,127,609	9,938,337	26	18%	
<b>Total sources of capital funds</b>	<b>68,644,000</b>	<b>20,155,946</b>	-	<b>88,799,946</b>	<b>78,642,673</b>	<b>10,157,273</b>			
<b>Financial position</b>									
Total current assets	80,755,401	50,595,727	-	131,351,128	158,782,681	(27,431,553)	27	-21%	
Total non current assets	435,199,961	7,795,361	-	442,995,322	430,331,714	12,663,608		3%	
Total current liabilities	35,315,265	27,101,616	-	62,416,881	50,154,896	12,261,985	28	20%	
Total non current liabilities	16,460,392	936,856	-	17,397,248	17,112,516	284,733		2%	
<b>Community wealth/equity or Total net assets</b>	<b>464,179,705</b>	<b>30,352,616</b>	-	<b>494,532,321</b>	<b>521,846,983</b>	<b>-27,314,662</b>			
<b>Actual amount on comparable basis presented in the Budget and Actual Comparative Statement</b>									
<b>Significant variances of actual outcomes against budget (greater than 5% of budget) for the year are explained below</b>									
<b>Statement of Financial Performance</b>									
1	Service Charges - More Indigents registered in the current year than anticipated which resulted in lesser net revenue realised than anticipated.								
2	Licences and permits - Reports on sale of learners licences in 2018/2019 had a negative impact in municipal DLTC and it resulted in low enrolment of learners as well as the closure of the centre as a result of nationwide lockdown also affected the revenue.								
3	Other Income - Decrease in the sale of tender documents because tender briefing sessions were suspended as a result of Covid 19 pandemic. The photocopying, printing income, and other minor revenue sources were negatively affected as a result of closure of municipal offices because of Nationwide lockdown, facilities and venues from March 2020 till end of the year.								
4	Interest on Investments - The Municipality incurred more savings than anticipated as a result of other community programmes being suspended as a result unused monies was invested and generated more interest. Many operational cost items were less spent as a result Nationwide lockdown. Unused cash generated more interest especially in the last quarter of the financial year								
5	Property rates - penalties - More penalties were levied than anticipated as a result of the growing gross debtors book, closure of businesses and loss of income by other residents as a result of Nationwide lockdown has contributed to an increase in debtors book as other residents could not pay outstanding amount and this increased penalties on rates.								
6	Fines, penalties and forfeits - The law enforcement unit issued more traffic fines than what was initially anticipated due to increase in the number of traffic offenders								
7	Assets donated by COGTA through District Municipality in support of Operation Khawuleza initiated by MEC for COGTA was Smooth Roller, Refuse collection truck and Pedestrian Roller.								
8	Remuneration of councillors - The National Government approved less upper limits than projected in the annual municipal budget.								
9	Finance Costs - Incorrect interest projections/budgeting by management on the initial and revised budget.								
10	Debt Impairments - Non-payment of outstanding amount by municipal customers resulted to an increase in debtors book and impairment, closure of businesses and loss of income by other residents as a result of Nationwide lockdown has also contributed to an increase in debtors book as other residents could not pay the outstanding amount. The municipality is attending the issue of increasing debtors book and drastic measures are being taken to collect the outstanding amount owed to the								
11	Transfers and Subsidies - Variance as a result of variation orders on electrification projects due to additional scope of work necessary for the completion of projects which was not identified during the initial phases of the project.								
12	Operational Costs - Cost containment regulations yielded positive results. There were savings and reduction on a number of operational costs items i.e., Accommodation, catering, consultants and professional and travelling. Cancelled Community programmes contributed to the savings as many programmes were suspended as a result of nationwide lockdown i.e. OSS, Public participation, Sport and development, Arts and Culture, Community gender forums and all other community outreach related								
13	Fair Value adjustments - There has been no increase/decrease in the value of investment properties in the past two years, based on history an increase/decrease was not catered for in the original budget.								
14	More revenue was anticipated from the sale of train coaches. The auction did not unfold as anticipated/expected but highest bidder's offer was acceptable as the municipality got a gain above R 4.5 million.								

Dr Nkosazana Dlamini Zuma Municipality Annual financial statements for the year ended 30 June 2020									
Statement of Comparison of Budget and Actual amounts									
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual	Difference between final budget and actual	Variance comments Ref No.	% Variances	
<b>Cash Flow Statement</b>									
15	VAT refunds were not included in the budget as treasury standard template used to prepare the budget does not have a separate line item for VAT refunds.								
16	Cash receipts from ratepayers and consumers - Variance as a result of non-payment culture from some of our customers which the municipality is addressing and closure of businesses and loss of income by other residents due to Nationwide lockdown as other residents could not pay their outstanding amount.								
17	Cash receipts from grants - Variance as a result of exclusion of MIG and Building Control Information System Capital Grants allocations in the cash flows from operating activities budget in terms of Treasury guidelines.								
18	Cash payments to councillors - The National Government approved less upper limits than projected in the annual municipal budget.								
19	Cash paid to retentions - Budget for cash paid to retentions is included in the budget for cash payments to suppliers for goods and services								
20	Cash payments to suppliers for goods and services- Overspending as a result of Housing Projects payments where the municipality acts as an agent included in the actuals which was not included in the budget.								
21	Interest paid - Incorrect interest projections/budgeting by management on the initial and revised budget.								
22	Proceeds on disposal of PPE - Budget was based on the gains on disposal of assets in the Statement of Financial Performance instead of proceeds on disposal of assets.								
23	Purchase of property, plant and equipment and intangible assets - Variance as a result of suspension of construction projects during nationwide lockdown. The projects that were suspended and rolled over to the following year are Construction of Fire station, Creighton asphalts road, Bulwer asphalts roads, Upgrade of Underberg roads, Upgrade of Underberg taxi rank and Donnybrook asphalts surphasing phase 3 and suspension of procurement of capital assets that are procured through National Treasury Transversal Tender Contract, assets such as plant and equipment and transport assets.								
24	Repayment of borrowings was removed by mistake in the adjusted budget.								
<b>Capital expenditure &amp; funds sources</b>									
25	Transfers recognised - capital - Variance is the balance for Phase two of Creighton Library which would be done in 2020/2021. The grant was transferred in March 2020 and Phase 1 completed in 2019/2020 financial year.								
26	Internally generated funds - Variance as a result of suspension of construction projects during nationwide lockdown. The projects that were affected by nationwide lockdown were rolled over to the following year are Construction of Fire station, Creighton asphalts road, Bulwer asphalts roads, Upgrade of Underberg roads, Upgrade of Underberg taxi rank and Donnybrook asphalts surphasing phase 3 and suspension of procurement of capital assets that are procured through National Treasury Transversal Tender Contract, assets such as plant and equipment and transport assets.								
<b>Financial position</b>									
27	Total current assets - Increase on debtors as a result of loss of income on other ratepayers due to nationwide lockdown and underestimation of cash and cash equivalents during the preparation of budget.								
28	Total current liabilities - Overestimation of provisions' budget included in current liabilities.								

# Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

## Accounting Policies

1.	<p><b>Presentation of annual financial statements</b></p> <p>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.</p> <p>Assets, liabilities, revenues and expenses are not offset, except where offsetting is either required or permitted by a Standard of GRAP.</p> <p>A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, is disclosed below.</p>
1.1	<p><b>Presentation currency</b></p> <p>These financial statements are presented in South African Rand, which is the functional currency of the municipality.</p>
1.2	<p><b>Going concern assumption</b></p> <p>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.</p>
1.3	<p><b>Significant judgments and sources of estimation uncertainty</b></p> <p>In preparing the financial statements, management made estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Using available information and applying professional 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.</p> <p><b>Receivables</b></p> <p>The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgement as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.</p> <p>The provision for impairment of receivables exists due to the possibility that these debts will not be recovered. In assessing receivables for potential impairment debtors are assessed at individual level and on aggregate. Debtors with similar credit risk characteristics are collectively assessed for impairment.</p> <p><b>Provisions</b></p> <p>Management determines an estimate based on the information available.</p> <p><b>Useful lives of property, plant and equipment and intangible assets</b></p> <p>The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets in accordance with Local Government Capital Asset Management Guideline of 2008. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.</p> <p><b>Effective interest rate</b></p> <p>The municipality uses the ruling overdraft rate to discount future cash flows in the event of it being material.</p>

# Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

## Accounting Policies

1.4	<p><b>Investment property</b></p> <p>Investment property is property held to earn rentals or for capital appreciation or both, rather than for:</p> <ul style="list-style-type: none"><li>- use in the production or supply of goods or services, or for</li><li>- administrative purposes; or for</li><li>- sale in the ordinary course of operations.</li></ul> <p>Owner-occupied property is property held for use in the provision of services or for administrative purposes.</p> <p>Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.</p> <p>Investment property is initially recognised at cost (transaction costs are included in the initial measurement).</p> <p>Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.</p> <p>Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.</p> <p><b>Fair value</b></p> <p>Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.</p>
1.5	<p><b>Property, plant and equipment</b></p> <p>Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one period.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.</p> <p>Property, plant and equipment is depreciated on the straight line basis over expected useful lives to estimated residual value. Land is stated at cost and is not depreciated as it is deemed to have an indefinite useful life. The useful lives of items of property, plant and equipment have been assessed as follows:</p>

## Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

### Accounting Policies

Asset Class	Average useful life
Infrastructure:	
Streetlights	1 - 80 Years
Roads	1 - 50 Years
Pedestrian Footways	1 - 50 Years
Community Assets:	
Office buildings	1 - 30 Years
Cemeteries	1 - 30 Years
Community centres and halls	1 - 30 Years
Libraries	1 - 30 Years
Sports and related stadiums	1 - 30 Years
Golf courses	1 - 20 Years
Flood lighting	1 - 15 Years
Park homes	1 - 15 Years
Car wash	1 - 10 Years
Houses / hostels	1 - 30 Years
Taxi rank	1 - 15 Years
Other Assets:	
Office equipment	1 - 17 Years
Office machines	1 - 7 Years
Air conditioners	1 - 10 Years
Furniture and fittings	1 - 15 Years
Fire extinguishers	1 - 10 Years
Other firefighting equipment	1 - 15 Years
Computer equipment	1 - 13 Years
Security measures	1 - 20 Years
Train	1 - 30 Years
Engine	1 - 10 Years
Generator	1 - 10 Years
Boiler	1 - 10 Years
Loud hailer / Public Address System	1 - 10 Years
Fencing	1 - 20 Years
Motor vehicles:	
Truck and light delivery vehicles	1 - 7 Years
Mini-bus and delivery vehicles	1 - 7 Years
Tractors	1 - 7 Years
Fencing	1 - 5 Years
Plant and equipment	
Graders	1 - 20 Years
Lawn mowers	1 - 20 Years
Compressors	1 - 20 Years
Firearms	1 - 20 Years
Radio equipment	1 - 10 Years

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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 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.

# Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

## Accounting Policies

	<p><b>Assets under construction - Work in progress</b></p> <p>Assets under construction are stated at historical cost . Depreciation only commences when the asset is available for use.</p> <p><b>Leased assets</b></p> <p>Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.</p>				
1.6	<p><b>Accounting by principals or agents</b></p> <p>A principal-agent arrangement results from a binding arrangement in which one entity, the municipality, undertakes transactions with third parties on behalf, and for the benefit of, another entity, the principal. The municipality recognises increases in assets and related increases in liabilities on receipt of the related funding. The liability is reduced when the amounts are spent in accordance with fund conditions.</p>				
1.7	<p><b>Intangible assets</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Amortisation is provided to write down intangible assets, on a straight line basis, to residual values as follows:</p> <table border="1"><thead><tr><th>Item</th><th>Useful life</th></tr></thead><tbody><tr><td>Computer software</td><td>3 - 12 Years</td></tr></tbody></table> <p>Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from use or disposal. The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount and is recognised in surplus or deficit when the asset is derecognised.</p>	Item	Useful life	Computer software	3 - 12 Years
Item	Useful life				
Computer software	3 - 12 Years				

# Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

## Accounting Policies

1.8

### Financial instruments

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

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

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

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

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

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

A financial asset is cash, or a contractual right to receive cash or another financial asset from another entity or exchange financial assets or financial liabilities with another entity under conditions that potentially favorable to the entity.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the entity.

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition; or are held for trading.

