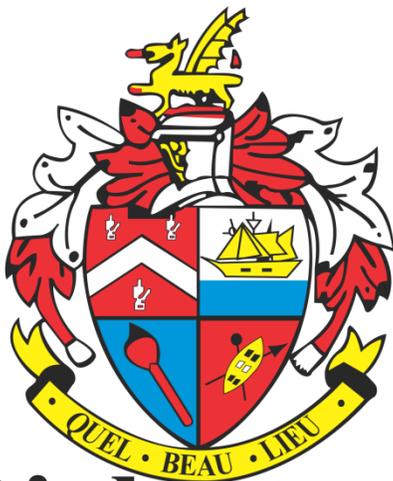


Richmond Municipality

2017/18

ANNUAL REPORT



Richmond
Local Municipality

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CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD



HER WORSHIP THE DEPUTY MAYOR – CLLR. K. MKHIZE

It is quite disturbing that in 2018 we witnessed a lot of municipal strikes and community protests. The strikes and community unrest taught the municipality a lesson that it is better to always engage with all stakeholders timeously to reach a common goal. The Council and municipal staff must always put the needs of our community first which is solely service delivery for basic needs in the form of mainly water, electricity, roads and all social amenities to mention a few. Different spheres of government are responsible for different functions and the LM has to source such for the communities as they are at the forefront of society.

The disturbance on the municipality led to the Municipal Manager requesting council for special leave and finally the council summarily dismissed the Municipal Manager and COGTA had to intervene by seconding an acting Municipal Manager to do the following:

- Assist in Budget adjustment and approval thereof by council
- Review of the Integrated Development Plan (IDP) planned targets
- Line up the IDP, Service Delivery and Budget Implementation Plan, Budget and performance plans

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- The filling of Senior Managers` posts (56/57)
- To bring back stability to the municipality
- To finalize the process of Auditor General for an audit report

The year 2017/2018 was plagued with many disturbances which resulted in many flawed processes caused in some instances by the changing administrative leadership which on its own had contracts that were expiring. This resulted into AG as well not being able to do the audit on time but had to finish at the end of January 2019.

This year (2019) is the year of a **THUMA MINA** program by the President of the country. Leaders in various spheres of government are expected to visit the communities to deliver what is required and requested by the communities. This would prevent the service delivery protests as seen in 2017/2018.

The Municipal public accounts committee(MPAC) played oversight but could not do so in normal way because of problems in the municipality and this important function ended up having no oversight role played in accordance with rules. The oversight was on financial matters and all other projects within council but the instability under the then Municipal Manager made it difficult for MPAC to sit religiously as planned. This resulted into some gabs on the oversight and monitoring process by the MPAC.

We wish his worship the Mayor Cllr Sibusiso Mchunu a speedy recovery.

Our dreams are to make Richmond a better place where all would want to come and stay in peace. It is possible if we all work towards unity and focus on service delivery for the communities and the country as a whole.

RICHMOND WILL ALWAYS BE A BEAUTIFUL PLACE AS WE STRIVE TO GROW IN PEACE AND HARMONY WITH EACH ANOTHER!

Councillor Khonziwe Mkhize

DEPUTY MAYOR

2017/18

COMPONENT B: EXECUTIVE SUMMARY



Acting Municipal Manager Mr SD Mkhize

ACTING MUNICIPAL MANAGER'S OVERVIEW

As the acting municipal manager I started in Richmond on the 4th of December 2018. This emanated from a call by COGTA to go and assist the municipality after the departure of the municipal manager through council. I arrived at the time when the process of the annual reports, the assessment by Auditor General was still on for the year 2017/2018. It was a delayed process for reason as sighted by the Mayor above. I will only be in a position to highlight some projects which are stemming out of the 2017/2018 financial year

One of the projects that has been a thorn in council meeting has been the electrification project which is also part of the AG report as requiring attention. It is now back on track after stalling for some time. Ward 5 has had more than 190 households electrified stemming out of the 2017/2018 financial year. The project had stalled for a year and 3 months and had caused lot of community unhappiness.

The Smozomeni road project is back underway after a long spell of non-activity due to some technical glitches experiences in the municipality. Funds are available to continue with project and a contractor is on site dealing with phase 3 of the project.

The Memorial Hall is set for renovation after long period of destruction by fire as per the specifications of AMAFA Heritage. This project is also a long outstanding project

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which for various reasons could not be done. A contractor will soon be starting with the renovations of the building as per AMAFA specifications.

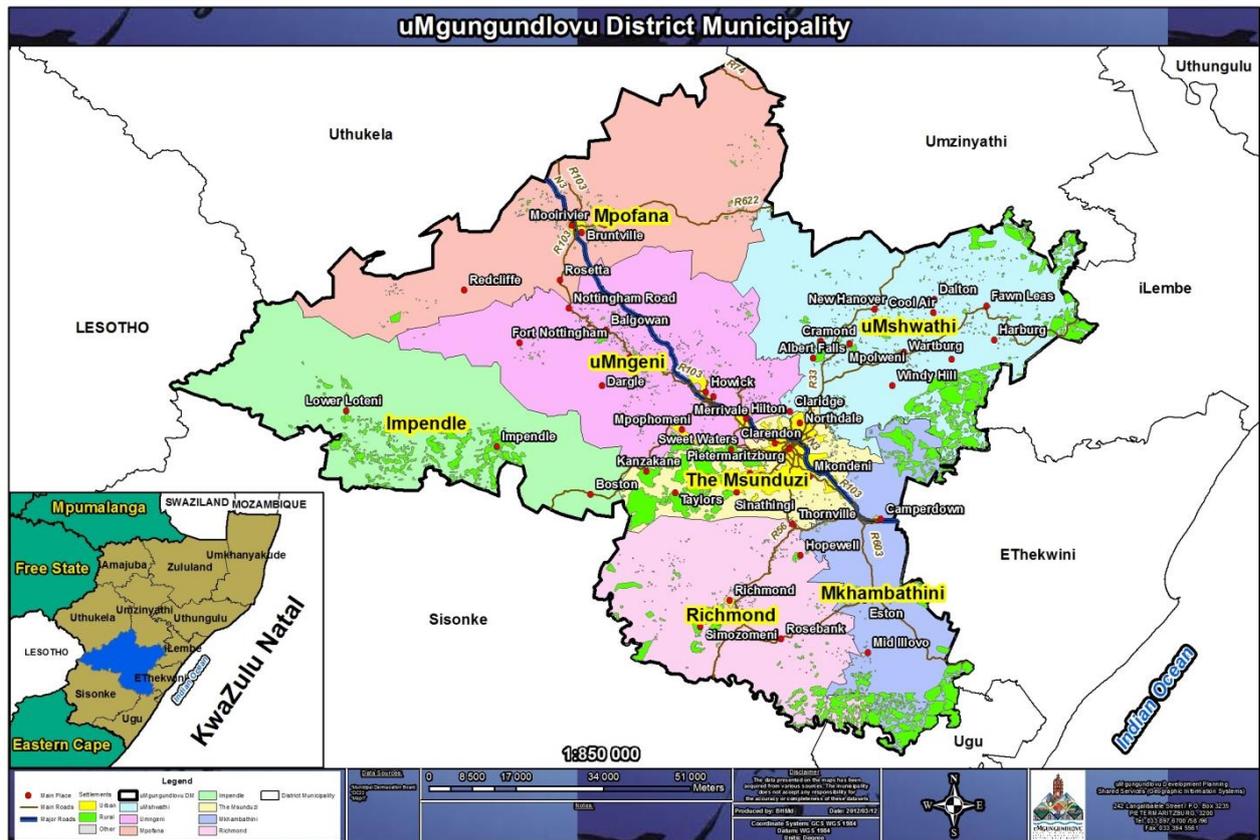
The Agricultural Hall which also is a 2017/2018 financial year project is set for renovation during this financial and steps are underway to finalize process through council structures. It is expected that the project be started in the latter part of March 2019.

The Municipality has a credible IDP as approved by COGTA on our submission in 2017/2018 financial year. A slight challenge depicted by AG was that the SDBIP is not talking to planned targets in the IDP hence affecting the budget and performance of the Municipality. This is in a process of being corrected as the IDP is a 5-year plan document. The plan was to do a strategic Plan during the months of January 2019 to align the IDP with the SDBIP for the next six months.

The financial status of the municipality seems to be not in good standing based on the internal audit report as well as the AG draft report at this current stage. The Municipality is in process to rectify all the anomalies identified and this will be finalized in focused strategic plan in January 2019.

Municipal Manager
Mr S D Mkhize

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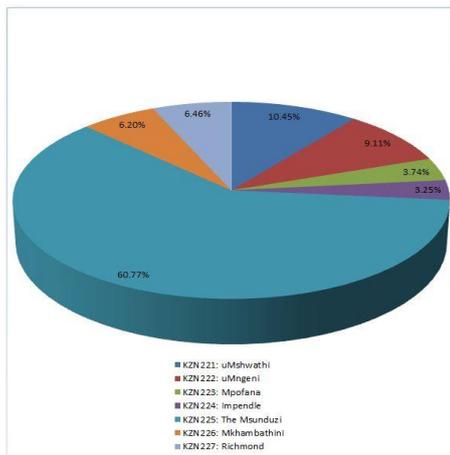


The majority of the population resides in areas which are predominantly rural and which are characterized by low levels of basic services and facilities and substantial unemployment. The village of Richmond – Ward 1 – is the only urban centre which is recognized as the main economic node due to the services provided and nature of activities which exist in association with the legal services, primary health care, pension pay point, education and welfare office and similar state services. Land uses within this area are typically urban mixed uses with high levels of limited infrastructural and services development and an adequate provision of social facilities and services to support the resident populations.

Richmond is located on the southern part of the UMgungundlovu District Municipality (DC22) and is approximately 38 kilometres south of Pietermaritzburg which is the capital of the KwaZulu-Natal Province.