#### Classification

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

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# Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

## Accounting Policies

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:	
<b>Type of Financial Liability</b>	<b>Classification in terms of GRAP 104</b>
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
External loan	Financial liability measured at amortised cost
<b>Initial recognition</b>	
The municipality recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.	
The municipality recognises financial assets using trade date accounting.	
<b>Initial measurement of financial assets and financial liabilities</b>	
The municipality initially measures a financial asset and financial liability at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.	
<b>Subsequent measurement of financial assets and financial liabilities</b>	
The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.	
All financial assets measured at amortised cost, or at cost, are subject to an impairment review.	
<b>Derecognition</b>	
<b>Financial assets</b>	
The municipality derecognizes financial assets using trade date accounting. The entity derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, are settled or waived.	
<b>Financial liabilities</b>	
The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.	
<b>Presentation</b>	
Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.	
A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.	

# Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

## Accounting Policies

1.9	<p><b>Impairment of non-cash-generating assets</b></p> <p>Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.</p> <p>Non-cash-generating assets are assets other than cash-generating assets.</p> <p>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).</p> <p>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.</p> <p>Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.</p> <p>Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.</p> <p>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.</p> <p>Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either the period of time over which an asset is expected to be used by the municipality; or the number of production or similar units expected to be obtained from the asset by the municipality.</p>
1.10	<p><b>Employee benefits</b></p> <p>Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees. Termination benefits are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.</p> <p>Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service. Vested employee benefits are employee benefits that are not conditional on future employment.</p> <p>Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.</p> <p>A constructive obligation is an obligation that derives from the entity's actions whereby an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.</p> <p><b>Short-term employee benefits</b></p> <p>Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.</p> <p>Short-term employee benefits include items such as:</p> <p>Salaries, wages and social security contributions;</p> <p>Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;</p> <p>Bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and</p>

## Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

### Accounting Policies

	<p>Non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.</p> <p>When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:</p> <p>As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and</p> <p>As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.</p> <p>The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.</p> <p>The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.</p> <p><b>Defined contribution plans-KZN Joint Municipal Pension fund</b></p> <p>The municipality has a defined contribution plan with Natal Joint Municipal Pension Fund .Payments to the defined contribution plan are charged as an expense as they fall due.</p> <p><b>Other employee benefits</b></p> <p>The municipality provides long service awards to qualifying employees after the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.</p> <p>The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts: The present value of the defined benefit obligation at the reporting date; minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.</p> <p>The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another standard requires or permits their inclusion in the cost of an asset: current service cost; interest cost; the expected return on any plan assets and on any reimbursement right recognised as an asset; actuarial gains and losses, which shall all be recognised immediately; past service cost, which shall all be recognised immediately; and The effect of any curtailments or settlements.</p>
1.11	<p><b>Provisions and contingencies</b></p> <p>Provisions are recognised when: the municipality has a present obligation as a result of a past event; It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and, a reliable estimate can be made of the obligation.</p> <p>The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.</p> <p>Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.</p> <p>Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.</p> <p>A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.</p> <p>Contingent assets and contingent liabilities are not recognised, but are disclosed in the notes and are reviewed at reporting date .</p> <p>The municipality has an obligation to rehabilitate its landfill site in terms of its licence stipulations .The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation.</p>

# Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

## Accounting Policies

1.12	<p><b>Revenue from exchange transactions</b></p> <p>Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.</p> <p>An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.</p> <p>Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.</p> <p><b>Measurement</b></p> <p>Revenue is measured at the fair value of the consideration received or receivable..</p> <p><b>Rendering of services</b></p> <p>When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied: the amount of revenue can be measured reliably;  it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; the stage of completion of the transaction at the reporting date can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.</p> <p>When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.</p> <p>When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.</p> <p><b>Rentals</b></p> <p>Revenue arising from the use by others of entity assets yielding rentals is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the amount of the revenue can be measured reliably.</p> <p><b>Other Revenue</b></p> <p>Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the appropriate tariff. This includes the issuing of licences, permits and the sale of tender documents.</p>
1.13	<p><b>Service charges</b></p> <p>Waste removal is based on bin size and the number of collections. Waste removal services are billed on a monthly basis.</p>

# Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

## Accounting Policies

1.14

### Revenue from non-exchange transactions

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

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

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

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

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

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Recognition

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

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

### Measurement

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

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

### Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

### Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

# Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

## Accounting Policies

	<p><b>Fines</b></p> <p>Revenue from the issuing of traffic fines is recognised when it is probable that economic benefits associated with a transaction will flow to the municipality and can be measured reliably. Revenue from traffic fines is initially recognised at fair value and subsequently tested for impairment. The revenue from traffic fines is subject to judicial process which is beyond the municipality's control.</p>
	<p><b>Gifts and donations, including goods in-kind</b></p> <p>Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.</p>
1.15	<p><b>Investment income</b></p> <p>Investment income is recognised on a time-proportion basis using the effective interest method.</p>
1.16	<p><b>Unauthorised expenditure</b></p> <p>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.</p> <p>All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the period 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.</p>
1.17	<p><b>Fruitless and wasteful expenditure</b></p> <p>Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.</p> <p>All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the period 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.</p>
1.18	<p><b>Irregular expenditure</b></p> <p>Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.</p>
1.19	<p><b>Housing Operating Account</b></p> <p>The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.</p>

## Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

### Accounting Policies

1.20	<p><b>Conditional grants and receipts</b></p> <p>Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.</p>
1.21	<p><b>Grants in aid</b></p> <p>The Municipality donates money goods or services to individuals organisations and other sectors of government from time to time. When making these donations the Municipality does not receive any goods or services directly in return as would be expected in a purchase or sale transaction, expect to be repaid in future; or expect a financial return, as would be expected from an investment.</p>
1.22	<p><b>Events after reporting date</b></p> <p>Events after reporting dates that are classified as adjusting events are accounted for in the annual financial statements. Events after reporting date that are classified as non-adjusting events after reporting date are disclosed in the notes to the annual financial statements.</p>
1.23	<p><b>Budget information</b></p> <p>The annual budget is prepared on a basis which is consistent with the annual financial statements .The budget and actual amounts are included in a separate financial statement ,Statement of Comparison of Budget and Actual amounts . Explanatory comments are provided in the notes to the financial statements giving reasons for variances from budget.</p>
1.24	<p><b>Related parties</b></p> <p>Individuals as well as their close family members and /or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and /or operating decisions. Management is regarded as a related party and comprises the Councillors, the Mayor, the Executive Committee Members, the Municipal Manager, the Chief Financial Officer and all managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.</p>
1.25	<p><b>Commitments</b></p> <p>Commitments are future expenditure items of both an operating and capital nature; in respect of which the Municipality has committed funds which on execution will result in an outflow of resources embodying economic benefits. Commitments are neither recognised in the Statement of Financial Position as liabilities nor recognised in the Statement of Financial Performance as expenditure but are disclosed as future commitments in the notes to the annual financial statements.</p> <p>Commitments are disclosed in respect of:</p> <p>approved and contracted commitments, where expenditure has been approved and contracts have been awarded at reporting date, where the disclosure is required by the specific standard of GRAP.</p> <p>Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.</p> <p>Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the annual financial statements.</p>
1.26	<p><b>Value added tax</b></p> <p>The municipality accounts for Value Added Tax on a payment basis for purchases and receipts basis for revenue.</p>

# Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2020

## Accounting Policies

1.27

### **Statutory receivables**

#### **Identification**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Carrying amount is the amount at which an asset is recognised in the statement of financial position. The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised. Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means. The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means

#### **Recognition**

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

#### **Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

#### **Subsequent measurement**

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any: interest or other charges that may have accrued on the receivable (where applicable); impairment losses; and amounts derecognised.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired the result from the following factors were considered, significant financial difficulty of the debtor, sequestration, liquidation or other financial re-organisation of the debtors, breach of arrangement contracts and adverse changes in the economy which are evidenced in debtors payment patterns. Statutory receivables with similar credit risk characteristics are collectively assessed for impairment

#### **Derecognition**

The municipality derecognises a statutory receivable, or a part thereof, when: the rights to the cash flows from the receivable are settled, expire or are waived; the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity: - derecognise the receivable; and - recognise separately any rights and obligations created or retained in the transfer. The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.



**Accounting Policies**

**1.28 Presentation of Annual 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).

**Standard of GRAP is effective for reporting periods beginning on or after 1 April 2020.**

Standard	Description	Effective Date	Expected Impact
GRAP 18	Segment reporting	Wednesday, April 1, 2020	Minimal impact.
GRAP 34	Separate financial statements	Wednesday, April 1, 2020	Not applicable
GRAP 35	Consolidated financial statements	Wednesday, April 1, 2020	Not applicable
GRAP 36	Investments in associates and joint ventures	Wednesday, April 1, 2020	Not applicable
GRAP 37	Joint arrangements	Wednesday, April 1, 2020	Not applicable
GRAP 38	Disclosure of interests in other entities	Wednesday, April 1, 2020	Not applicable
GRAP 110	Living and non-living resources	Wednesday, April 1, 2020	Not applicable
IGRAP 1	Applying the probability test on initial recognition revenue (amendments)	Wednesday, April 1, 2020	Minimal impact.
IGRAP 20	Accounting for adjustments to revenue	Wednesday, April 1, 2020	Minimal impact.

**Standards issued but not yet effective as the finance Minister has not determined the date.**

Standard	Description	Effective Date	Expected Impact
GRAP 104	Financial Instruments (Revised April 2020)	Date not determined	Minimal impact
	Guideline <i>Accounting for landfill sites</i>	Date not determined	Minimal impact

**In preparation of the these financial statements the following GRAP standards have been conceded:**

Standard	Description	Effective Date
GRAP 1	Presentation of Financial Statements	Currently applicable
GRAP 2	Cash Flow Statements	Currently applicable
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors	Currently applicable
GRAP 4	The Effects of Changes in Foreign Exchange Rates	Currently applicable
GRAP 5	Borrowing Costs	Currently applicable
GRAP 6	Consolidated and Separate Financial Statements	Currently applicable
GRAP 7	Investments in Associates	Currently applicable
GRAP 8	Interest in Joint Ventures	Currently applicable
GRAP 9	Revenue from Exchange Transactions	Currently applicable
GRAP 10	Financial Reporting in Hyperinflationary Economies	Currently applicable
GRAP 11	Construction Contracts	Currently applicable
GRAP 12	Inventories	Currently applicable
GRAP 13	Leases	Currently applicable
GRAP 14	Events After the Reporting Date	Currently applicable
GRAP 16	Investment Property	Currently applicable
GRAP 17	Property Plant and Equipment	Currently applicable
GRAP 18	Segment Reporting	Currently applicable
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets	Currently applicable
GRAP 20	Related Party Disclosures	Currently applicable
GRAP 21	Impairment of Non-cash-generating Assets	Currently applicable
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	Currently applicable
GRAP 24	Presentation of Budget Information in Financial Statements	Currently applicable
GRAP 25	Employee Benefits	Currently applicable
GRAP 26	Impairment of Cash-generating assets	Currently applicable
GRAP 27	Agriculture	Currently applicable
GRAP 31	Intangible Assets	Currently applicable
GRAP 32	Service Concession Arrangements: Grantor	Currently applicable
GRAP 103	Heritage Assets	Currently applicable
GRAP 105	Transfer of Functions Between Entities Under Common Control	Currently applicable
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	Currently applicable
GRAP 107	Mergers	Currently applicable
GRAP 108	Statutory Receivables	Currently applicable
GRAP 109	Accounting by Principals and Agents	Currently applicable

Notes to the Annual financial statements

	2020	Restated 2019
	R	R
<b>2 Value added tax receivable</b>		
Value added tax receivable	-	458,999
Vat represents net receivable/(payable) from/to the South African Revenue Services		
<b>3.1 Receivables</b>		
<b>Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Suppliers deposits	507,607	485,589
Other receivables	736,916	1,130,710
	<b>1,244,523</b>	<b>1,616,298</b>
Less: Allowance for impairment	(500,470)	(678,112)
<b>Net balances for receivables from non-exchange transactions as restated</b>	<b>744,054</b>	<b>938,186</b>
<b>Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Service charges - Refuse	6,391,895	5,185,360
Rent	643,066	471,872
VAT on amounts receivable	1,032,851	809,942
Sundry debtors	781,557	491,463
	<b>8,849,369</b>	<b>6,958,636</b>
Less: Allowance for impairment	(5,918,206)	(4,606,505)
<b>Net balances for receivables from exchange transactions as previously stated</b>	2,931,163	2,352,131
Correction of prior year error - allowance for impairment	-	(204,073)
<b>Net balances for receivables from exchange transactions as restated</b>	<b>2,931,163</b>	<b>2,148,058</b>

There were no receivables from non-exchange or exchange transactions that were pledged as security. The age analysis of various categories of debtors are detailed below:

Debtors aging analysis as at 30 June 2020						
by source type	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Rates	2,584,746	1,936,464	1,738,403	1,623,301	51,145,665	59,028,579
Traffic fines	12,200	9,650	22,050	51,150	1,275,475	1,370,525
Service charges - Refuse	301,324	232,967	208,320	194,334	6,305,610	7,242,554
Rent	58,341	15,810	15,810	15,810	624,158	729,928
Sundry debtors	22,991	49,589	49,589	36,406	605,652	764,228
<b>Total</b>	<b>2,979,602</b>	<b>2,244,480</b>	<b>2,034,171</b>	<b>1,921,001</b>	<b>59,956,560</b>	<b>69,135,815</b>

Debtors aging analysis as at 30 June 2019						
by source type	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Rates	2,163,086	1,721,025	1,530,417	1,142,639	38,142,692	44,699,859
Traffic fines	49,250	38,750	72,200	51,800	1,444,532	1,656,532
Service charges - Refuse	278,544	214,093	165,077	135,056	5,076,813	5,869,584
Rent	-18,287	16,959	16,692	16,692	497,416	529,471
Sundry debtors	28,895	28,895	28,895	28,895	444,000	559,582
<b>Total</b>	<b>2,501,488</b>	<b>2,019,722</b>	<b>1,813,282</b>	<b>1,375,083</b>	<b>45,605,453</b>	<b>53,315,028</b>

Notes to the Annual financial statements

2020  
R

Restated  
2019  
R

Debtors aging analysis as at 30 June 2020						
Aging per customer group	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Government	484,399	436,651	416,069	417,056	16,014,592	17,768,768
Business	366,229	318,833	282,529	252,054	7,801,414	9,021,057
Households	1,192,427	800,402	708,594	677,955	20,829,851	24,209,231
Agriculture	817,563	664,141	604,356	551,646	14,453,594	17,091,300
Other	118,984	24,454	22,622	22,290	857,109	1,045,459
TOUR						
<b>Total</b>	<b>2,979,602</b>	<b>2,244,480</b>	<b>2,034,171</b>	<b>1,921,001</b>	<b>59,956,560</b>	<b>69,135,815</b>

Debtors aging analysis as at 30 June 2019						
Aging per customer group	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Government	584,902	397,105	383,203	339,926	11,841,196	13,546,332
Business	185,152	272,751	335,625	154,613	5,887,228	6,835,369
Households	893,597	707,400	610,253	461,240	16,636,002	19,308,492
Agriculture	793,469	610,121	460,432	396,565	10,430,573	12,691,159
Other	33,690	22,656	21,771	20,741	763,014	861,871
TOUR	10,679	9,689	1,998	1,998	47,440	71,805
<b>Total</b>	<b>2,501,488</b>	<b>2,019,722</b>	<b>1,813,282</b>	<b>1,375,083</b>	<b>45,605,453</b>	<b>53,315,028</b>

Allowance for impairment as at 30 June 2020					
Reconciliation of allowance for impairment	Other receivables	Service charges - Refuse	Rent	Sundry debtors	Total
Balance at the beginning of the period	(678,112)	(4,673,601)	(111,540)	(25,437)	(5,488,690)
Bad debt written off	-	-	-	-	-
(Contribution to the impairment) / reversal of impairment	177,642	(1,071,261)	(14,413)	(21,953)	(929,986)
<b>Balance at the end of the period</b>	<b>(500,470)</b>	<b>(5,744,862)</b>	<b>(125,953)</b>	<b>(47,390)</b>	<b>(6,418,676)</b>

Allowance for impairment as at 30 June 2019					
Reconciliation of allowance for impairment	Other receivables	Service charges - Refuse	Rent	Sundry debtors	Total
Balance at the beginning of the period	(678,112)	(3,970,541)	(85,027)	(18,120)	(23,056,729)
Bad debt written off	-	-	-	-	-
(Contribution to the impairment) / reversal of impairment	-	(703,060)	(26,513)	(7,317)	(736,890)
<b>Balance at the end of the period</b>	<b>(678,112)</b>	<b>(4,673,601)</b>	<b>(111,540)</b>	<b>(25,437)</b>	<b>(5,488,690)</b>

Provision for impairment is based on the payment record of debtors.

**Dr Nkosazana Dlamini Zuma Municipality**

Annual financial statements for the year ended 30 June 2020

**Notes to the Financial statements****3.2 Statutory receivables****Statutory receivables as at 30 June 2020**

Classification	Legislation	Gross opening balance	Billing for the year	Penalties and interests	Bad debts	Receipts	Gross closing balance	Impairment losses provision	Carrying amount Closing balance
Rates	Municipal Property Rates Act, Act No. 6 of 2004	44,699,859	33,001,175	4,750,750	-	(23,423,204)	59,028,581	(28,195,205)	30,833,376
Traffic fines	Criminal procedure act, Act No. 51 of 1977	1,656,531	714,850	-	(916,056)	(84,800)	1,370,525	(1,299,618)	70,908
		<b>46,356,390</b>	<b>33,716,026</b>	<b>4,750,750</b>	<b>(916,056)</b>	<b>(23,508,004)</b>	<b>60,399,106</b>	<b>(29,494,822)</b>	<b>30,904,283</b>

*Interest/penalties accrue at 18% per annum if an instalment is not paid by the last working day of the month, and a flat rate 10% collection charge will be charged on any monthly instalment that fall two months into arrears in terms of the Council's Credit control and debt collection policy. Statutory receivables are impaired using a rate that reflects the current risk free rate (4.34%).*

**Statutory receivables as at 30 June 2019**

Classification	Legislation	Gross opening balance	Billing for the year	Penalties and interests	Bad debts	Receipts	Gross closing balance	Impairment losses provision	Carrying amount Closing balance
Rates	Municipal Property Rates Act, Act No. 6 of 2004	43,356,417	31,042,487	3,047,109	(3,600,402)	(29,145,752)	44,699,859	(21,094,425)	23,605,435
Traffic fines	Criminal procedure act, Act No. 51 of 1977	916,056	1,182,510	-	(377,470)	(64,565)	1,656,531	(1,470,544)	185,988
		<b>44,272,473</b>	<b>32,224,997</b>	<b>3,047,109</b>	<b>(3,977,872)</b>	<b>(29,210,317)</b>	<b>46,356,390</b>	<b>(22,564,968)</b>	<b>23,791,422</b>

*Interest/penalties accrue at 18% per annum if an instalment is not paid by the last working day of the month, and a flat rate 10% collection charge will be charged on any monthly instalment that fall two months into arrears in terms of the Council's Credit control and debt collection policy. Statutory receivables are impaired using a rate that reflects the current risk free rate (4%).*

<b>Allowance for impairment as at 30 June 2020</b>			
<b>Reconciliation of allowance for impairment</b>	<b>Statutory receivables - rates</b>	<b>Statutory receivables - Traffic fines</b>	<b>Total</b>
Balance at the beginning of the period	(21,094,425)	(1,470,544)	(22,564,968)
Bad debt written off	-	916,056	916,056
(Contribution to the impairment) / reversal of impairment	(7,100,780)	(745,130)	(7,845,911)
<b>Balance at the end of the period</b>	<b>(28,195,205)</b>	<b>(1,299,618)</b>	<b>(29,494,822)</b>

<b>Allowance for impairment as at 30 June 2019</b>			
<b>Reconciliation of allowance for impairment</b>	<b>Statutory receivables - rates</b>	<b>Statutory receivables - Traffic fines</b>	<b>Total</b>
Balance at the beginning of the period	(20,347,021)	2,042,091	(18,304,930)
Bad debt written off		377,470	377,470
(Contribution to the impairment) / reversal of impairment	(747,404)	(3,890,104)	(4,637,508)
<b>Balance at the end of the period</b>	<b>(21,094,425)</b>	<b>(1,470,544)</b>	<b>(22,564,968)</b>

**Dr Nkosazana Dlamini Zuma Municipality**

Annual financial statements for the year ended 30 June 2020

**Notes to the financial statements**

	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
<b>4 Cash and cash equivalents</b>		
Bank balances	4,847,461	10,500,522
Short-term deposits	119,353,260	111,183,618
	<b>124,200,720</b>	<b>121,684,140</b>
Cash on hand	2,462	1,246
	<b>124,203,182</b>	<b>121,685,386</b>

Cash and cash equivalents held by the entity that are available for use .

For the purpose of statement of financial position and the cash flow statement, cash and cash equivalents includes cash on hand and cash at bank net of outstanding overdraft. The municipality does not have overdrawn current account facilities with its banker and therefore does not incur overdrawn current account fees. Short-term deposits are made for varying periods, depending on the immediate cash requirements earn interest at the respective short-term deposit rate. The maximum investment period is two months.

**Dr Nkosazana Dlamini Zuma Municipality**

Annual financial statements for the year ended 30 June 2020

**Notes to the financial statements**

The Municipality has the following bank accounts:

	<b>Cashbook balances</b>	<b>Bank statement balances</b>	<b>Cashbook balances</b>	<b>Bank statement balances</b>
	30 June 2020	30 June 2020	30 June 2019	30 June 2019
	R	R	R	R
<b>Bank balances</b>				
First National Bank Limited - Salaries bank account - 62051076688	-	-	363,117	363,117
First National Bank Limited - Primary Bank account - 62026224999	3,683,134	3,631,160	8,973,061	8,922,151
First National Bank Limited - Bank account - 52551036969	1,164,327	1,221,051	1,164,344	1,202,831
	<b>4,847,461</b>	<b>4,852,211</b>	<b>10,500,522</b>	<b>10,488,099</b>
<b>Short-term deposits</b>				
Investec Bank Limited-1100540834-500	45,928,093.28	45,928,093.28	43,381,639.72	43,381,639.72
First National Bank Limited business money market-62235619197	22,757,234.40	22,757,234.40	21,787,563.58	21,787,563.58
Nedbank Limited investment-03/7881098635/000020	13,799,730.75	13,799,730.75	13,094,860.11	13,094,860.11
Nedbank Limited investment-03/7881098635/000018	8,481,508.28	8,481,508.28	12,518,556.59	12,518,556.59
First National Bank Limited money market-62008452071	2,535,160.78	2,535,160.78	8,089,851.90	8,089,851.90
First National Bank Limited call deposit-62544297436	5,318,222.65	5,318,222.65	5,362,347.95	5,362,347.95
First National Bank Limited call deposit-62544294987	5,079,218.78	5,079,218.78	4,518,042.90	4,518,042.90
First National Bank Limited call deposit-74165605518	869,931.40	869,931.40	832,236.38	832,236.38
NED BANK INVESTMENT-03/7881098635/000021	13,664,217.89	13,664,217.89	706,179.83	706,179.83
FNB CALL DEPOSIT-62810888935	454,856.29	454,856.29	438,936.80	438,936.80
FNB CALL DEPOSIT-62810887119	272,191.57	272,191.57	263,152.00	263,152.00
First National Bank Limited call account-62550105011	110,225.55	110,225.55	104,955.10	104,955.10
Standard Bank Limited-052070336	82,667.92	82,667.92	85,294.92	85,294.92
	<b>119,353,260</b>	<b>119,353,260</b>	<b>111,183,618</b>	<b>111,183,618</b>
	<b>124,200,720</b>	<b>124,205,470</b>	<b>121,684,140</b>	<b>121,671,716</b>

**Dr Nkosazana Dlamini Zuma Municipality**

Annual financial statements for the year ended 30 June 2020

**Notes to the financial statements****5 Investment property**

	R	2020 R	R	R	2019 R	R
	Cost / Valuation	Additions/Fair value adjustments	Closing balance	Cost / Valuation	Additions/Fair value adjustments	Closing balance
Investment property	20,300,000	111,000	20,411,000	20,064,000	236,000	20,300,000

**Reconciliation of investment property - 30 June 2020**

	Opening balance	Additions/Fair value adjustments	Disposals	Closing balance
Investment property	20,300,000	111,000	-	20,411,000

**Reconciliation of investment property - 30 June 2019**

	Opening balance	Additions/Fair value adjustments	Disposals	Closing balance
Investment property	20,064,000	236,000	-	20,300,000

**Pledged as security:**

No investment property is pledged as security.