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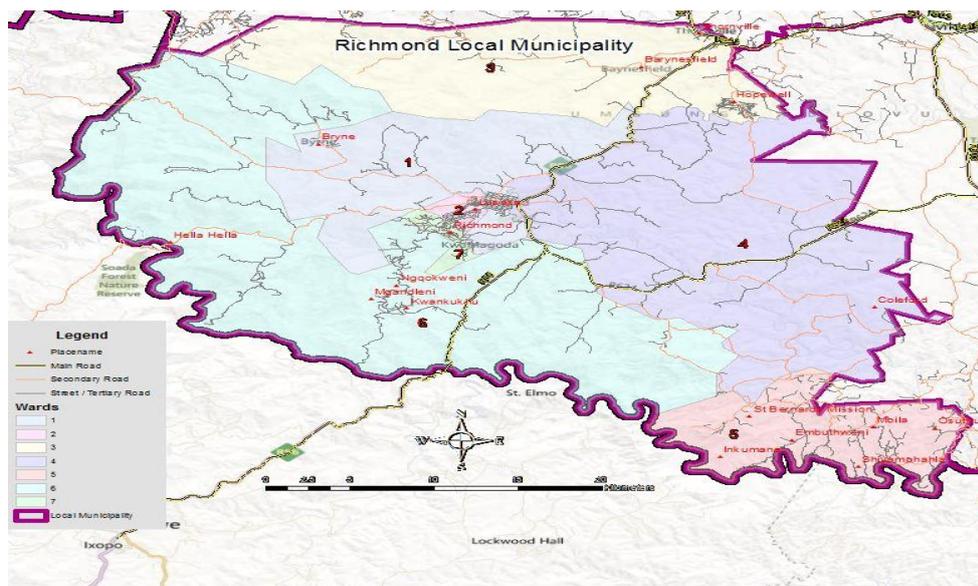
Figure 1. District Population



Source: (Census 2011)

The figure above indicates that Msunduzi is the most populated local municipality

Map 1. Richmond Municipality by Ward



Source :uMgungundlovu GIS

A large portion of the municipal area is used for agricultural activities, which is also the largest employer of the municipal population. In this way agriculture is the backbone of the Municipality's economy. This suggests that preservation of high quality agricultural land is very important and development should therefore be responsive to the need of preservation.

Richmond's location can be disadvantageous in that the booming economy of the Capital City which has resulted in an exit of skilled and learned persons as well as the relocation of Industry from Richmond to other areas and coupled with various other factors. Richmond has seen an increase in unemployment, an increase in

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poverty and a decrease in investment. Added to this is the unmistakable absence of municipal resources needed to meet the demand of the ever increasing need for service delivery to the poor, excluded and vulnerable.

In order to achieve success from its advantageous and to counteract its disadvantageous characteristics, Richmond must focus on its strengths and on the opportunities provided in terms of National and Provincial Government in terms of their development goals, apex priorities – reference is, amongst other programs and projects made to the Medium Term Strategic Framework (MTSF), Provincial Growth and Development Strategy (PGDS), Accelerated and Shared Growth Initiative of South Africa (ASGISA), Joint Initiative on Priority Skills Acquisition (JIPSA), National Spatial Development Framework (NSDF) & Provincial Spatial Economic Development Framework (PSEDF), National Framework for Local Economic Development (NFLED), etc.

The Municipality must also continually strive towards a positive change of mindset and gear towards marketing the constructive attributes in terms of spatial assets (industrial nodes, location in terms of identified corridor development, proximity to N3 and R56), agriculture and agro processing, nature based tourism, specialized manufacturing and farming.

Key Challenges

The main challenges faced by the Richmond Municipality in this Integrated Development Plan co-ordination relate to economic, infrastructure, socio-economic, spatial and housing issues as well as issues relative to socio facilities and services and sustainable infrastructure.

Richmond Municipality undertook a Strategic Planning Session from the in September 2017 . The session was facilitated by the municipal manager, managers, Municipal Executive Committee, and Councillors. A swot analysis approach analyzing the 6 key Performance Areas was utilized to have an understanding of internal and external challenges affecting the municipality. The table below indicates the key challenges identified as per key performance area.

Table1. Municipal key challenges

Key	Challenges
-----	------------

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Performance Area	
Cross Cutting Interventions	<ul style="list-style-type: none"> • Spatial inequalities • Lack of communication between Ingonyama Trust Board and the Municipality • Lack of community awareness on Land use matters • Land legal matters (Illegal developments).
Municipal Transformation and Organizational Development	<ul style="list-style-type: none"> • No financial resources to fill all vacant posts • Effective Human Resource Management and Development. • Implementation of staff Performance Management • Ensure safety and security of municipal buildings and environment. • Effective and reliable Information Communication Technology Environment.
Local Economic Development and Social Development	<ul style="list-style-type: none"> • Lack of promotion on tourism • Robust regulation of the business environment. • Robust regulation of community buildings and developments. • Implementation of the Agri-Park programme (Rural Development & Land Reform) • Preservation of heritage and enhancement of the Tourism sector. • Lack of capacity to effectively carry out LED • Enhance rural development through Agriculture. • Creation of jobs through LED and various other municipal programs (LED Strategy Implementation). • Implementation of Poverty Alleviation programs.
Municipal financial Viability and management	<ul style="list-style-type: none"> • Lack of asset management • Grant dependent for infrastructure • Poor Revenue Enhancement and management. • Effective and compliant Supply Chain Management. • Compliant Financial Management and credible financial reporting.
Service Delivery and	<ul style="list-style-type: none"> • Robust reduction of backlogs in electricity, roads and public facilities • Provision, preservation and maintenance of municipal facilities • Social cohesion and nation building (social ills).

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<p>Infrastructure Investment</p>	<ul style="list-style-type: none"> • Environmental protection through effective waste management programs (Reduce, Reuse and Recycle). • Facilitate robust provision of economic infrastructure • Compliant property development (private and business buildings) in terms of the NBR • Housing backlogs • Implementation of literacy improvement programs • Containment and reduction of HIV/AIDS prevalence.
<p>Good Governance and Public Participation</p>	<ul style="list-style-type: none"> • Effective and compliant Municipal Governance • Lack of review and implementation of municipal policies • Implementation of a comprehensive anti-Fraud and corruption programme • Organizational Performance Management and Reporting • Harness Public participation and communication • Compliance with mSCOA • Legislative compliance • Combat Land Invasions • Mainstreaming of Special Programs and increase participation of designated groups

WHAT IS OUR LONG TERM VISION?

In strategic planning session held in 2016 Richmond municipality adopted a vision in order to align with the national and provincial plans. The Municipal long-term vision is:

VISION

Richmond Municipality will be a competitive friendly and safe environment to work, do business and live in, offering a better life and access to quality service delivery to its employees, people and stakeholders by 2021

What are we going to do to unlock and address our Key Challenges?

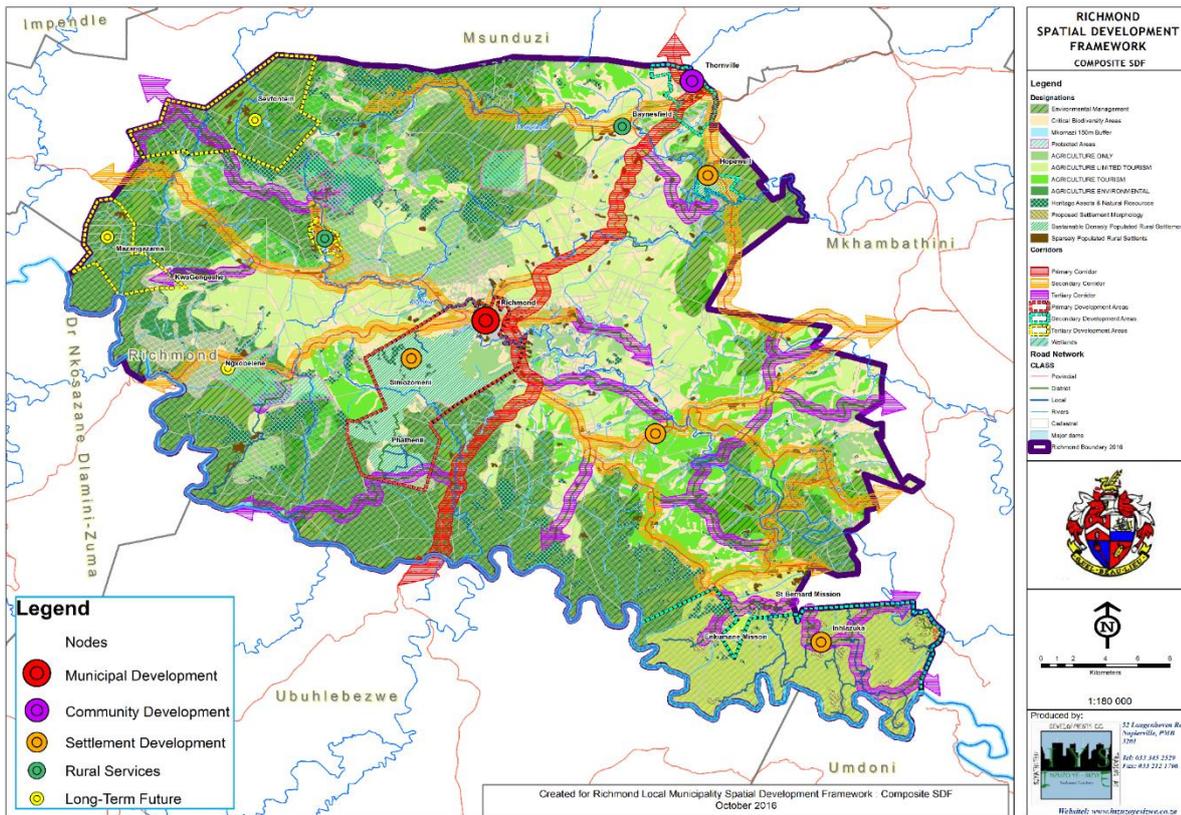
The Richmond Municipality seeks to improve the lives of its residents by developing strategic plans (Strategies) to address the challenges faced and to maximize output

on the opportunities to create positive spin offs. The strategies will be developed in line with the National Development Plan (NDP), National Government MTSF and Provincial PGDS objectives. The following strategic local economic development thrusts and development initiatives must be taken into consideration in development of the strategies:

- Promoting development and investment that contributes to the regeneration of the economic hub as well as the development of the identified precinct (Thornville area)
- Provide for sufficient, affordable, reliable infrastructure services as well as the creation of an environment for the successful provision of basic services
- Introducing incentives that attract development initiatives as well as the successful introduction of the Municipal Property Rates Act coupled with appropriate and applicable rebates
- Developing a skills database of the Municipality and procurement procedures in accordance with EPWP and AsgiSa principles
- Establishing and promoting SMME's and establishing co-operatives to maximize economic opportunities in the agricultural sector (timber and cane)
- Ensuring the regular maintenance and upgrade of existing infrastructure
- Promoting cultural community and integrated tourism development

The map below indicates a product of Spatial Development Framework which is a core component of the IDP. The map below also indicates the strategic areas for improvement.

Map 2. Richmond SDF



WHAT TO EXPECT FROM US, IN TERMS OF OUTPUTS, OUTCOMES AND DELIVERABLES, OVER THE NEXT FIVE YEARS

The municipal council has developed a set of twenty objectives across the six municipal goals that are also linked to the six Key Performance Areas and will form the basis of the work done in this term of office. In order to address our development challenges and deliver on our objectives, the municipality has developed a Capital and Operational Investment Plan to be delivered in the course of the next five years. The realisation of this plan rest on the effective pursuit of our financial objectives of increasing and enhancing revenue collection.

HOW WILL OUR PROGRESS BE MEASURED?

A Performance Management Policy has been adopted by council and incorporates an Organisational Score Card and is being implemented across all levels of human

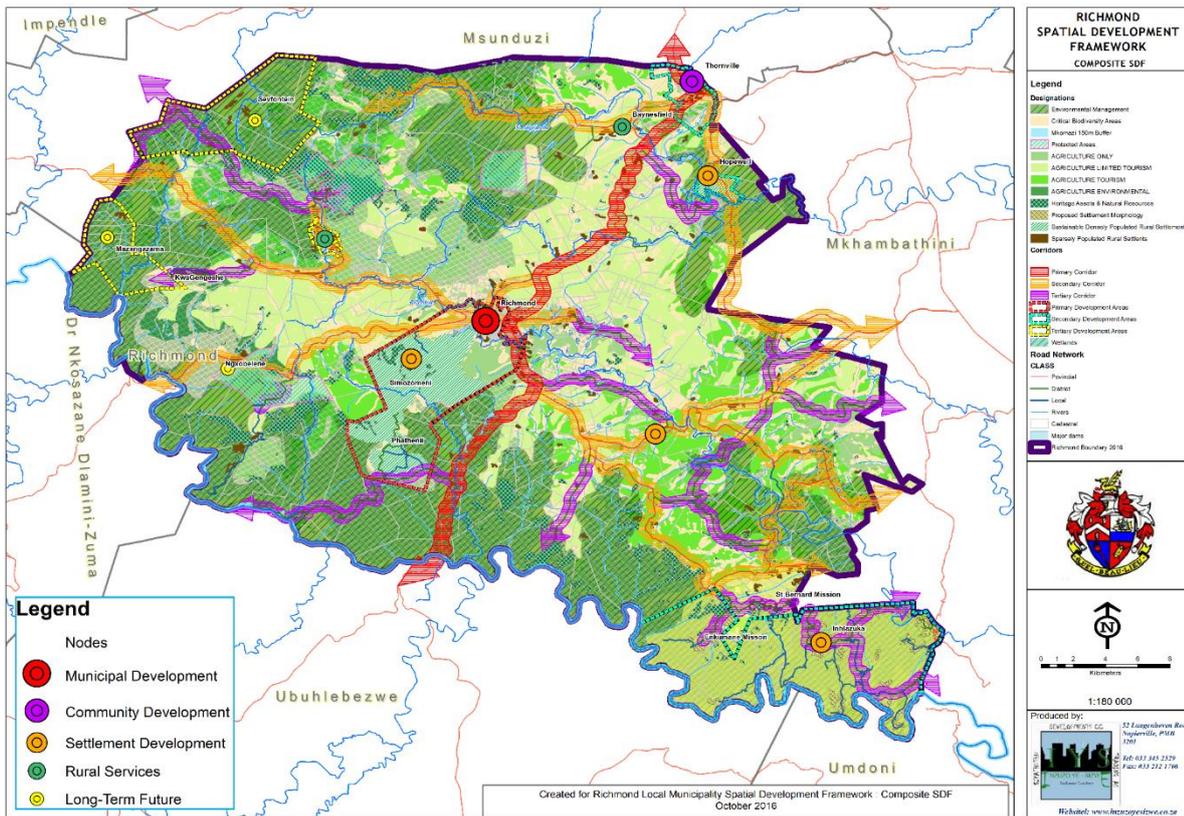
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capital for the municipality. Performance Contracts and Agreements for Section 57 employees, Work Plans for all other employees as well as a Performance Plan/Scorecard in terms of a Service Delivery and Budget Implementation Plan (SDBIP) are signed.

The Organisational Scorecard is in place and the following accomplishments can be recorded:

- A developed SDBIP catering for the inclusion of activities and deliverables with associated milestones and as close as possible realistic targets
- The formulation, extension and review of Municipal Policies and Procedures
- Municipal Bylaws have been reviewed, translated and promulgated in the Provincial Government Gazette.

Map 3. Richmond SDF



PERFORMANCE MANAGEMENT

A Performance Management Policy has been adopted by council and incorporates an Organizational Score Card and is being implemented across all levels of human capital for the municipality. Performance Contracts and Agreements for Section 57 employees, Work Plans for all other employees as well as a Performance Plan/Scorecard in terms of a Service Delivery and Budget Implementation Plan (SDBIP) are signed.

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RICHMOND IDP: PROCESS PLAN

The document represents the Integrated Development Plan Processes for coordinating the 2017/2018 to 2021/22 IDP and also informs the 2017/2018 budget processes as prepared by the Richmond Municipality (KwaZulu-Natal) after following the processes as contained in its adopted Integrated Development Plan Process Plan for 2017/18 to 2021/22. In developing the Integrated Development Plan 2017/18 to 2021/22, the Richmond Municipality was obliged to take cognizance of and was responsive to the various pieces of legislation, its Environment, Sector Department Plans, the State of the Nation Address, State of the Province Address, Development Goals as contained in various programs and strategies of National and Provincial Government, the needs of the community, the current Socio and Economic trends

The Richmond Municipality – in coordinating its Integrated Development Plan – has also taken cognizance of the fact that a truly successful Integrated Development Plan is a plan which is owned by its citizens who hold some responsibility for the information, programs and projects as contained in the Integrated Development Plan document and further that the Integrated Development Plan, although reviewed annually needs to be implemented daily with long term development strategies and goals always remaining in the fore to ensure that constant growth is enhanced and

strengthened thereby continually ensuring a social and economically viable and sustainable municipality.

The Richmond Municipality council adopted the final IDP process plan for the financial year 2017/18 to 2021/22 on October 2017. Section 34 of the Municipal Systems Act (Act 32 of 2000) requires a municipality to review its Integrated Development Plan annually, taking into account the following: Comments received from the MEC for Co-operative Government and Traditional Affairs (CoGTA), and the Multi-sectoral Provincial IDP Forum. New Provincial IDP Guidelines released in 23 December 2017 by CoGTA Issues identified through self-assessment. Integration of new information, including changes in priorities, key issues and development patterns. Integration of sectoral plans. This process plan is a guide for the compilation of the Integrated Development Plan (IDP), it involves workshops, forum meetings and public participation meetings.

National policies and imperatives provide a framework within which development should take place. Richmond municipality acknowledges these and strive toward the effective implementation thereof.

NATIONAL DEVELOPMENT PLAN

The National Development Plan (NDP) introduces the long-term vision for the future development of South Africa. As such, the National Planning Commission (NPC) has formulated a National Development Plan (NDP) - 'vision 2030' as a strategic plan to guide development at a national level over the short to medium term. The plan is based on a detailed diagnosis of issues facing the country and strategic engagement with all key sectors. It identifies unemployment, poverty and inequality as some of the key challenges facing South Africa, and outlines a number of strategic interventions to address these issues. Among these are the following:

- Economic development and job creation.
- Improving infrastructure.
- Transitioning to a low carbon economy.
- Building an inclusive and integrated rural economy.
- Reversing the spatial effects of apartheid.
- Improving education, innovation and training.
- Quality health care for all.
- Social protection

- Reforming the public service
- Fighting corruption
- Transforming society and uniting the country
- Positioning South Africa to seize opportunities of globalization.

The 5 national priorities include Job creation (Decent work and Economic growth); Education; Health; Rural development, food security and land reform; Fighting crime and corruption; Nation-Building and Good Governance. Richmond strives to attain these priorities within a local context. Female managers have been appointed to address employment equity. The EPWP Program is eradicating poverty and providing youth with employment in the municipality.

MILLENNIUM DEVELOPMENT GOALS

South Africa as a country is committed to the Millennium development agenda and the Millennium Declaration of 2000. There are eight MDG's and all are embraced in all spheres of government and are reflected in Key Priorities Areas.

- Eradication of extreme poverty and hunger.
- Promote primary education.
- Promote gender equality and empower women.
- Reduce child mortality
- Improve maternal health.
- Combat HIV/AIDS, malaria and other diseases.
- Ensure environmental sustainability.
- Develop a global partnership for development.

THE 14 NATIONAL OUTCOMES

Government introduced the outcome based approach and adopted 14 outcome areas. The objective is to improve service delivery across all spheres of government and to introduce a systematic planning, monitoring and evaluation process.