Investment property consists of land held for an undeterminable future use and land and buildings held to earn rentals. There were no recent vacant land sales within Bulwer, Underberg and Creighton to support any major increase in values. The values have slightly increased as at 30 June 2020.

**Details of valuation**

Investment property mainly vacant stands and land and buildings are stated at fair values, which have been determined based on valuations by an independent valuer who is registered as a Professional Valuer in terms of Section 20(2)a of the Property Valuers Profession Act 2000, and Member of the South African Institute of Valuer. The valuation was arrived at by reference to the comparable sales approach. The last valuation was performed as of 30 June 2020.



**Dr Nkosazana Dlamini Zuma Municipality**

Annual financial statements for the year ended 30 June 2020

**Notes to the financial statements****6(a) Property, plant and equipment**

	R	2020 R Accumulated depreciation and accumulated impairment	R Carrying Value	R	2019 R Accumulated depreciation and accumulated impairment	R Carrying Value
	Cost / Valuation			Cost / Valuation		
Infrastructure	185,074,480	42,515,549	142,558,931	155,300,850	29,451,454	125,849,396
Community Assets	219,141,357	26,144,576	192,996,781	180,538,185	17,726,945	162,811,240
Machinery and Equipment	11,971,806	2,981,540	8,990,265	9,850,281	1,997,989	7,852,292
Transport	28,821,458	9,049,448	19,772,010	26,553,788	7,006,279	19,547,508
Furniture and Office Equipment	6,244,192	2,025,449	4,218,743	4,041,558	1,253,866	2,787,692
Leased Assets	2,445,134	1,858,386	586,747	2,445,134	906,060	1,539,073
Computer equipment	4,383,395	1,794,797	2,588,598	3,927,861	1,118,711	2,809,150
Buildings (Other)	28,899,770	3,471,794	25,427,976	28,561,638	2,272,940	26,288,698
Land (Other)	12,738,101	-	12,738,101	12,738,101	-	12,738,101
	<b>499,719,693</b>	<b>89,841,540</b>	<b>409,878,152</b>	<b>423,957,394</b>	<b>61,734,244</b>	<b>362,223,150</b>

Notes to the Financial statements

6b Property, plant and equipment

Reconciliation of property, plant and equipment - 30 June 2020

	Restated Opening balance	Capital expenditure on purchased assets	Capital expenditure on work in progress	Impairment of work in progress	Disposals / Write offs	Depreciation and impairments	Closing balance
	R	R	R	R	R	R	R
Infrastructure	125,849,396		29,773,630	-	-	(13,064,095)	142,558,931
Community Assets	162,811,240	513,164	36,990,569	-	-	(7,316,192)	192,996,781
Machinery and Equipment	7,852,292	2,121,525	-	-	-	(983,551)	8,990,265
Transport	19,547,508	5,105,086	-	-	(2,484,643)	(2,395,941)	19,772,010
Furniture and Office Equipment	2,787,692	2,245,593	-	-	(42,959)	(771,583)	4,218,743
Leased Assets	1,539,073	-	-	-	-	(952,326)	586,747
Computer equipment	2,809,150	455,534	-	-	-	(676,086)	2,588,598
Buildings (Other)	26,288,698	82,191	255,942	-	-	(1,198,854)	25,427,976
Land (Other)	12,738,101	-	-	-	-	-	12,738,101
	<b>362,223,150</b>	<b>10,523,092</b>	<b>67,020,141</b>	<b>-</b>	<b>(2,527,602)</b>	<b>(27,360,629)</b>	<b>409,878,152</b>

Analysis of work in progress - 30 June 2020

	Opening balance	Capital expenditure on work in progress	Transfer to completed assets	Impairment of work in progress	Closing balance
Included with in infrastructure assets		2,314,538	29,773,630	(28,134,660)	3,953,508
Included with in community assets		5,821,066	36,990,569	(24,123,497)	18,688,138
Included within buildings (Other) assets		-	255,942	-	255,942
		<b>8,135,603</b>	<b>67,020,141</b>	<b>(52,258,156)</b>	<b>22,897,588</b>

Repairs and maintenance expenditure on property, plant and equipment

	2020	2019
Infrastructure	2,015,104	2,201,763
Community Assets	1,120,363	3,727,884
Machinery and Equipment	42,789	113,213
Transport	791,501	1,122,912
Buildings (Other)	540,286	266,482
	<b>4,510,043</b>	<b>7,432,255</b>
Repairs and maintenance		
Amounts paid to service providers	4,487,533	7,432,255
Amounts spent on Materials	22,510	-
Time spent by employees	-	-
	<b>4,510,043</b>	<b>7,432,255</b>

Reconciliation of property, plant and equipment - 30 June 2019

	Opening balance	Capital expenditure on purchased assets	Capital expenditure on work in progress	Impairment of work in progress	Disposals / Write offs	Depreciation and impairments	Audited Closing balance	Correction of prior year error	Restated Closing balance
	R	R	R	R	R	R	R	R	R
Infrastructure	116,288,186	0	19882873.19	(139,133)	-	(10,336,436)	125,695,491	153,832	125,849,396
Community Assets	145,574,168	419,993	21,535,688	(174,253)	-	(6,319,765)	161,035,831	433,844	162,811,240
Machinery and Equipment	1,195,940	-	212,122	-	-	(66,771)	1,341,290	-	7,852,292
Transport	7,820,115	691,090	-	-	-	(658,912)	7,852,292	-	19,547,508
Furniture and Office Equipment	21,289,538	1,428,685	-	-	(39,436)	(3,131,279)	19,547,508	-	2,787,692
Leased Assets	1,546,812	1,669,375	-	-	-	(428,495)	2,787,692	-	1,539,073
Computer equipment	1,125,095	1,026,078	-	-	-	(612,099)	1,539,073	-	2,809,150
Buildings (Other)	1,249,405	1,995,362	-	-	-	(435,618)	2,809,150	-	26,288,698
Land (Other)	36,763,693	2,912,911	484,643	-	-	(1,134,545)	39,026,702	-	12,738,101
	<b>332,852,952</b>	<b>10,143,493</b>	<b>42,115,326</b>	<b>(313,385)</b>	<b>(39,436)</b>	<b>(23,123,920)</b>	<b>361,635,030</b>	<b>587,675</b>	<b>362,223,150</b>

Analysis of work in progress - 30 June 2019

	Opening balance	Capital expenditure on work in progress	Transfer to completed assets	Impairment	Closing balance
Included with in infrastructure Assets		12,494,177	19,882,873	(29,923,380)	2,314,538
Included with in community Assets		6,130,134	21,747,610	(21,982,626)	5,821,066
Included within buildings (Other) assets		102,298	484,643	(586,941)	255,942
		<b>18,726,609</b>	<b>42,115,326</b>	<b>(52,392,946)</b>	<b>8,135,603</b>

**Dr Nkosazana Dlamini Zuma Municipality**

Annual financial statements for the year ended 30 June 2020

**Notes to the Financial statements**

**7 Intangible assets**

	R	2020 R	R	R	Restated 2019 R	R
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Value
Computer software	328,613	(286,052)	42,562	227,031	(165,356)	61,675

**Reconciliation of intangible assets - 30 June 2020**

	Opening balance	Additions	Amortisation	Impairment loss	Carrying value
Computer software	61,675	101,582	(120,695)	-	42,562

**Reconciliation of intangible assets - 30 June 2019**

	Opening balance	Additions	Amortisation	Impairment loss	Carrying value
Computer software	65,626	54,566	(23,119)	(35,398)	61,675

**Restricted title:**

All computer software are issued under licence and are restricted to the condition under which each licence is issued.

**8 Value added tax payable**

Value added tax payable	606,914	-
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Vat represents net payable to the South African Revenue Services

**9 Finance lease obligation**

	2020 R	2019 R
Minimum lease payments due		
- Within one year	424,887	819,392
- In second to fifth year inclusive	177,036	875,055
	601,924	1,694,447
Less: Future finance charges	(61,478)	(476,263)
<b>Present value of minimum lease payments</b>	<b>540,446</b>	<b>1,218,184</b>
<b>Present value of minimum lease payments due:</b>		
- Within one year	369,734	677,739
- In second to fifth year inclusive	170,712	540,445
	<b>540,446</b>	<b>1,218,184</b>
Non-current liabilities	170,712	540,445
Current liabilities	369,734	677,739
	<b>540,446</b>	<b>1,218,184</b>

The average lease term is 3 years. The capitalised liabilities are in respect of office equipment leased by the municipality. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. Therefore, the average effective borrowing rate is 9%, which is subject to a 0% - 15% escalation per annum. The leases have fixed repayment terms. The agreements do not provide for contingent rental payments.

Notes to the Financial statements

	2020	Restated 2019			
	R	R			
<b>10 Payables from exchange transactions</b>					
Trade payables	10,967,617	23,180,996			
Retention creditors - contracts	9,887,195	8,386,811			
Staff leave accrual	4,736,511	3,967,957			
13th cheque provision	1,776,245	1,456,199			
Sundry payables	12,866,229	6,423,752			
	<u>40,233,798</u>	<u>43,415,715</u>			
<b>11 Unspent conditional grants</b>					
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Income recognised during the period a result of grant conditions being met	Balance as at 30 June 2020
Capacity Building	-	-	500,000	-	500,000
Municipal Infrastructure Grant	-	-	27,149,000	(27,149,000)	-
Bulwer Community Service Center( Thusong)	94,797	-	-	(94,797)	-
Anti-corruption Grant	171,343	-	-	-	171,343
Consolidation & migration of records	19,796	-	-	-19,796	-
Financial Management Grant	-	-	3,000,000	(3,000,000)	-
Disaster Management Grant	-	-	745,000	(745,000)	-
Expended Public Works Programme	-	-	2,381,000	(2,381,000)	-
Arts & culture - Library Grant	-	-	3,657,000	(3,657,000)	-
Department of Sport and Recreation Grant	27,907	-	-	(27,907)	-
Arts and Culture - Creighton Library	-	-	6,500,000	(4,090,950)	2,409,050
	<u>313,842</u>	<u>-</u>	<u>43,932,000</u>	<u>(41,165,449)</u>	<u>3,080,393</u>
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Reduction of grant as a result of grant conditions being met	Balance as at 30 June 2020
Integrated national electrical programme grant	4,231,500	-	8,000,000	(8,000,000)	-
Department of Human Settlements Grant	-	-	27,980,944	(26,588,386)	5,624,057
	<u>4,231,500</u>	<u>-</u>	<u>35,980,944</u>	<u>(34,588,386)</u>	<u>5,624,057</u>
	<u>4,545,342</u>	<u>-</u>	<u>79,912,944</u>	<u>(75,753,835)</u>	<u>8,704,450</u>
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Income recognised during the period a result of grant conditions being met	Balance as at 30 June 2019
Municipal Demarcation Transition Grant	7,040,390	(1,140,000)	-	(5,900,390)	-
GIS Grant	292,621	-	-	(292,621)	-
Work study exercise	244,500	-	-	(244,500)	-
Anti-corruption Grant	171,343	-	-	-	171,341
Consolidation & migration of records	19,796	-	-	-	19,796
Financial Management Grant	-	-	3,870,000	(3,870,000)	-
Municipal Infrastructure Grant	-	-	26,666,000	(26,666,000)	-
Expended Public Works Programme	-	-	1,596,000	(1,596,000)	-
Arts & culture - Library Grant	-	-	3,464,000	(3,464,000)	-
Department of Sport and Recreation Grant	-	-	50,000	(22,093)	27,907
Bulwer community service centre	-	-	500,000	(405,203)	94,797
	<u>7,768,650</u>	<u>(1,140,000)</u>	<u>36,146,000</u>	<u>(42,460,808)</u>	<u>313,840</u>
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Reduction of grant as a result of grant conditions being met	Balance as at 30 June 2019
Department of Human Settlements Grant	-	-	13,540,000	(13,540,000)	-
Integrated national electrical programme grant	5,185,121	-	16,616,621	(17,570,243)	4,231,500
	<u>5,185,121</u>	<u>-</u>	<u>30,156,621</u>	<u>(31,110,243)</u>	<u>4,231,500</u>
	<u>12,953,771</u>	<u>(1,140,000)</u>	<u>66,302,621</u>	<u>(73,571,050)</u>	<u>4,545,339</u>