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Table 6. the 14 outcomes and how they are applied in Richmond Municipality

Outcome	How the outcome is addressed or applied by Richmond Municipality
1. Improve the quality of education	municipal employees are going under training and skills development (e.g. MFMA training)
2. Improve health and life expectancy	Residents in the rural settlements have requested clinics during IDP community engagement and the municipality will liaise with the department of health, so that primary health care can be easily assessable to all Richmond municipality residents
3. All people in South Africa are protected and feel free	Community police Forums have been established in some areas
4. Decent employment through inclusive economic growth	The LED department offers support to small business and cooperatives, Expanded Public Works programme is implemented
5. A skilled and capable workforce to support inclusive growth	The Ndaleni Skills Development centre that opened in February 2018 will provide increase in enrolment of Further Education and Training (FET) colleges and provide training to the students. More skills will be developed through Funding to further studies
6. An efficient, competitive and responsive economic infrastructure network	The Municipality with assistance of Eskom will provide electrification and the UMDM will provide assistance with water and sanitation
7. Vibrant, equitable and sustainable rural communities and food security	The municipality will improve access to basic services to rural settlements and Department of Rural Development and Land Reform will redistribute land through land

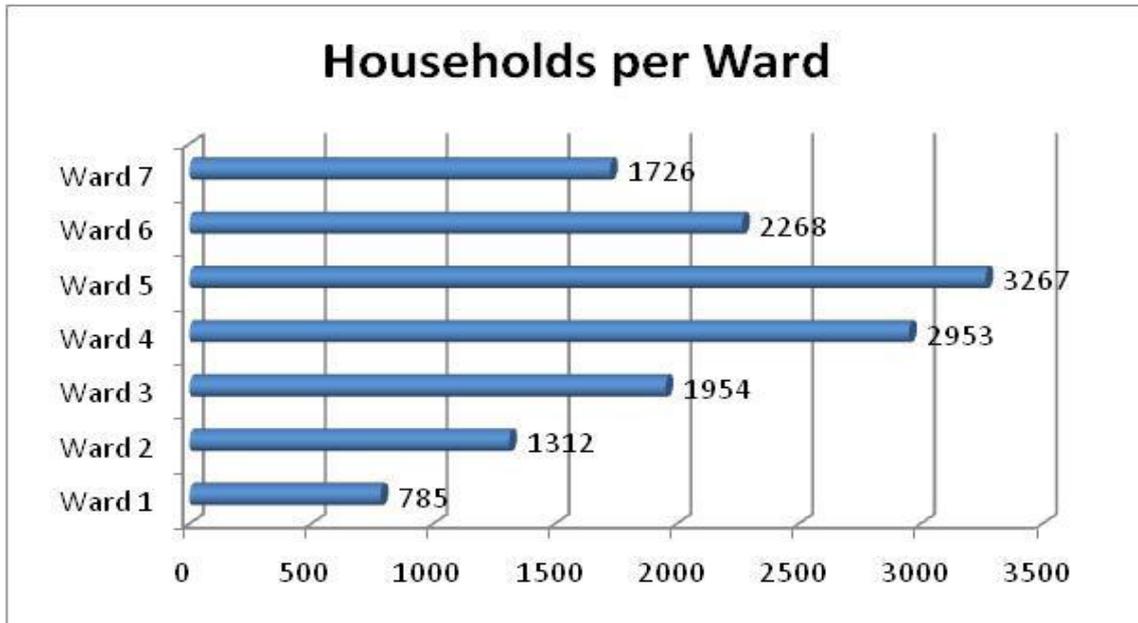
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	restitution claims
8. sustainable human settlements & improved quality of household life	Housing projects have been initiated such as Siyathuthukha Phase 2 , St Bernard housing Project(all projects are included in the IDP
9. A responsive, accountable, effective and efficient local government system	Cutting down on fruitless expenditure, improved financial reporting and budgeting
10. Protection and enhancement of environmental assets and natural resources	Streets are cleaned in town, there is provision of skip bins and waste removal in some areas once a week, illegal dumping is discouraged.
11. A better South Africa, a better and safer Africa and world	Agriculture produce from the municipality area is distributed to other places and this enhance trade and investment between South Africa and partners
12. A development orientated public service and inclusive citizenship	The municipal department of community services has initiated a number of programs that promote culture and diversity(e.g. participation in SALGA games)
13. An inclusive and responsive social protection system	The municipal department of community services has initiated a number of programs that promote social development
14. Nation building and social cohesion	Disability sports games are initiated as part of the mayoral 100 day programme

Outcome nine specifically relates to local government and calls for **“Responsive, accountable, effective and efficient local government system”**. Richmond Local Municipality has to respond to the outputs set out in Outcome 9 and deal with issues facing the municipal area and providing efficient and effective services to its

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communities. The municipality is committed to implement the respective outputs through focusing on improved service delivery, economic, environmental and social development.



Household populations in Richmond Municipality are dominated by blacks (90.8%), followed by whites (5.3 %) as presented in the following table.

Ethnic Group	Number of Households	Percentage
Black Households Totals	12952	91%
Coloureds Households Total	293	2%
Asian Households Total	264	2%
White Households Total	756	5%
Total Households	14265	100%

Source: Quantec Easy Data 2010

Household sizes in Richmond Municipality vary from 2 to 6 members, with Indian and black households leading with 6 and 4 members per household respectively as presented in the following table:

Household Size

Population Groups	Household Size/Population Group
Black Household Size	4,4
Coloured Household Size	3,1
Asian Household Size	6,2
White Household Size	2,1

Source: Quantec Easy Data 2010

It should be noted that every household should have access to proper sanitation facilities and that the bucket system needs to be totally eradicated. Richmond Municipality is part of Project Consolidate, and if indeed the bucket system still exists, the State President has issued an order to have this system eradicated as soon as possible.

REFUSE REMOVAL

The Richmond Town area is the only place where solid waste removal services are available. The service is not available to households in the semi-urban and rural areas. Communities rely on traditional methods of disposing of their litter which include digging a pit for dumping purposes. Others dispose of waste in the open without any formal pattern. Disposal of waste in the open can have serious negative impacts on the environment and human health. An awareness programme is required to develop proper refuse removal mechanisms. This includes educating members of the public about environmental management and sustainable means to deal with household waste. The following table shows the types of refuse removal used in the Richmond Municipality.

Access to Various Types of Refuse Removal

Description of Refuse Removals	No of Households	Percentage %
Unspecified / other	259	1,80%
Removed by local authority at least once a week	1582	11,10%
Removed by local authority less often	129	0,90%
Communal refuse dump	425	3,00%
Own refuse dump	11051	77,50%
No rubbish disposal	817	5,70%
Total	14263	100%

Source: Quantec Easy Data 2010

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The following table presents the types of refuse removal by population groups in the Richmond Municipality.

Access to Refuse Removal by Population Groups

Types of Refuse Removals	Blacks	Coloureds	Asians	Whites
Unspecified / other	1,90%	0,20%	0,10%	1,50%
Removed by local authority at least once a week	7,70%	72,80%	84,40%	20,10%
Removed by local authority less often	0,60%	0,00%	1,00%	7,20%
Communal refuse dump	2,70%	6,40%	6,60%	5,80%
Own refuse dump	81,10%	20,60%	7,40%	59,70%
No rubbish disposal	6,00%	0,00%	0,50%	5,70%
Total	100,00%	100,00%	100,00%	100,00%

Source: Quantec Easy Data 2010

PUBLIC ROADS

The main road linkages in the municipality are the R56 forming a north-south corridor and linking Pietermaritzburg, Richmond and Ixopo; and the R624 linking Richmond to the coast. There are a number of provincial roads which link the Richmond Town to other areas such as Thornville, Hopewell, etc. In addition, district and local roads provides the rural hinterland areas with access to the main roads.

Provincial roads within Richmond are in a fair to poor condition. The roads within the town of Richmond, although tarred, are in a poor condition. In addition, the following issues were also identified with respect to these roads: inadequate storm water drainage, lack of speed humps, lack of adequate electronic traffic calming measures, lack of properly aligned pedestrian walkways and 29 poorly designed parking bays. In the semi-urban areas only the main roads in the Greater Ndaleni area, Hopewell, Thornville and Byrne Valley are tarred. The remainder of the roads, which are mainly gravel roads, are in poor condition.

HEALTH FACILITIES

Health services in the municipality are provided by the Provincial Department of Health. The following health facilities are found in the municipal area:

- Richmond Chest Hospital;
- Provincial clinics in Richmond, Ndaleni and eMbuthisweni;
- Private clinic in Inkumane;
- Six mobile clinic ports

Impact of HIV/AIDS

Between the years 2000 and 2013 many South Africans have died from HIV/Aids related diseases. The number of deaths from HIV and AIDS is considerable higher than from any other single cause of death and will probable double the number of deaths from all other causes combined. It has been found that the uMgungundlovu District accounts for 23% of the KwaZulu Natal HIV and AIDS cases. Richmond

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Municipality has the highest number of HIV positive people in the District compared to other Municipalities. The likely effect of HIV/AIDS in our community goes thus;

Deaths from HIV/AIDS and Other Diseases

Description	Male		Female	
	Population	Percentage	Population	Percentage
Population	30355	100%	30818	100%
HIV Positive	4883	16%	6005	19,10%
Aids Deaths	370	1,20%	441	1,40%
Other Deaths	287	0,90%	212	0,60%

Source: Quantec Easy Data 2010

The Richmond Chest Hospital is a great hospital and receives a large number of people from all provinces. All HIV positive people treated at this hospital are counted under Richmond Municipality while some of them reside from other areas. Therefore, these figures will need to be taken with precautions.

The likely effect of HIV/AIDS on **social systems**:

- Poor households are more vulnerable and the epidemic is likely to deepen poverty and compromise upward mobility,
- There is increased demand for housing, education and other community facilities:
- A greater demand for health care facilities,
- A greater demand for financial support for orphans, child-headed households and households run by grandparents, and
- A negative population growth rate is affecting the sustainability of projects that are based on certain population projections.

The likely effect of HIV/AIDS on the **economic systems**:

- There is a shift from savings to current expenditure, limiting fixed investment and economic growth,
- The possibility of „technological deepening“ of the economy as a result of higher absenteeism rates: Machinery will replace people in the labour market, with negative outcomes in the long term for job creation,
- Further erosion of household savings and skills shortage, and
- Increased spending on pharmaceuticals and funerals.

In light of the above, the agricultural sector will suffer most as it relies heavily on the availability of a physically active workforce.

Cholera and other related diseases.

The occurrence of these diseases is a direct result of the absence of potable water as well as the lack of proper sanitation in the rural component of the Richmond

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Municipality. This results in the contamination of natural water resources. This may lead to outbreaks of disaster proportions and is specifically characteristics of the rural areas. These diseases are life threatening and require constant monitoring. Finally, health facilities are not well distributed throughout Richmond Municipality and certain areas have medium to higher concentrations of people who are not serviced. Measures would therefore need to be put in place to ensure that these areas have access to health facilities.

EDUCATION FACILITIES

There is a total of 62 schools¹ in the municipal area. These schools are well distributed in the municipal area and generally meet the recommended planning standard of 600 households for each primary school and 1200 households per secondary school.

The following table indicates the level of education in the adult population of the Richmond Municipality

The Municipality has however developed programs aimed at dealing with HIV and AIDS epidemic. Hereunder are those programs;

ACTIVITIES	PURPOSE	TARGET GROUP
Condoms distribution campaigns	To ensure that condoms are available at all strategic point of the municipality	All community members
Voluntarily Testing	To encourage community members to undergo voluntarily testing	All community members
TB awareness Campaigns	To encourages community members to undergo voluntarily testing	All community members
Prevention	To ensure that Posters and Pumplets warning people to practice safe sex are distributed to all community members	All community members
HIV and AIDS Education	To ensure that HIV and AIDS education is	Schools, Local AIDS Council, Ward Aids

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	provided at Schools, Local Aids Council, Ward Aids Council and Traditional Healers	Council and Traditional Healers.
World AIDS day	To facilitate World Aids day commemoration	All community members

SUKUMA SAKHE

To further deal with the HIV and AIDS epidemic, poverty and so forth, Richmond Municipality has been working very well with the programme introduced by the Premier which is called Sukuma Sakhe.

The objectives of Sukuma sakhe are as follows;

- To reduce poverty by half in 2018.
- To create healthy and sustainable communities.
- To deal with HIV/ AIDS and TB issues.
- To provide food security, that is, one home one garden.

The Implementers of the programs are Community Volunteers, community health workers, HCBC Givers, Matsupatsela and other cadres trained to conduct households profiling in 7 wards within the Municipality and thereafter Sector Departments do intervention.

Hereunder are the programs for Sukuma Sakhe;

ACTIVITIES	PURPOSE	TARGET GROUP
Operation Mbo	To have event in each ward wherein all Sector Department assist with regard to services such as ID registration and so on.	All community members
Mobilization of more volunteers at all wards	To ensure that the Municipality has enough volunteers for profiling purpose	Volunteers
Public Service Week for TATA	To ensure that	All community members

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Mandela	community members performed voluntarily work during Mandela day.	
---------	--	--

ACHIEVEMENTS THROUGH SUKUMA SAKHE

The Municipality has functional war rooms in all wards.

The Department of Economic Development has empowered war rooms with necessary resources such as computers and chairs for work purposes.

The Department of Human Settlements have constructed houses for needy families through Sukuma Sakhe.

The Department of Home Affairs has assisted a number of community members with ID registration and so on.

CHOLERA AND OTHER RELATED DISEASE

The occurrence of the said diseases is a direct result of the absence of potable water as well as the lack of proper sanitation in the rural areas of the Municipality. This results in the contamination of natural water resources. This may lead to outbreaks of disaster proportions and is specifically characteristics of the rural areas. These diseases are life threatening and require constant monitoring.

Education Levels

Levels of Education	Percentage
No Schooling	22%
Some Primary Education	32%
Complete Primary Education	8%
Some Secondary Education	27%
Grade 12	7%
Higher Education	4%
Total	100%

Source: Community Survey 2007

With regard to the level of education by gender groups, the following table shows that there is a balance between males and females in the Richmond Municipality as their levels of education are almost similar.

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Level of Education by Gender

Levels of Education	Male	Female
No Schooling	29%	33%
Some Primary Education	22%	25%
Complete Primary Education	16%	15%
Some Secondary Education	13%	11%
Grade 12	11%	9%
Higher Education	9%	7%
Total	100%	100%

Source: Community Survey 2007

The following table shows that illiteracy is more common amongst Indians and coloured compared to other population groups.

Level of education by population groups.

Levels of Education	Blacks	Coloureds	Asians	Whites
No Schooling	34%	30%	4%	5%
Some Primary Education	22%	21%	9%	8%
Complete Primary Education	17%	19%	33%	15%
Some Secondary Education	14%	13%	21%	22%
Grade 12	11%	10%	22%	31%
Higher Education	2%	7%	11%	19%
Total	100%	100%	100%	100%

Source: Community Survey 2007

POPULATION

According to Stats SA Community Survey 2016 data, the total population of the Richmond Municipality is approximately 71 322 people and 17 570 households. This marks a proportionately marginal increase from 65 793 people and 16 440 households recorded in 2011. This means that the population has only increased by 5529 people whilst households increased by 1130 between 2011 to 2016. This slight increase over the years can be attributed by a number of factors such as HIV/AIDS epidemic or rural urban migration processes due to factors linked to the economic factor of the Municipality which includes limited employment opportunities, better access to public services in major urban centers and general decline in the quality of life.

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Table 10. Population Distribution by Age and Gender

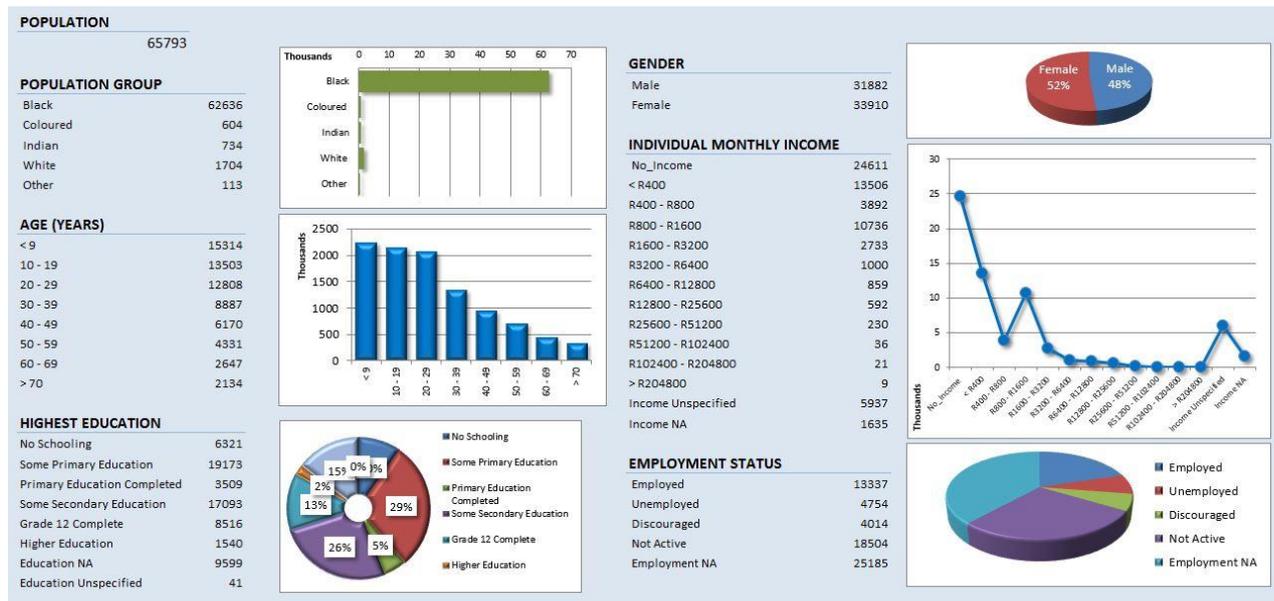


Table 11. Age Structure

Age Group	Male	Female	Total
00 – 04	4 138	3 888	8 026
05 – 09	3 718	3 570	7 288
10 – 14	3 515	3 233	6 748
15 – 19	3 369	3 387	6 756
20 – 24	3 421	3 340	6 760
25 – 29	3 112	2 936	6 047
30 – 34	2 424	2 306	4 730
35 – 39	2 033	2 124	4 157
40 – 44	1 541	1 759	3 300
45 – 49	1 170	1 699	2 869
50 – 54	938	1 268	2 206
55 – 59	832	1 293	2 125
60 – 64	694	964	1 658
65 – 69	366	622	989

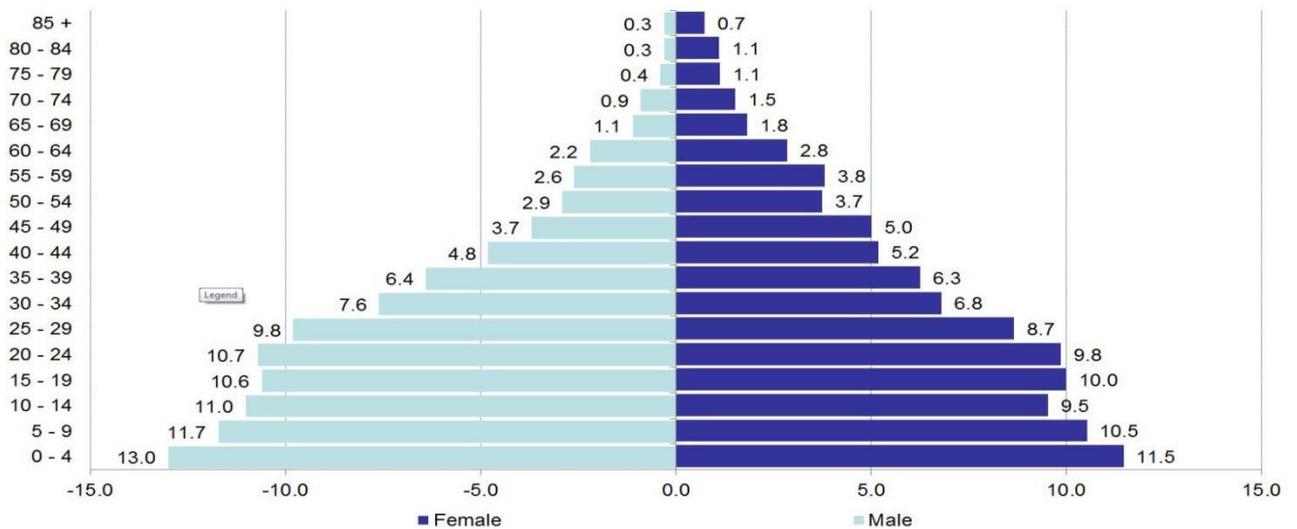
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70 – 74	285	519	804
75 – 79	134	383	517
80 – 84	91	373	464
85+	101	248	349
Total	31 883	33 910	65 793

Source: Stats S A: Census 2011

Figure 2. Population pyramid

Percentage distribution of the population in five-year age group by sex, Richmond Municipality, Census 2011



Source: Stats SA Census 2011

The figure above shows that the gender distribution in Richmond, with females making up the majority of the population. Gender distribution is also a determinant factor in assisting the various tiers of government to focus investment especially to vulnerable groups like women

The population of Richmond is dominated by the youth (15 to 35 years of age) which accounts for 21 606 people or 38% of the total population. This therefore has serious implications in terms of development planning and requires the development and implementation of programs addressing the needs of a youthful population which may include educational facilities, creation of job opportunities and improving access to social facilities. The dominance of this group also poses social challenges since this group is sexually active and more vulnerable to HIV/AIDS. It is therefore

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important that the Municipality have interventions and programs with regard to HIV/AIDS.