Notes to the Financial statements

Name of Grant	Description of Grant	2020	Restated 2019
		R	R
<b>Anti-corruption Grant</b>	This grant is to fund anti-corruption activities. Unspent portion included in current liabilities.		
<b>Financial Management Grant</b>	This grant is used to finance sound financial management and to pay salaries for the interns. Unspent portion included in current liabilities.		
<b>Department of Sports and Recreation</b>	This grant is used to subsidise the cost of running sports fields. Unspent portion included in current liabilities.		
<b>Expanded Public Works Programme</b>	The grant is utilised for creating of job opportunities in environmental and cultural, infrastructure and the social eradication of poverty and capacity building and skills programmes. Unspent portion included in current liabilities.		
<b>KZN Department of Arts and Culture - Librarian subsidy</b>	This grant was used to subsidise the cost of running the library. Unspent portion included in current liabilities.		
<b>Municipal Infrastructure Grant</b>	This grant was used to subsidise the cost of building infrastructure. Conditions of the grant have been met. There was no delay or withholding of the grant.		
<b>Integrated national electrical programme grant</b>	The municipality receives funding from INEP to fund the electrification of the areas within the municipal demarcation on behalf of ESKOM.		
<b>Disaster Management Grant</b>	The grant is used to finance Covid 19 related expenses		
<b>Demarcation Transition Grant</b>	This grant to be used to finance the transition process on the amalgamation of Ingwe and KwaSani Municipalities to form the Dr Nkosazana Dlamini Zuma Municipality. Unspent portion included in current liabilities.		
<b>Capacity Grant</b>	This grant was received from KZN CoGTA for development and implementation of a building plan information system		
<b>GIS Grant</b>	This grant to be used to finance key obstacles to the successful implementation of Geographical Information System		
<b>Library service capital grant</b>	This grant to be used to finance the Creighton Library project		
<b>Department of Sport and Recreation Grant</b>	This grant to be used to finance the maintenance of sport facilities within the Dr Nkosazana Dlamini Zuma Municipality.		
<b>Arts and Culture Capital grant</b>	This grant is for construction of Creighton Community library.		
<b>Bulwer Community Service Centre</b>	This grant to be used to finance the construction of the Bulwer Community Services Centre		
<b>Department of Human Settlements grant</b>	This grant is to be used in the implementation of the Department of Housing projects.		
The municipality has complied with all grant conditions and all allocations were received by the municipality as gazetted.			

Notes to the Financial statements

		2020	Restated 2019																																																															
		R	R																																																															
<b>12 Provisions</b>																																																																		
	Opening balance post adjustments	Reductions	Reversals																																																															
		Contributions to provision	Closing balance																																																															
<b>12.1 Reconciliation Provision for landfill site rehabilitation - 30 June 2020</b>																																																																		
Environmental rehabilitation - landfill site	(8,805,803)	-	-																																																															
		(358,001)	(9,163,804)																																																															
<b>30 June 2019</b>																																																																		
Environmental rehabilitation - landfill site	(8,534,680)	-	-																																																															
		(271,123)	(8,805,803)																																																															
<p>The provision for rehabilitation of refuse disposal sites relates to the legal obligation to rehabilitate the disposal sites. The municipality operates two landfill sites, one at Creighton and the other at Bulwer. Both these landfill sites are relatively new each with a 10 year licence issued on the 15 of September 2015 and the 26 of October 2015 respectively. Taking into account the estimated landfill site capacity the average refuse disposal per month on each landfill site; in addition to the fact that each of them has their respective licences valid till the second-half of 2025. The provision made represents the present value of estimated future rehabilitation costs for these relatively new landfill sites.</p>																																																																		
<b>12.2 Long service awards obligation</b>																																																																		
Balance at the beginning of the period		2,226,000	2,489,000																																																															
Current service cost		277,000	266,000																																																															
Interest cost		232,000	214,000																																																															
Benefits paid		(229,000)	(226,344)																																																															
Actuarial gains and losses		16,000	(516,656)																																																															
		<b>2,522,000</b>	<b>2,226,000</b>																																																															
Current liabilities		165,000	148,649																																																															
Non current liabilities		2,357,000	2,077,352																																																															
		<b>2,522,000</b>	<b>2,226,000</b>																																																															
<p>The municipality offers certain employees leave awards that may be exchanged for cash on certain anniversaries of commencing service determined by the length of service.</p> <p>The most recent actuarial valuation of plan assets of long service awards and the present value of the defined benefit obligation were carried out at 30 June 2020 by a fellow of the Fellow of the Actuarial Society of South Africa . The present value of the defined benefit obligation , and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p> <p><b>The principal assumptions used for the purpose of actuarial valuations are as follows:</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Discount rate</td> <td style="width: 20%; text-align: right;">Yield Curve</td> <td style="width: 20%; text-align: right;">Yield Curve</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Difference</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">between</td> </tr> <tr> <td></td> <td style="text-align: right;">Difference between</td> <td style="text-align: right;">nominal and</td> </tr> <tr> <td></td> <td style="text-align: right;">nominal and real</td> <td style="text-align: right;">real yield</td> </tr> <tr> <td></td> <td style="text-align: right;">yield curves</td> <td style="text-align: right;">curves</td> </tr> <tr> <td>Consumer Price Index (CPI)</td> <td style="text-align: right;">5.90%</td> <td style="text-align: right;">5.47%</td> </tr> <tr> <td>Normal salary increase rate (CPI+1%)</td> <td></td> <td style="text-align: right;">Yield curve</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">based</td> </tr> <tr> <td>Net effective discount rate</td> <td style="text-align: right;">Yield curve based</td> <td></td> </tr> </table> <p><b>The amount recognised in the Statement of Financial Position is as follows:</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Present value of unfunded obligations</td> <td style="width: 20%; text-align: right;"><b>2,522,000</b></td> <td style="width: 20%; text-align: right;"><b>2,226,000</b></td> </tr> </table> <p><b>The amounts recognised in the Statement of Financial Performance are as follows:</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Current service cost</td> <td style="width: 20%; text-align: right;">277,000</td> <td style="width: 20%; text-align: right;">266,000</td> </tr> <tr> <td>Interest cost</td> <td style="text-align: right;">232,000</td> <td style="text-align: right;">214,000</td> </tr> <tr> <td>Benefits paid</td> <td style="text-align: right;">(229,000)</td> <td style="text-align: right;">(226,344)</td> </tr> <tr> <td>Actuarial gains / (losses)</td> <td style="text-align: right;">16,000</td> <td style="text-align: right;">(516,656)</td> </tr> <tr> <td><b>Amount included in other income - Actuarial gain on provision - Long service award</b></td> <td style="text-align: right;"><b>296,000</b></td> <td style="text-align: right;"><b>-263,000</b></td> </tr> </table> <p><b>Movements in the present value of the defined benefit obligation were as follows:</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Current service cost</td> <td style="width: 20%; text-align: right;">277,000</td> <td style="width: 20%; text-align: right;">266,000</td> </tr> <tr> <td>Interest cost</td> <td style="text-align: right;">232,000</td> <td style="text-align: right;">214,000</td> </tr> <tr> <td>Benefits paid</td> <td style="text-align: right;">(229,000)</td> <td style="text-align: right;">(226,344)</td> </tr> <tr> <td>Actuarial gains and losses</td> <td style="text-align: right;">16,000</td> <td style="text-align: right;">(516,656)</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>296,000</b></td> <td style="text-align: right;"><b>(263,000)</b></td> </tr> </table>				Discount rate	Yield Curve	Yield Curve			Difference			between		Difference between	nominal and		nominal and real	real yield		yield curves	curves	Consumer Price Index (CPI)	5.90%	5.47%	Normal salary increase rate (CPI+1%)		Yield curve			based	Net effective discount rate	Yield curve based		Present value of unfunded obligations	<b>2,522,000</b>	<b>2,226,000</b>	Current service cost	277,000	266,000	Interest cost	232,000	214,000	Benefits paid	(229,000)	(226,344)	Actuarial gains / (losses)	16,000	(516,656)	<b>Amount included in other income - Actuarial gain on provision - Long service award</b>	<b>296,000</b>	<b>-263,000</b>	Current service cost	277,000	266,000	Interest cost	232,000	214,000	Benefits paid	(229,000)	(226,344)	Actuarial gains and losses	16,000	(516,656)		<b>296,000</b>	<b>(263,000)</b>
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**Notes to the Financial statements**

	2020	Restated 2019
	R	R
<b>Movement in the present value of plan assets were as follows:</b>		
Benefits paid	(229,000)	(226,344)
	<u>(229,000)</u>	<u>(226,344)</u>
Present value of obligation	<u>2,522,000</u>	<u>2,226,000</u>
<b>12.3 Post retirement health care benefits obligations</b>		
<b>The history of experienced adjustments is as follows:</b>		
Balance at the beginning of the period / year	5,825,000	5,328,000
Current Service cost	310,000	580,000
Current interest cost	604,000	479,000
Medical contributions subsidies for continuation pensioners		(51,121)
Benefits Paid	(20,000)	-
Actuarial losses	(1,223,000)	(510,879)
	<u>5,496,000</u>	<u>5,825,000</u>
<p>The municipality provides certain post-retirement health care benefits liability by funding the medical aid contribution of qualifying retired members of the municipality . According to the rules of the Medical Aid Funds, with which the municipality is associated , a member (who is on the current Conditions of service ) is entitled to remain a continued member of such medical aid fund on retirement , in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operate an unfunded defined benefit plan for these qualifying employees.</p> <p>Sensitivity analysis, the following were taken into account when calculating the liability:                      - 20% increase/decrease in the assumed level of mortality                      - 1% increase/decrease in the medical aid inflation</p> <p>The most recent actuarial valuations of plan assets and present value of the unfunded defined benefit obligation were carried out at 30 June 2020 by a fellow of the Faculty of Actuaries and Fellow of Actuarial Society of South Africa. The present value of the defined benefit obligation , and the related current service costs and past service costs were measured using the Projected Unit Credit Method.</p>		
<b>The members of the post-employment benefit plan are made up as follows:</b>		
Pensioners	1	1
In-service members	<u>87</u>	<u>91</u>
<b>The liability in respect of past service has been estimated as follows:</b>		
In-service members	<u>5,496,000</u>	<u>5,825,000</u>
<p><b>The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</b>                      Key Health, Samwumed, Bonitas and LA Health.</p>		

Notes to the Financial statements

	2020	Restated 2019
	R	R
<b>12.3 Post retirement health care benefits obligations (cont.)</b>		
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount rate	Yield Curve	Yield Curve Difference between
Expected inflation	Difference between nominal and real yield curves	nominal and real yield curves
Health care cost inflation (CPI+1%)	6.97%	5.97%
Net discount rate	Relationship between discount rate and health care inflation rate	Relationship between discount rate and health care inflation rate
<b>The amount recognised in the statement of financial position is as follows:</b>		
Present value of unfunded obligations	<u>5,496,000</u>	<u>5,825,000</u>
<b>The amount recognised in the statement of financial performance is as follows:</b>		
Total included in employee related costs - Contribution to medical aid schemes, pension funds, UIF and SDL	<u>5,496,000</u>	<u>5,825,000</u>
<b>Movements in the present value of the defined benefit obligation were as follows:</b>		
Current service cost	310,000	580,000
Interest cost	604,000	479,000
Medical contributions subsidies for continuation pensioners	-	(51,121)
Actuarial gains and losses	<u>(1,223,000)</u>	<u>(510,879)</u>
<b>Amount included in employee related costs</b>	<b><u>(309,000)</u></b>	<b><u>497,000</u></b>
Current liabilities	75,000	44,575
Non current liabilities	<u>5,421,000</u>	<u>5,780,425</u>
	<b><u>5,496,000</u></b>	<b><u>5,825,000</u></b>
<b>13 Housing operating account</b>		
<b>Movement in the current period / year:</b>		
Opening balance	4,826,842	4,260,996
Transfer to Municipality	-	-
Add: Interest received and further advances	<u>401,397</u>	<u>565,847</u>
Closing balance	<b><u>5,228,240</u></b>	<b><u>4,826,842</u></b>
The Housing Operating Account is represented by cash and cash equivalents	<b><u>5,228,240</u></b>	<b><u>4,826,842</u></b>