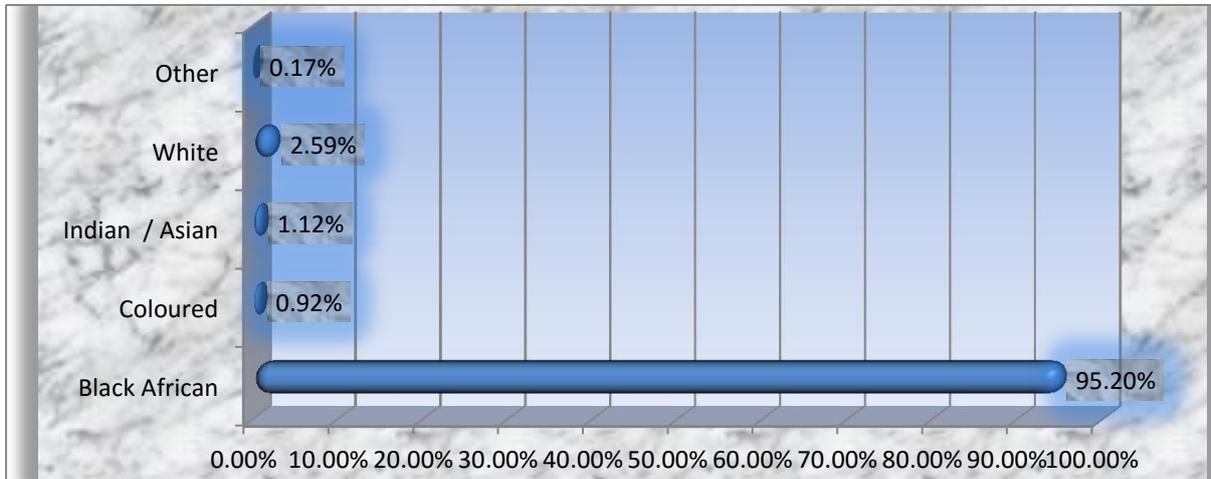
Table 12. Population Group by Race

Population Group	KZN227: (Population)	Richmond	Percentage
Black African	62635		95.20%
Colored	605		0.92%
Indian / Asian	735		1.12%
White	1705		2.59%
Other	113		0.17%
Total	65793		100.00%

Source: Stats S A: Census 2011

Racial Population Distribution

Figure 3. Population by Race



Source: Stats SA Census 2011

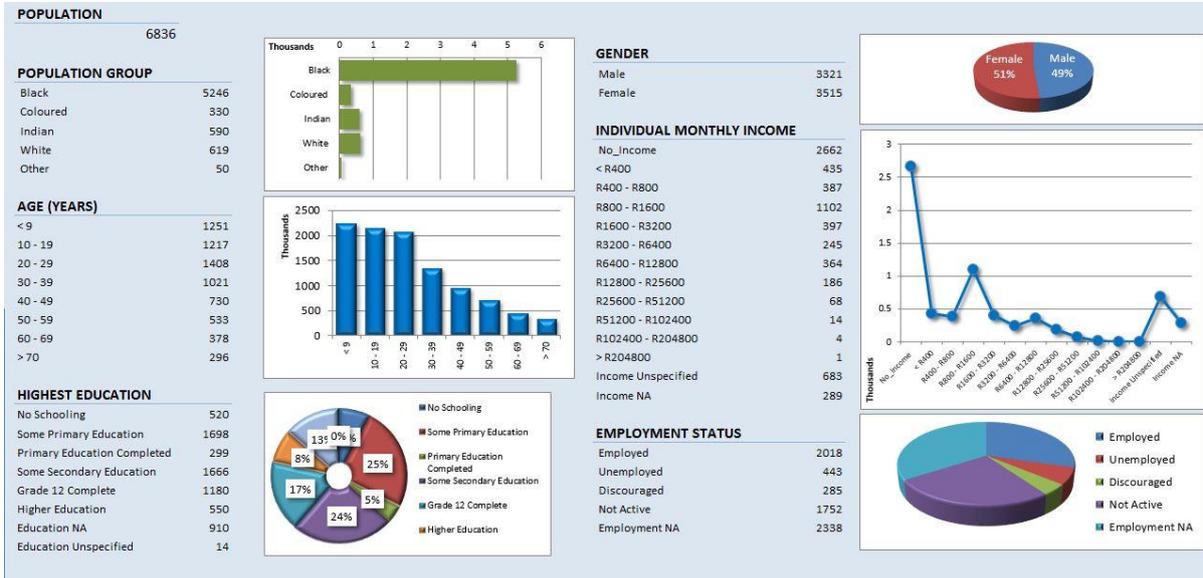
It is indicated in the figure above that the Blacks dominates the population group in Richmond.

WARD INFORMATION

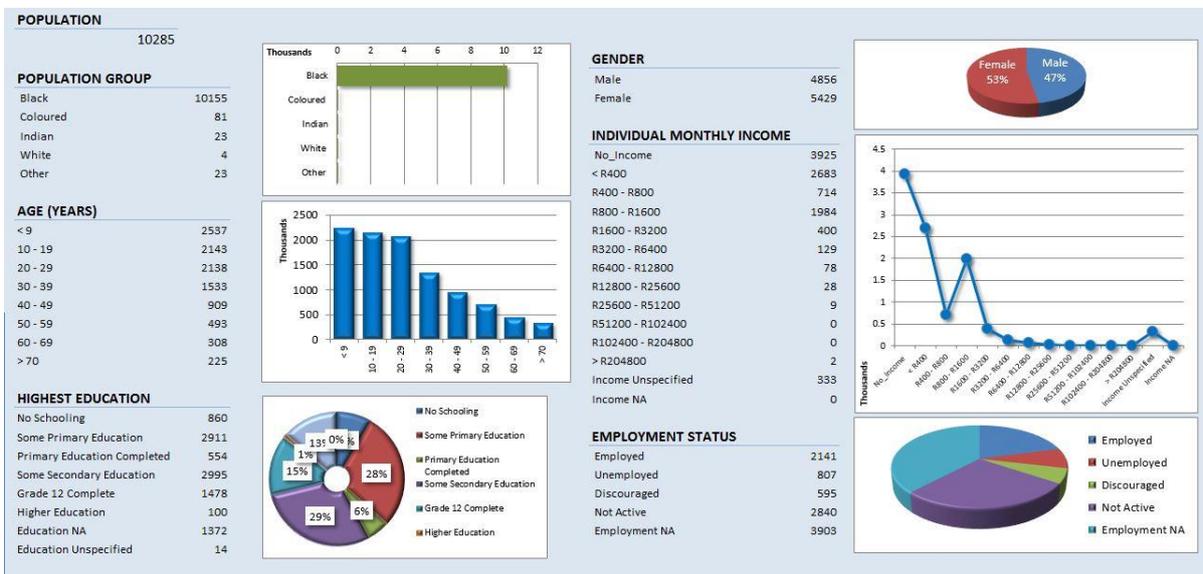
The following information provides a synopsis of each ward e.g. population, age, education level, gender, employment rate etc.:

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Ward 1

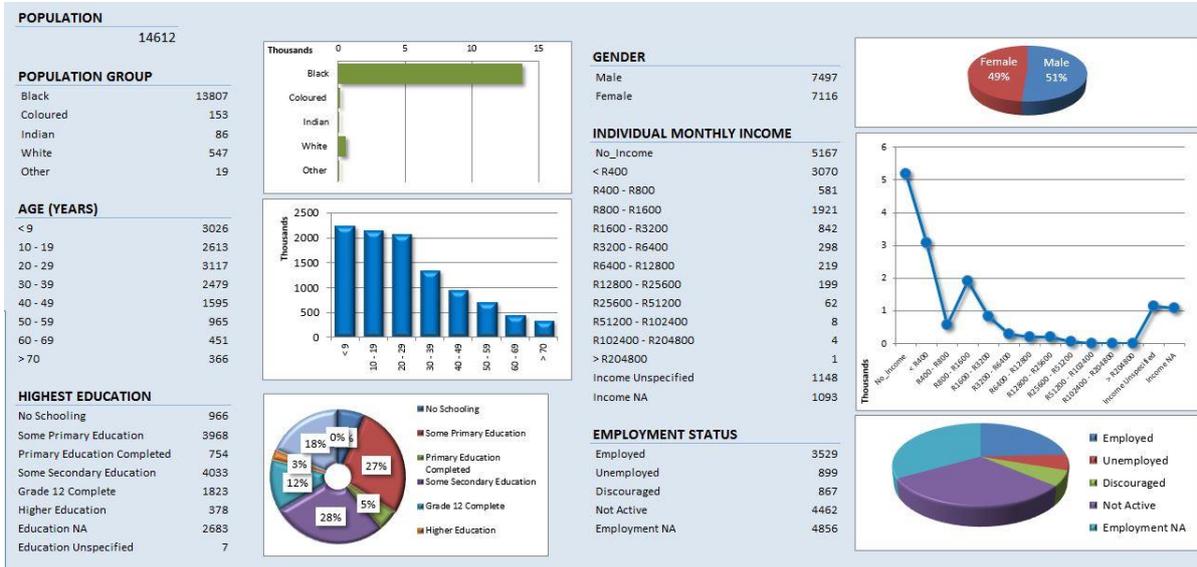


Ward 2

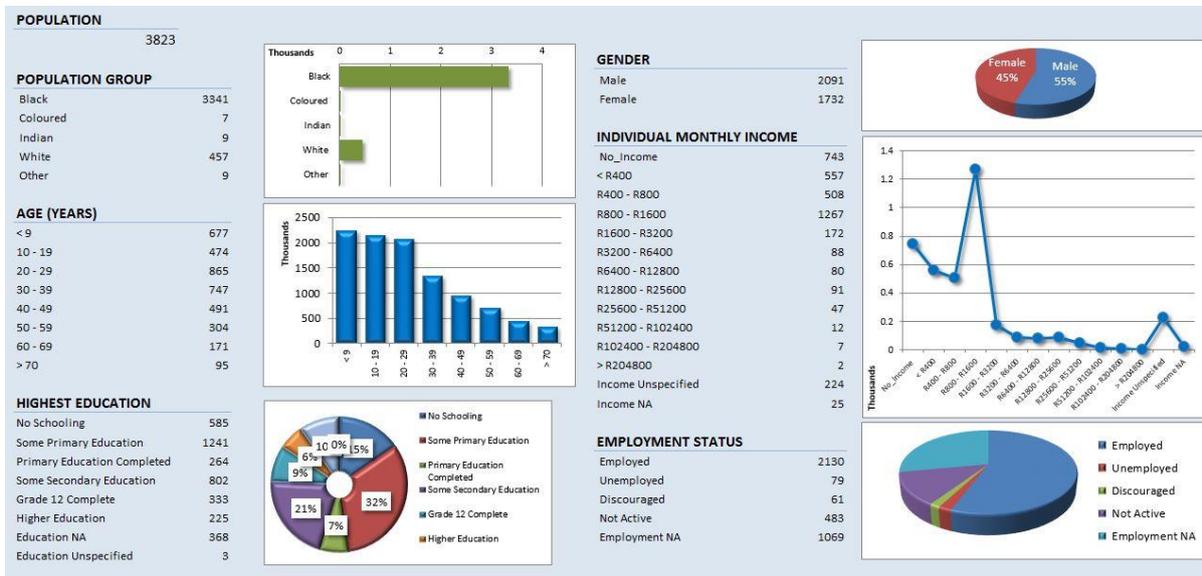


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Ward 3



Ward 4



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Ward 5

POPULATION

10585

POPULATION GROUP

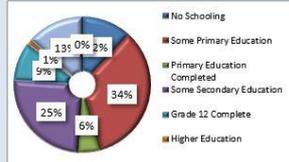
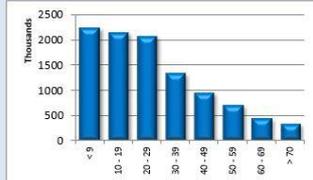
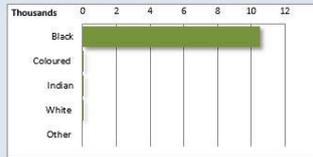
Black	10509
Coloured	7
Indian	10
White	58
Other	0

AGE (YEARS)

< 9	2723
10 - 19	2355
20 - 29	1828
30 - 39	1179
40 - 49	883
50 - 59	715
60 - 69	487
> 70	414

HIGHEST EDUCATION

No Schooling	1258
Some Primary Education	3554
Primary Education Completed	592
Some Secondary Education	2646
Grade 12 Complete	979
Higher Education	128
Education NA	1429
Education Unspecified	0



GENDER

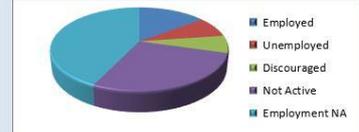
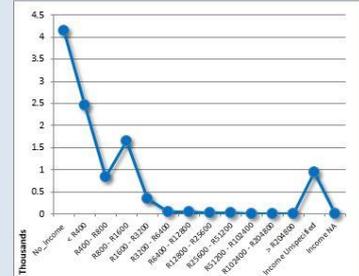
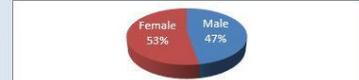
Male	5000
Female	5584

INDIVIDUAL MONTHLY INCOME

No_Income	4148
< R400	2465
R400 - R800	833
R800 - R1600	1653
R1600 - R3200	352
R3200 - R6400	56
R6400 - R12800	54
R12800 - R25600	37
R25600 - R51200	19
R51200 - R102400	1
R102400 - R204800	2
> R204800	1
Income Unspecified	954
Income NA	10

EMPLOYMENT STATUS

Employed	1559
Unemployed	852
Discouraged	712
Not Active	2929
Employment NA	4533



Ward 6

POPULATION

10585

POPULATION GROUP

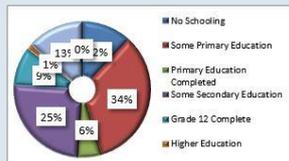
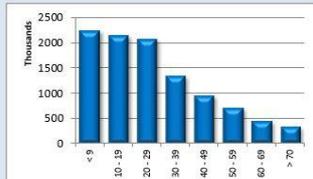
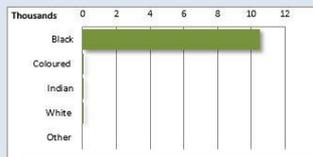
Black	10509
Coloured	7
Indian	10
White	58
Other	0

AGE (YEARS)

< 9	2723
10 - 19	2355
20 - 29	1828
30 - 39	1179
40 - 49	883
50 - 59	715
60 - 69	487
> 70	414

HIGHEST EDUCATION

No Schooling	1258
Some Primary Education	3554
Primary Education Completed	592
Some Secondary Education	2646
Grade 12 Complete	979
Higher Education	128
Education NA	1429
Education Unspecified	0



GENDER

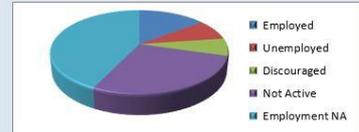
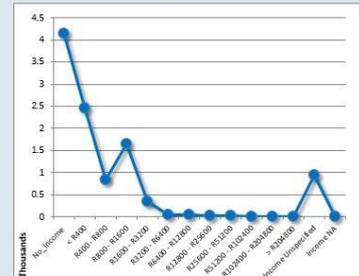
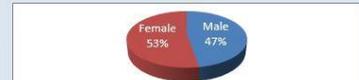
Male	5000
Female	5584

INDIVIDUAL MONTHLY INCOME

No_Income	4148
< R400	2465
R400 - R800	833
R800 - R1600	1653
R1600 - R3200	352
R3200 - R6400	56
R6400 - R12800	54
R12800 - R25600	37
R25600 - R51200	19
R51200 - R102400	1
R102400 - R204800	2
> R204800	1
Income Unspecified	954
Income NA	10

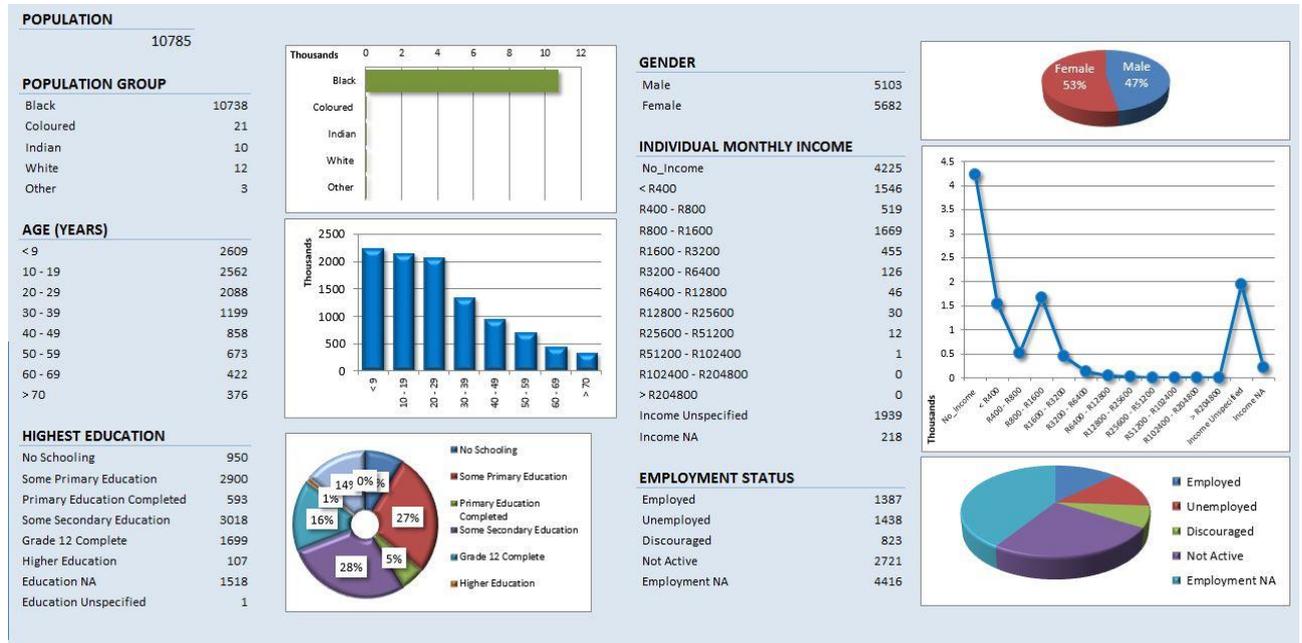
EMPLOYMENT STATUS

Employed	1559
Unemployed	852
Discouraged	712
Not Active	2929
Employment NA	4533



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Ward 7



Source: Stats SA Census 2011

MEANS OF COMMUNICATION



MEANS OF COMMUNICATION

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In Richmond Municipality, people utilise the following means of communication to access and spread information:

- Public Phones
- Private phones
- Cell phones
- Pamphlets
- Internet
- Loud hailing
- Letters
- SABC Radio and news media

In the Richmond Municipality, every household has access to at least one means of communication. The following table indicates the types of telephone used in the Richmond Municipality by various population groups.

Types of telephones by population groups

Description	Blacks	Coloureds	Indians	Whites
In this dwelling and/or cellular phone	44,3%	69,4%	73,6%	90,0%
At a public telephone nearby	18,8%	20,3%	7,0%	1,2%
At a neighbour nearby	9,8%	3,7%	2,6%	0,8%
At another location, not nearby	5,5%	1,7%	0,7%	0,6%
At another location nearby	3,5%	2,2%	1,6%	2,0%
NA (institution)/unspecified/none	18,1%	2,7%	14,5%	5,4%
Total	100,0%	100,0%	100,0%	100,0%

Source: Quantec Easy Data 2010

ORGANISATIONAL DEVELOPMENT OVERVIEW ORGANISATIONAL PERFORMANCE

After having gone through the policy reviews and adopted them in the previous financial year, we are operating smoothly as an organization. All policies are up to date and functioning.