Notes to the Financial statements

		2020 R	Restated 2019 R
<b>14 Revenue</b>			
Revenue comprises revenue from exchange and non-exchange transactions as follows:			
<b>14.1 Revenue from exchange transactions</b>			
Service charges	15	3,423,443	3,305,343
Licences and permits	16	492,897	578,385
Rental of facilities and equipment	17	836,031	829,030
Other income	18	376,244	2,056,370
Interest received	19	8,171,889	7,944,839
		<b>13,300,503</b>	<b>14,713,967</b>
<b>14.2 Revenue from non - exchange transactions</b>			
Property rates	21	33,001,175	31,042,487
Property rates - penalties imposed	21	4,864,327	3,231,621
Traffic fines	24	714,850	1,182,510
Assets donated	23	2,275,114	332,890
Pound Fees		105,017	39,258
Government grants and subsidies	22	167,034,449	153,622,807
		<b>207,994,934</b>	<b>189,451,573</b>
<b>15 Service charges</b>			
Service charges - Refuse removal		<b>3,423,443</b>	<b>3,305,343</b>
<b>16 Licences and permits</b>		<b>492,897</b>	<b>578,385</b>
The municipality receives 8.55% on amounts collected for vehicle registrations since this is the function of Department of Transport.			
<b>17 Rental of facilities and equipment</b>			
Market related		797,957	726,228
Non-Market related		38,074	102,801
		<b>836,031</b>	<b>829,030</b>
<b>18 Other income</b>			
Sale of Goods		193,525	482,206
Insurance Refunds & Commissions		56,224	1,173,126
Actuarial gain on provision - Long service award		-	263,000
Building Plan Approval		111,916	98,889
Skills Development Levy Refund		-	20,610
Photocopies and Faxes		13,153	17,914
Clearance Certificates		1,425	625
		<b>376,244</b>	<b>2,056,370</b>
<b>19 Interest received</b>			
Interest Received - Deposit held by Suppliers		22,018	-
Interest Received - Current Account		277,812	237,595
Interest Received - Investments		7,872,058	7,707,244
		<b>8,171,889</b>	<b>7,944,839</b>
<b>20 Gain on disposal of assets</b>			
Gains on disposal of assets		4,515,876	378,283
Un-used train coaches were disposed through an auction, the process started in 2018/2019 and finalised in 2019/2020.			
<b>21 Property rates</b>			
Residential		7,265,459	7,574,712
State Trust Land		-	-
Commercial		8,814,429	5,152,495
Agricultural		7,856,594	7,852,054
State owned		7,528,855	6,893,692
PSI		5,499	3,516
Tourism & hospitality		-	1,943,703
Other properties		-	-
Vacant		1,530,340	1,622,315
<b>Subtotal</b>		<b>33,001,175</b>	<b>31,042,487</b>
<b>Penalties</b>			
Property rates		4,750,750	3,047,109
Service charges		113,577	184,512
		<b>4,864,327</b>	<b>3,231,621</b>

Notes to the Financial statements

	2020 R	Restated 2019 R
<b>Valuations</b>		
Business and Commercial	291,312,000	295,337,000
Farms - Agriculture	3,178,697,000	3,147,760,000
Farms - Commercial	6,068,000	6,068,000
Farms - Other	10,267,000	10,267,000
Farms - Residential	12,056,000	11,384,000
Industrial	18,860,000	18,860,000
Municipal Properties	71,869,000	71,869,000
Protected Areas	359,000	359,000
PSI	6,603,000	6,603,000
Public Benefit Organisation	58,200,000	48,563,000
Residential	740,411,000	701,014,000
Smallholdings - Agriculture	31,337,000	32,315,000
Smallholdings - Other	1,056,000	1,056,000
Smallholdings - Residential	81,733,000	93,084,000
State Public Service Purpose	478,432,000	478,432,000
State Trust Land	256,128,000	256,128,000
Tourism & Hospitality Rural	336,234,000	375,549,000
Tourism & Hospitality Urban	-	42,165,000
Vacant Land	107,334,000	109,297,000
Worship	61,404,000	61,404,000
	<b>5,748,360,000</b>	<b>5,767,514,000</b>

Valuation of properties within the boundaries of the Municipal area are performed every five years. The current valuation came into effect on 1 July 2017. Interim valuations are carried out to take account of changes in individual property values due to subdivisions, property improvements etc. Rates are levied on an annual basis over 12 monthly. A reduction is granted in terms of the Municipal Property Rates Act on the first R15 000 of the market value of all residential properties (in addition to the first R15 000 exempt in terms of MPRA an additional amount of R 35 000 is granted to all developed residential properties). Public Service Infrastructure are permitted a 90% impermissible exemption. A 30% rebate is granted to all developed properties except for State owned properties/PSPs. An additional 5% rebate is granted to all developed properties outside townlands except for State owned properties/PSPs. Qualifying Pensioners receive a rebate between 50% to 100% depending on the Market Value of property and household income. Qualifying Owners of Properties Utilised Exclusively for Tourism and Hospitality Purposes are granted 73% rebate. 100% indigent rebates are offered to qualifying applicants who meets the qualifying requirements as stated in the Rates and Indigent policies. PBOs/NPOs who meets requirements as stated in the Rates Policy are granted 100 rebates.

Property Rates as previously reported

	2018/2019 AUDITED FIGURES R	CORRECTION OF ERROR R	2018/2019 RESTATED AMOUNT R
Residential	7,793,706	218,994.47	7,574,712
State Trust Land	0		0
Commercial	5,154,215	1,719.12	5,152,495
Agricultural	7,864,982	12,928.32	7,852,054
State owned	6,979,662	85,970.52	6,893,692
PSI	3,523	6.96	3,516
Tourism & hospitality	1,943,703		1,943,703
Other properties	0		0
Vacant	1,622,315		1,622,315
<b>TOTAL</b>	<b>31,362,107</b>	<b>319,619</b>	<b>31,042,487</b>

In 2017/2018 financial year Agriculture Small Holding Properties were incorrectly charged residential tariffs instead of agricultural tariffs, the error increased property rates by R 218 994.47.

	2018/2019 AUDITED FIGURES	CORRECTION OF ERROR	2018/2019 RESTATED AMOUNT
<b>Valuations as previously reported</b>			
Business and Commercial	295,787,000	450,000	295,337,000
Farms - Agriculture	3,152,876,000	5,116,000	3,147,760,000
Farms - Commercial	6,068,000		6,068,000
Farms - Other	10,267,000		10,267,000
Farms - Residential	11,384,000		11,384,000
Industrial	18,860,000		18,860,000
Municipal Properties	71,869,000		71,869,000
Protected Areas	359,000		359,000
PSI	6,616,000	13,000	6,603,000
Public Benefit Organisation	48,563,000		48,563,000
Residential	701,014,000		701,014,000
Smallholdings - Agriculture	32,315,000		32,315,000
Smallholdings - Other	1,056,000		1,056,000
Smallholdings - Residential	93,084,000		93,084,000
State Public Service Purpose	485,211,000	6,779,000	478,432,000
State Trust Land	256,128,000		256,128,000
Tourism & Hospitality Rural	375,549,000		375,549,000
Tourism & Hospitality Urban	42,165,000		42,165,000
Vacant Land	109,297,000		109,297,000
Worship	61,404,000		61,404,000
	<b>5,779,872,000</b>	<b>12,358,000</b>	<b>5,767,514,000</b>

**Notes to the Financial statements**

	<b>2020</b>	<b>Restated</b>
	<b>R</b>	<b>2019</b>
		<b>R</b>
<p>The 2018/2019 Audited Valuations incorrectly included properties that were transferred from the municipality to neighbouring municipalities as a result of redetermination of municipal boundaries with effect from the 10 August 2016. The error resulted to an increase in Market Values by R 12 358 000 and of 2018/2019 rates by R100 624.92 and by R 95 216.40 in 2017/2018.</p>		
<b>22 Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	125,869,000	111,162,000
Financial management grant	3,000,000	3,870,000
Demarcation transition grant	-	5,900,390
Community library services grant	3,657,000	3,464,000
Expanded public works programmes	2,381,000	1,596,000
Disaster Management Grant	745,000	-
Consolidation & migration of records	19,796	-
GIS	-	292,621
Exercise work study	-	244,500
Department of Sport and Recreation Grant	27,907	22,093
Bulwer community service centre ( Thusong)	94,797	405,203
	<b>135,794,498</b>	<b>126,956,807</b>
<b>Capital grants</b>		
Arts and Culture - Creighton Library	4,090,950	-
Municipal infrastructure grant	27,149,000	26,666,000
	<b>31,239,950</b>	<b>26,666,000</b>
	<b>167,034,449</b>	<b>153,622,807</b>
<p>Grants reconciliation is on note number 11.</p>		
<b>23 Assets donated</b>		
Assets donated	<b>2,275,114</b>	<b>332,890</b>
<p>Assets donated relates to assets donated by COGTA through District Municipality in support of Operation Khawuleza initiated by MEC for COGTA in 2019/2020 and by department of KZN Department of Arts &amp; Culture in 2018/2019.</p>		
<b>24 Traffic fines</b>		
Traffic fines	<b>714,850</b>	<b>1,182,510</b>

Notes to the Financial statements

	2020 R	Restated 2019 R
<b>25 Employee related costs</b>		
Salaries and wages	44,807,631	39,206,495
Bonus paid and bonus provision	4,054,051	2,615,797
Contribution to UIF, SDL, Bargaining Council	882,157	820,946
Contribution to medical aid schemes	2,265,740	2,779,169
Contribution to pension funds	5,553,889	4,555,091
Leave pay and provision charge	1,357,679	929,253
Travel and car allowances	358,313	363,975
Overtime payments	813,286	1,253,541
Housing benefits and other employee related costs	173,660	166,267
	<b>60,266,406</b>	<b>52,690,534</b>
<b>Remuneration of the Municipal Manager</b>		
Annual remuneration	917,433	866,787
Performance Bonus	113,349	
Travel, housing and other allowances	180,000	180,000
Contribution to medical aid, pension fund and UIF	182,134	197,928
	<b>1,392,915</b>	<b>1,244,715</b>
<b>Remuneration of the Chief Financial Officer</b>		
Annual remuneration	925,943	769,817
Performance Bonus	93,065	136,128
Travel, housing and other allowances	103,506	103,506
Contribution to medical aid, pension fund and UIF	36,472	34,326
	<b>1,158,986</b>	<b>1,043,778</b>
<b>Remuneration of the Public Works and Basic Services Manager</b>		
Annual remuneration	872,117	278,721
Travel, housing and other allowances	39,073	-
Contribution to medical aid, pension fund and UIF	-	-
	<b>911,190</b>	<b>278,721</b>
<b>Remuneration of the Community Servicer Manager</b>		
Annual remuneration	868,246	69,680
Travel, housing and other allowances	39,073	-
Contribution to medical aid, pension fund and UIF	3,871	-
	<b>911,190</b>	<b>69,680</b>
<b>Remuneration of the Corporate Services Manager</b>		
Annual remuneration	939,921	785,219
Performance Bonus	93,065	132,558
Travel, housing and other allowances	126,000	126,000
Contribution to medical aid, pension fund and UIF	-	-
	<b>1,158,986</b>	<b>1,043,778</b>

Notes to the Financial statements

	2020 R	Restated 2019 R
<b>26 Remuneration of Councillors</b>		
<b>Mayor</b>		
Annual remuneration	752,172	719,782
Travel, housing and other allowances	44,400	44,400
Contribution to medical aid, pension fund and UIF	108,687	108,352
	<b>905,259</b>	<b>872,534</b>
<b>Deputy Mayor</b>		
Annual remuneration	601,738	575,826
Travel, housing and other allowances	44,400	44,400
Contribution to medical aid, pension fund and UIF	86,950	86,682
	<b>733,088</b>	<b>706,908</b>
<b>Speaker</b>		
Annual remuneration	601,738	575,826
Travel, housing and other allowances	44,400	44,400
Contribution to medical aid, pension fund and UIF	86,950	86,682
	<b>733,088</b>	<b>706,908</b>
<b>Councillors</b>		
Annual remuneration	6,244,213	6,075,156
Travel, housing and other allowances	2,152,999	1,996,473
Contribution to medical aid, pension fund and UIF	828,935	842,493
	<b>9,226,147</b>	<b>8,914,121</b>
<b>Total remuneration of councillors</b>	<b>11,597,582</b>	<b>11,200,471</b>
In-kind benefits:		
The Mayor, Deputy Mayor, Speaker and two Exco members are full-time. The Mayor, Deputy Mayor, and Speaker are provided with an office and secretarial support at the cost of the municipality. Councillors were paid within the Upper Limits envisaged in section 219 of the constitution and Government Gazette 43246 dated 24 April 2020. The Mayor and Speaker are provided with municipal vehicles at the cost to the council.		
<b>27 Depreciation and amortisation</b>		
Property, plant and equipment - Depreciation	27,207,478	22,448,647
Property, plant and equipment - Impairment	153,269	992,117
Intangible assets - Amortisation	120,695	58,516
	<b>27,481,442</b>	<b>23,499,280</b>
<b>28 Finance costs</b>		
Interest paid on finance leases	169,527	91,535
Interest paid on expenses	7,863	15,418
	<b>177,390</b>	<b>106,954</b>
<b>29 Debt impairment</b>		
Bad debt - Contribution to the impairment	21,953	5,003,136
Bad debt - Written off	9,310,966	3,600,402
	<b>9,332,920</b>	<b>8,603,538</b>
Bad debt written off relates to discounts issued to debtors who took advantage of settlement discounts issued by the municipality in 2019/2020.		

Notes to the Financial statements

	2020 R	Restated 2019 R
<b>30 Transfers and Subsidies</b>		
Electrifications Costs The municipality is an agent and Eskom is the principal on the electrification projects within the municipality.	13,610,828	1,460,976
<b>31 Operational costs</b>		
Accounting and Auditing	1,285,905	1,020,892
Achievements and Awards	68,896	249,976
Administrative and Support Staff	519,848	541,671
Advertising, Publicity and Marketing	737,762	1,012,776
Animal Care	1,573	14,507
Artists and Performers	69,500	48,000
Audit Committee	322,234	297,898
Bank Charges	171,174	167,325
Bargaining Council	674,011	617,265
Bursaries	1,144,700	684,337
Business and Advisory	118,270	2,081,008
Catering Services	669,076	2,198,787
Cleaning Services	323,113	308,144
Commissions and Committees	58,427	8,398
Communication	7,140	6,923
Consultants and Professional Services	1,080,837	1,177,874
Consumables	566,030	581,663
Contractors/Repairs and maintenance	4,510,043	7,432,255
Courier and Delivery Services	289,209	284,112
Deeds	8,591	12,695
Drivers Licences and Permits	3,995	6,762
External Audit Fees	1,847,099	1,745,039
Fire Services	1,373,520	1,404,518
Gardening Services	297,530	10,500
Geoinformatics Services	-	590,940
Hire Charges	583,269	1,308,045
Indigent Relief	1,576,278	1,839,322
Insurance Underwriting	1,836,999	2,012,298
Land - Rental	107,508	446,376
Legal Advice and Litigation	236,672	158,446
Materials and Supplies	1,667,565	149,606
Motor Vehicle Licence and Registration	212,975	258,444
Municipal Services	2,015,349	2,017,028
Occupational Health and Safety	886,263	450,921
Parking Fees	8,657	15,227
Printing and Publications	1,297,188	2,200,293
Professional Bodies and Membership	14,411	23,591
Refuse Removal	871,671	1,166,145
Registration Fees	6,500	331,581
Remuneration to Ward Committees	812,600	720,500
Security Services	8,001,556	6,392,170
Signage	31,317	54,487
Specialised Computer Service	602,485	2,407,037
Telephone, Fax, Telegraph	1,989,569	2,067,931
Transportation	917,719	1,520,370
Travel and Subsistence	2,410,114	4,311,521
Uniform and Protective Clothing	1,287,939	674,309
Property valuation fees	203,280	198,714
Wet Fuel	3,453,232	3,510,364
	<b>47,179,599</b>	<b>56,738,989</b>

The above expenditure includes COVID 19 relating expenditure amounting to R 1 187 212 for the following:

**Description**

Sanitizers	345,517	-
Provision of Water to NDZ Villages without water	423,700	-
Screening of officials and community members entering municipal premises	236,000	-
General disinfectants	3,218	-
Visor face shields, masks and gloves	67,087	-
Thermometers	82,490	-
Cover Suits None - disposable	29,200	-
<b>TOTAL</b>	<b>1,187,212</b>	<b>-</b>

Notes to the Financial statements

	2020 R	Restated 2019 R
<b>32 Cash generated from operations before interest</b>		
Surplus for the period / year	56,276,147	50,243,083
<b>Adjustment for:</b>		
Depreciation and amortisation	27,598,711.43	23,499,280
Finance costs	177,389.62	106,954
Movement in provisions	33,000	(234,000)
Interest received	(8,171,889)	(7,944,839)
Gain on disposal of assets	(4,515,876)	(378,283)
Debt impairment provision	9,332,920	8,603,538
Assets donated by Arts and Culture	(2,275,114)	(332,890)
Other non cash items	77,462	511,442
<b>Operating surplus before working capital changes</b>	<b>78,532,751</b>	<b>74,074,285</b>
<b>Working capital changes</b>		
movement in receivables	(7,701,832)	3,509,226
Decrease in Value Added Tax receivable	1,065,913	1,892,206
(Increase)/decrease in payables from exchange transactions	(3,181,918)	19,668,680
movement in unspent conditional grants and receipts	(4,159,111)	8,408,431
<b>Cash generated from operations before interest</b>	<b>64,555,803</b>	<b>107,552,827</b>
<b>33 Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted</b>		
- Infrastructure assets	2,449,478	9,965,987
- Community assets	8,590,370	6,108,472
-Other assets	205,667	
-Furniture and office equipment	55,998	
-Transportation	3,791,874	
-Machinery and Equipment	214,549	
	<b>15,307,936</b>	<b>16,074,459</b>
<b>Operating commitments</b>		
Operating expenditure	30,437,211	6,877,353
	<b>30,437,211</b>	<b>6,877,353</b>
<b>Total commitments</b>	<b>45,745,147</b>	<b>22,951,812</b>
<b>This expenditure will be financed from:</b>		
Government grants	7,511,664	4,929,838
Internal funds	38,233,483	18,021,974
	<b>45,745,147</b>	<b>22,951,812</b>
<b>34 Unauthorised expenditure</b>		
Opening balance	15,433,335	15,433,335
Unauthorised expenditure - current period	-	-
Unauthorised expenditure - written off by council	(6,361,574)	-
Closing balance	<u>9,071,761</u>	<u>15,433,335</u>
<b>35 Fruitless and wasteful expenditure</b>		
Opening balance	3,787,534	3,458,730
Fruitless and wasteful expenditure - current period	7,863	328,804
Fruitless and wasteful expenditure - written off by council	-	-
Closing balance	<u>3,795,397</u>	<u>3,787,534</u>

Current year fruitless and wasteful expenditure is for interest charged on outstanding accounts for Eskom and Telkom. The municipality has requested the suppliers to email all statements in order to avoid penalties, some of the accounts are emailed while others are posted. The closing balance is under investigation.

**Notes to the Financial statements**

	2020 R	Restated 2019 R
<b>36 Irregular expenditure</b>		
Opening balance	49,992,643	29,847,384
Irregular expenditure - current period (emanating from prior year(s))	5,750,349	-
Irregular expenditure - current period	39,929,344	20,145,259
Irregular expenditure - written off by council	<u>(55,742,993)</u>	<u>-</u>
Closing balance	<u><b>39,929,344</b></u>	<u><b>49,992,643</b></u>
Refer to detailed analysis of current year irregular expenditure below:		
SCM policy 17(1) - Obtained less than three quotations	283,789	432,500
SCM policy 29(2) - BAC not properly constituted	9,818,477	3,326,123
Awarded non-tax compliant suppliers	17,924,993	
Uneconomic procurement	6,029,563	
Preferential Procurement policy Framework 2(1)(f) - award not made to tenderer with highest points	-	878,367
Preferential Procurement Regulations 8(5) - Threshold for local production not met	11,504,872	15,508,269
Service of the state	118,000	
	<b>45,679,694</b>	<b>20,145,259</b>
<b>37 SCM Deviations</b>		
<b>Details of Section 36 deviations</b>		
Reported to council	8,013,180	2,582,053
	<b>8,013,180</b>	<b>2,582,053</b>
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 the said deviations to the next meeting of Council and includes a note to the Annual financial statements. All deviations are reported to Council on a quarterly basis with a detailed schedule and reasons thereto.		
<b>38 Awards to close family members of persons in the service of the state</b>		
The municipality made an award of R 349 830 to close family member of the following official employed by the state:		
1. Prisilla Zanele Maseko, EPWP Program Manager for Department of Social Development. The award was made to Isibuko Development Framework for the Review of Spatial Development Framework.		
<b>39 Additional disclosure in terms of the Municipal Finance Management Act</b>		
<b>39.1 Contributions to organised local government</b>		
Current period / year subscription	<b>674,011</b>	<b>636,984</b>
<b>39.2 Audit fees</b>		
Current period	1,847,099	1,745,039
Amount paid in the current period	(1,847,099)	(1,745,039)
	-	-
<b>39.3 PAYE, UIF and SDL</b>		
Opening balance	-	-
Current period amount	9,665,700	8,196,409
Amount paid in the current period	(9,665,700)	(8,196,409)
Balance unpaid included in creditors	-	-
<b>39.4 Pension and medical aid deductions</b>		
Opening balance	-	-
Payroll deductions	9,260,384	7,334,260
Amount paid in the current period	(9,260,384)	(7,334,260)
Balance unpaid included in creditors	-	-
<b>39.5 VAT</b>		
Vat receivable/(Payable)	<b>(606,914)</b>	<b>458,999</b>
The net of VAT input payables and VAT output receivables are shown in note 8. All VAT returns have been submitted by the due date throughout the period.		
<b>39.6 Councillors' arrear consumer accounts</b>		
For the financial year ended 30 June 2020, there were no rates or services arrears owed by any councillor for a period more than 90 days.		



**Dr Nkosazana Dlamini Zuma Municipality**

Annual financial statements for the year ended 30 June 2020

**Notes to the Financial statements****40 Risk Management****40.1 Financial management risk**

The municipality's activities expose it to a variety of financial risks: cash flow 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 Directorate : Budget and Treasury Office monitors and manages the financial risks related to operations through internal policies and procedures . These risks include interest rate risks , credit risks and liquidity. Compliance with policies and procedures is reviewed continuously by the internal auditors and interim by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal auditors responsible for initiating a control framework and monitoring and responding to potential risks , reports to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit.

**40.2 Liquidity risk**

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

The table below analyses the municipality's financial liabilities at the date of statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months and beyond 12 months equal their carrying balances as the impact of discounting is not significant.

<b>Maturity profile - 30 June 2020</b>	Less than 1	Over 1 Year	Over 5	<b>Total</b>
	Year	and not more than 5 Years	Years	
	R	R	R	R
Finance lease obligations	369,734	170,712	-	540,445
Trade payables	40,233,798	-	-	40,233,798
<b>Total</b>	<b>40,603,532</b>	<b>170,712</b>	-	<b>40,774,243</b>

  

<b>Maturity profile - 30 June 2019</b>	Less than 1	Over 1 Year	Over 5	<b>Total</b>
	Year	and not more than 5 Years	Years	
	R	R	R	R
Finance lease obligations	677,739	540,445	-	1,218,184
Trade payables	43,415,715	-	-	43,415,715
<b>Total</b>	<b>44,093,454</b>	<b>540,445</b>	-	<b>44,633,899</b>

Notes to the Financial statements

	2020	2019		
	R	R		
<b>40 Risk Management (cont.)</b>				
<b>40.3 Credit risk</b>				
Credit risk consists mainly of cash deposits, cash equivalents, and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter- party.				
Receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis taking into account nature of debtor, past experience and other factors.				
Financial assets exposed to credit risk at year end were as follows:				
<b>Financial instruments</b>				
Receivables from non-exchange transactions	31,648,336	24,729,608		
Receivables from exchange transactions	2,931,163	2,148,058		
Bank, and cash equivalents	124,203,182	121,685,386		
	<b>158,782,681</b>	<b>148,563,052</b>		
<b>40.4 Interest rate risk</b>				
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.				
The municipality's interest rate risk arises from short term investments. Investments are made at variable rates and are exposed to cash flow interest rate risk.				
At the end of the accounting period / year end, financial instruments exposed to interest rate risk were Call Deposits and Notice Deposits.				
<b>41 Related parties</b>				
<b>41.1 Relationships</b>				
<b>Compensation to the Accounting Officer, other Key Management and to Councillors:</b>				
Accounting Officer and other key management	5,533,269	3,680,671		
Councillors	11,597,582	11,200,471		
	<b>17,130,850</b>	<b>14,881,142</b>		
<b>41.2 Personal Details</b>				
	<b>Annual remuneration</b>	<b>Travel, housing, Performance bonus and other allowances</b>	<b>Contribution to medical aid, pension fund and UIF</b>	<b>Outstanding balances - Receivables/(Payables)</b>
	R	R	R	R
<b>Key Management</b>				
NC Vezi - Municipal Manager	917,433	293,349	182,134	-
KMB Mzimela - Chief Financial Officer	925,943	196,571	36,472	125
SV Mngadi - Public Works and Basic Services Manager	872,117	39,073	-	-
Z Mlata - Community Servicer Manager	868,246	39,073	3,871	-
SJ Sondezi - Corporate Services Manager	939,921	219,065	-	-
<b>Councillors</b>				
BC MNCWABE - Councillor	305,477	44,400	44,141	-
BK ZONDI - Councillor	238,034	44,400	34,395	-
D ADAMS - Councillor - Exco Member	273,031	131,562	-	(1,185)
DR NGCAMU - Councillor	238,034	44,400	34,395	-
KA HADEBE - Councillor - Exco Member	428,271	200,638	61,137	-
L MNCWABE - Councillor	180,709	110,325	25,796	-
MB BANDA - Speaker	601,738	44,400	86,950	-
MQWAMBI - Councillor	180,709	110,325	25,796	-
MT ZIKODE - Councillor	231,909	129,003	33,105	-
MV PHOSWA - Councillor	238,034	44,400	34,395	-
NC MBANJWA - Councillor	238,034	44,400	34,395	-
NG DLAMINI - Councillor	180,709	110,325	25,796	-
NM DLAMINI - Councillor	180,709	110,325	25,796	-
PN MNCWABE - Mayor	752,172	44,400	108,687	351
PP SHANGE - Deputy Mayor	601,738	44,400	86,950	-
Q DLAMINI - Councillor	238,034	44,400	34,395	-
SJ PHAKATHI - Councillor	180,709	110,325	25,796	-
SK JACA - Councillor	206,505	110,325	-	-
ST DLAMINI - Councillor	238,034	44,400	34,395	-
ST SHABANE - Councillor	238,034	44,400	34,395	-
SV ZULU - Councillor	238,034	44,400	34,395	-
T NDLOVU - Councillor	180,709	110,325	25,796	-
VAT MTHEMBU - Councillor	228,164	55,751	32,915	-
WM KHUMALO - Councillor	238,034	44,400	34,395	-
WN KHESWA - Councillor	180,709	110,325	25,796	-
WN MAGOSO - Councillor	238,034	44,400	34,395	-
ZA MTOLO - Councillor	180,709	110,325	25,796	-
ZP GCUME - Councillor	180,709	110,325	25,796	-
ZP MKHIZE - Councillor - Exco Member	564,130	44,400	81,515	-

**Notes to the Financial statements**

	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
<b>42 Contingencies</b>		
<b>Contingent asset</b>		
A contingent asset exists representing a possible recovery of Municipal funds frequently disbursed from the Municipality's bank account by a former employee of the institution.		
<b>Contingent Liability</b>		
There are no outstanding litigation claims as at the end of the year to be reported under this item.		

Notes to the Financial statements

	2019	2018	
	R	R	
<b>43 Events after the reporting date</b>			
No events identified after reporting date			
<b>44 Prior period errors</b>			
During the year the following errors were identified in the prior year financial statements:			
<b>Intangible Assets</b>			
During the 2020 financial year it was discovered that in 2019 the audited amount for "Cost" was net off of the impairment ( R35 398.20) for the year instead of including "impairment" for the year on accumulated impairment. There was no effect on the on the carrying amount.			
<b>Operational Costs</b>			
During the 2020 financial period the municipality's management realised that in June 2019 advertising expenses were allocated under administrative expenses and bursaries expenses were allocated under advertising due to a classification error. There were no effects on the total operating costs. The effect of the error on the individual line items in the financial statements is as follows. The prior period was adjusted retrospectively			
	<b>Administrative and Support Staff</b>	<b>Advertising, Publicity and Marketing</b>	<b>Bursaries</b>
	R	R	R
<b>Transactions as previously stated</b>	1,453,454.00	431,702.00	353,628.00
Increase of advertising and bursaries expenses		911,783.00	330,709.00
Decrease of Admin and advertising expenses	(911,783)	-330,709.00	
<b>Transactions as restated</b>	<b>541,671.00</b>	<b>1,012,776.00</b>	<b>684,337.00</b>
<b>Receivables</b>			
<b>Receivables from non exchange transactions previously reported</b>			23,001,964
It was discovered that the provision for bad debt methodology was not complaint with the GRAP 104			2,142,480
During the inspection of the billing and valuation roll, it was discovered that properties re-demarcated out of municipal boundaries were mistakenly billed in the prior year. There is no effect on the current and future periods			(414,836)
			-
<b>Receivables from non exchange transactions previously reported</b>			<b>24,729,608</b>
<b>Receivables from exchange transactions previously reported</b>			2,352,131
It was discovered that the provision for bad debt methodology was not complaint with the GRAP 104			(204,072)
<b>Receivables from exchange transactions previously reported</b>			<b>2,148,059</b>
<b>Property, plant and equipment</b>			
<b>Property, plant and equipment carrying amount</b>			361,657,951
Trade creditor invoices not raised as accruals in the prior financial year for construction projects completed and capitalised in the 2018/2019 were received in the current year. The affected classes are Infrastructure			361,635,029
The introduction of the new mSCOA chart 6.3 lead to the reclassification of libraries buildings to community assets. The reclassification has a nil impact on the carrying amount of property plant and equipment.			565,200
			22,922
Other assets has been reclassified as buildings and land, in line with GRAP 17.42			-
<b>Property, plant and equipment carrying amount as restated</b>			<b>362,223,150</b>
			<b>361,657,951</b>
The effects of the above mentioned errors on the financial results are as follows:			
<b>Statement of Financial Performance for period ended 30 June</b>			
Increase in depreciation and amortisation		3,464	6,678
Decrease debt impairment		1,938,408	-
Decrease on property rates		(414,836)	-
		<b>1,527,036</b>	<b>6,678</b>
<b>Statement of Financial Position</b>			
Receivables from non-exchange transactions		1,727,644	-
Receivables from exchange transactions		(204,072)	-
Increase in property plant and equipment		568,664	29600
		<b>2,092,235</b>	<b>29,600</b>
<b>Receivables from non-exchange transactions</b>			
During the inspection of the billing and valuation roll, it was discovered that properties re-demarcated out of municipal boundaries were mistakenly billed in the prior year. There is no effect on the current and future periods			
<b>Payables from exchange transactions</b>			
Payables from exchange transactions previously stated		42,817,451	-
Correction of error		598,264	-
<b>Payables from exchange transactions as restated</b>		<b>43,415,715</b>	-
<b>Receivables from non-exchange transactions</b>			
Receivables as previously stated		23,001,964	-
Correction of error		(414,836)	-
<b>Receivables as stated</b>		<b>22,587,128</b>	-

<b>Property Rates</b>		
<i>Property Rates as previously stated</i>	31,362,107	28,750,658
Correction of error	(319,619)	(95,216)
<b>Property Rates as restated</b>	<b>31,042,488</b>	<b>28,655,442</b>
<b>Depreciation and amortisation</b>		
<i>Depreciation and amortisation previously stated</i>	23,437,300	22,171,697
Correction of error	3,464	6,678
<b>Restated depreciation and amortisation</b>	<b>23,440,764</b>	<b>22,178,375</b>
<b>Accumulated Surplus</b>		
<i>Accumulated Surplus as previously stated</i>	459,230,563	410,932,649
2017/2018 error	(101,894)	(101,894)
2018/2019 error	1,615,323	
<b>Accumulated Surplus as restated</b>	<b>460,743,992</b>	<b>410,830,755</b>
<b>Statement of Changes in Net Assets</b>		
Decrease in property rates	(319,619)	(95,216)
Increase in depreciation and amortisation	(3,464)	(6,678)
	<b>(323,083)</b>	<b>(101,894)</b>
<b>Long service awards obligation &amp; Post retirement health care benefits</b>		
Long Service Awards obligation and Post retirement health care benefits provisions were disclosed under non-current liabilities only. In the current year the disclosure has been improved to show the current portion and non-current portion separately on the face of financial statement.		
<b>Long service awards obligation</b>		
<b>Current Liabilities</b>		
Current liabilities as previously stated	-	-
Correction of error	148,649	-
<b>Current liabilities as restated</b>	<b>148,649</b>	<b>-</b>
<b>Non-Current Liabilities</b>		
Non-Current Liabilities as previously stated	2,226,000	-
Correction of error	(148,649)	-
<b>Non-Current Liabilities as restated</b>	<b>2,077,351</b>	<b>-</b>
<b>Post retirement health care benefits</b>		
<b>Current Liabilities</b>		
Current liabilities as previously stated	-	-
Correction of error	44,575	-
<b>Current liabilities as restated</b>	<b>44,575</b>	<b>-</b>
<b>Non-Current Liabilities</b>		
Non-Current Liabilities as previously stated	5,825,000	-
Correction of error	(44,575)	-
<b>Non-Current Liabilities as restated</b>	<b>5,780,425</b>	<b>-</b>
<b>Statement of Financial Position for period ended 30 June 2019</b>		
Increase in Current Liabilities - Long service awards obligation	(148,649)	-
Decrease in Non-Current Liabilities - Long service awards obligation	148,649	-
Increase in Current Liabilities - Post retirement health care benefits	(44,575)	-
Decrease in Non-Current Liabilities - Post retirement health care benefits	44,575	-
<b>Unauthorised, Irregular, fruitless and wasteful expenditure</b>		
During the 2020 financial period the municipality's management discovered that the Unauthorised expenditure of R 6 018 053 and Irregular expenditure of R36 907 643 of pre-election municipalities were already investigated and written off by respective Councils. During the 2019/20 audit it was also discovered that the opening balance for irregular expenditure included VAT and has been removed. The effect of the error on the balances in the notes of the financial statements is outlined below and there is no effect on the current and future periods.		
<b>Unauthorised, Irregular, fruitless and wasteful expenditure</b>		
Irregular expenditure as previously stated	70,428,623	-
Correction of error	(36,907,643)	-
<b>Restated Irregular expenditure including VAT</b>	<b>33,520,980</b>	<b>-</b>
VAT	3,673,596	-
<b>Restated Irregular expenditure excluding VAT</b>	<b>29,847,384</b>	<b>-</b>
<b>Irregular expenditure - current period</b>		
Irregular expenditure - current period as per previously stated	9,300,590	-
Correction of error	10,844,668	-
<b>Restated irregular expenditure - current period</b>	<b>20,145,259</b>	<b>-</b>
During 2019/2020 audit it was discovered that the irregular expenditure incurred 2018/2019 included only the items affected by local content on awards/invoices instead of the whole amount of the award. The error has been corrected and resulted in the increase of irregular expenditure by R 10 844 668 as disclosed in the above note.		
<b>Unauthorised expenditure</b>		
Unauthorised expenditure as previously stated	21,451,388	-
Correction of error	(6,018,053)	-
<b>Unauthorised expenditure as restated</b>	<b>15,433,335</b>	<b>-</b>