A number of training initiatives were undertaken for both internal staff and local youth. This took place within the year under review and some of the training programs will be rolled over in the next financial year.

THE MUNICIPAL BY-LAWS

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The by-laws of Richmond Municipality provide a step by step process for the formulation of new by-laws or amendment of existing by-laws. Draft or reviewed by-laws are considered by the relevant decision-making structures once these have met the requirements.

A draft version of the by-law is submitted to the Portfolio Committees for discussion and referred for public participation. These are presented to the public via the Ward Committees, which provide a forum for written, oral and/or electronic feedback. Once this is complete, they return to the portfolio committee for further refinement, and are then sent on to Council's Executive Committee (Exco) for debate and possible amendment. After they have been considered by Exco, it is necessary to ascertain whether they comply with the constitutional requirement for the publication of by-laws for public comment. Once this is established, they are recommended to Council for approval.

Copies of Municipal by-laws are available to the members of the public and other stakeholders on request.

RICHMOND MUNICIPALITY BY-LAWS PUBLISHED IN AN EXTRAORDINARY PROVINCIAL GAZETTE OF KWA-ZULU NATAL ON 1 NOVEMBER 2010 GAZETTE NO. 516

NO.	MUNICIPAL NOTICES	Pg.
108	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Pollution Control By-laws	3
109	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Parking Grounds By-laws	18
110	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: By-laws Relating to the Keeping of Dogs	30
111	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Street Trading By-laws	34
112	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: By-laws Relating to the Removal of Refuse	43
113	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Cemetery By-laws	51
114	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Public Road and Miscellaneous By-laws	66
115	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Encroachment on Property By-laws	77
116	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Waste Management By-laws	85

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117	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Advertising Signage By-laws	119
118	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Funeral Undertakers By-laws	135
119	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Pound By-laws	146
120	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: By-laws for the Hire and Use of Community, Arts and Cultural Facilities	150
121	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Credit Management and Debt Collection By-laws	164
122	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Credit Management By-laws	196
123	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Public Health By-laws	209
124	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: By-laws Relating to Public Meetings and Gatherings, Processions and the Like	270
125	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Library and Information Services By-laws	274
126	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: Public Spaces By-laws	290
127	Local Government: Municipal Systems Act (32/2000): Richmond Municipal Council: By-laws Relating to Nuisances	310

WEBSITES AND INFORMATION TECHNOLOGY

Richmond Municipality has a website with a web address www.richmond.gov.za. It is a requirement of the Municipality Finance Management Act that each municipality establishes its own website where crucial information will be publicized to be accessed by different stakeholders for their different needs. Information published on the website include but not limited to the following: Annual Reports, Budgets, Service Deliver and Budget Implementation Plans, Municipal Services, MFMA Reports, Policies, Advertised Tenders, Employment Opportunities, Integrated Development Plans and any other information as prescribed by different local government legislations. Richmond Municipality remains committed to technological advancement and to introducing a number of online facilities to enable citizens to transact with it electronically. Construction will start with the upgrading of the Municipality communication network and infrastructure early in 2017/2018, which will improve information security. The Municipal Systems Improvement Grant has been

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totally allocated for this project. This will help to further enhance service levels even further.

Information Technology services are rendered to all departments to ensure efficiency in communication internally and externally. The systems and equipment are reviewed regularly to ensure that the municipality is utilizing the latest technology within financial means.

MSIG funding was utilized to upgrade the IT network and to relocate the servers to a new server room that is compliant with industry norms and standards. The server room has been completed and the municipality now also has its own domain for e mails which has made communication much more efficient.

The municipal website contains information about the municipality, the IDP, budgets, financial statements, audit reports, capital projects and other matters thereby providing the community with access to this information. The web site is updated regularly

MUNICIPAL WEBSITE: CONTENT AND CURRENCY OF MATERIAL

Documents published on the Municipality's Website	Yes/No	Publishing Date
Current Annual and Adjustment Budgets and all budget related documents	Yes	01/03/2018
All current budget related policies	Yes	09/06/2018
The previous Annual Report	Yes	04/08/2018
The current Annual Report	No	
All current performance agreements required in terms of section 57 (1)(b) of the Municipal Systems Act and resulting score cards	Yes	05/07/2018
All service delivery agreements	Yes	22/07/2018
All long-term borrowing contracts	No	
All supply chain management contracts above a prescribed value	Yes	05/07/2018
All information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4)	Yes	13/05/2018
Contracts agreed in current year which sub section (1) of section 33 apply, subject to subsection (3) of that section		

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Public-private partnerships agreements referred to in section 120 made in current year	No	
All quarterly reports tabled in the council in terms of section 52 (d) during the year	Yes	18/06/2018

PUBLIC SATISFACTION ON MUNICIPAL SERVICES

Since 2013 the community has seen a lot of changes when it comes to Municipal service delivery and Izimbizo for the community. All of the development that took place in Richmond was in line with the inputs and contributions from the community. The communication department always make sure that the community is aware and participate in the affairs of the municipality in line with the provisions of the Constitution of the South Africa. The municipality has put up suggestions boxes in all wards where members of the public can voice their satisfaction regarding the service of the Municipality. The suggestion boxes are cleared on a regular basis and complains referred to the relevant departments. It is the policy of the municipality to respond to issues within reasonable time.

SERVICE DELIVERY PROTESTS

In July 2017 the Municipality had a service delivery protest where the marchers delivered a memorandum to the Mayor. Most of the things raised in the memorandum were not the function of the municipality and some matters were allegations which had no basis. The municipality is committed to fighting any form of fraud and corruption and should any information suggesting that there is fraud and corruption; such matter must be brought to the attention of the municipality. Alternatively people with such information can approach the Offices of CoGTA and Provincial Treasury for investigation. The memorandum was responded to. On the eve of the marching day there were reports and burning of tyres on the road and people were prevented from going to work and schools were closed.

Municipality conducted on the satisfaction of community with regards to municipal services. The results were as follows:

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Satisfaction Surveys Undertaken during December 2018				
Subject matter of survey	Survey method	Survey date	No of people included in survey	Survey results indicating average, excellent or poor (%)*
Overall satisfaction with:				
(a) Municipality	written form	05-Dec 2018	50	Poor 48%
(b) Municipal Service Delivery	written form	05-Dec 2018	50	Poor 44%
(c) Mayor	written form	05-Dec 2018	50	Poor 15%
© deputy Mayor	written form	05-Dec 2018	50	Average 56%
Satisfaction with:				
(a) Refuse Collection	written form	05-Dec 2018	50	Good 75%
(b) Road Maintenance	written form	05-Dec 2018	50	Poor 41%
(c) Electricity Supply	written form	05-Dec 2018	50	Poor 20%
(d) Water Supply	written form	05-Dec 2018	50	Poor 33%
(e) Sanitation	written form	05-Dec 2018	50	Good 55%
(f) Information supplied by municipality to the public	written form	05-Dec 2018	50	Average 50%
(g) Opportunities for consultation on municipal affairs	written form	05-Dec 2018	50	Poor 41%

Functions of Municipality

FUNCTIONS	AUTHORITY RESPONSIBLE
Air pollution	Environmental health which monitors the impact of air pollution is a District function
Building Regulations	Richmond municipality
Municipal Planning	Richmond municipality
Pontoons and ferries	Not applicable
Storm water	Richmond Municipality
Trading Regulations	Richmond Municipality
Beaches and Amusement facilities	No beaches in the municipal area

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Billboards and the display of advertisements in public places	Richmond municipality
Cemeteries, funeral parlors and crematoria	Richmond Municipality
Cleansing	Richmond Municipality
Control of public nuisance	Richmond Municipality
Control of undertakings that sell liquor to the public	Richmond Municipality
Facilities for the accommodation, care and burial of animals	Richmond Municipality
Fencing and fences	Richmond Municipality
Licensing of dogs	the municipality no longer issue licenses
Licensing and control of undertakings that sell food to the public	Assistant obtained from uMgungundlovu District Municipality
Local amenities	Richmond Municipality
Local sports facilities	Richmond Municipality
Markets	Richmond Municipality
Municipal abattoirs	Richmond Municipality
Municipal Parks and Recreation	Richmond Municipality
Municipal Roads	Richmond Municipality
Noise Pollution	Richmond Municipality
Pounds	Richmond Municipality
Public Places	Richmond Municipality
Refuse removal, refuse dump and solid waste disposal	Richmond Municipality

Street Trading	Richmond Municipality
Street Lighting	performed by ESKOM
Traffic and Parking	Richmond Municipality
Community Services/ Library	Richmond Municipality
LED	Richmond Municipality
Motor Licensing	Richmond Municipality

CHAPTER 2: GOVERNANCE STRUCTURE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

POLITICAL GOVERNANCE

THE RICHMOND MUNICIPAL COUNCIL

Municipalities in South Africa are governed by Municipal Councils. Richmond Municipal Council is therefore the governing body of the Richmond Local Municipality (RLM) and the custodian of its powers, duties and functions, both legislative and administrative. Essentially, the Council performs a legislative and executive role. The Constitution of the Republic of South Africa, 1996, Chapter 7, Section 160 (1) defines the role of the Council as being:

- a) (making) decisions concerning the exercise of all the powers and the performance of all the functions of the municipality
- b) (electing) its chairperson
- c) (electing) an executive committee and other committees, subject to national legislation
- d) (employing) personnel that are necessary for the effective performance of its functions

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Richmond Municipal Council is constituted by 14 elected Councilors; 7 Councilors are ward representatives and 7 represent their political parties on a proportional basis. The parties in Council are illustrated in Table below.

Political Party	No. of Seats	No. of Wards	PR Seats
African National Congress	11	7	4
Independent	0	0	0
United Democratic Movement	0	0	0
Democratic Alliance	2	0	2
Economic freedom fighter	1	0	1
National Freedom Party	0	0	0
Inkatha Freedom Party	0	0	0
Totals	14	7	7

The party-political and demographic representation of Councilors is reflected in the table below:

POLITICAL PARTY	ALLOCATION OF SEATS	GENDER DISTRIBUTION	
		MALE	FEMALE
African National Congress (ANC)	11	8	3
Democratic Alliance (DA)	2	2	0
Economic Freedom Fighters (EFF)	1	0	1
TOTAL	14	10	4

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There are 3 portfolio committees appointed by Council. These committees are aligning to the functions of various departments of the Municipality;

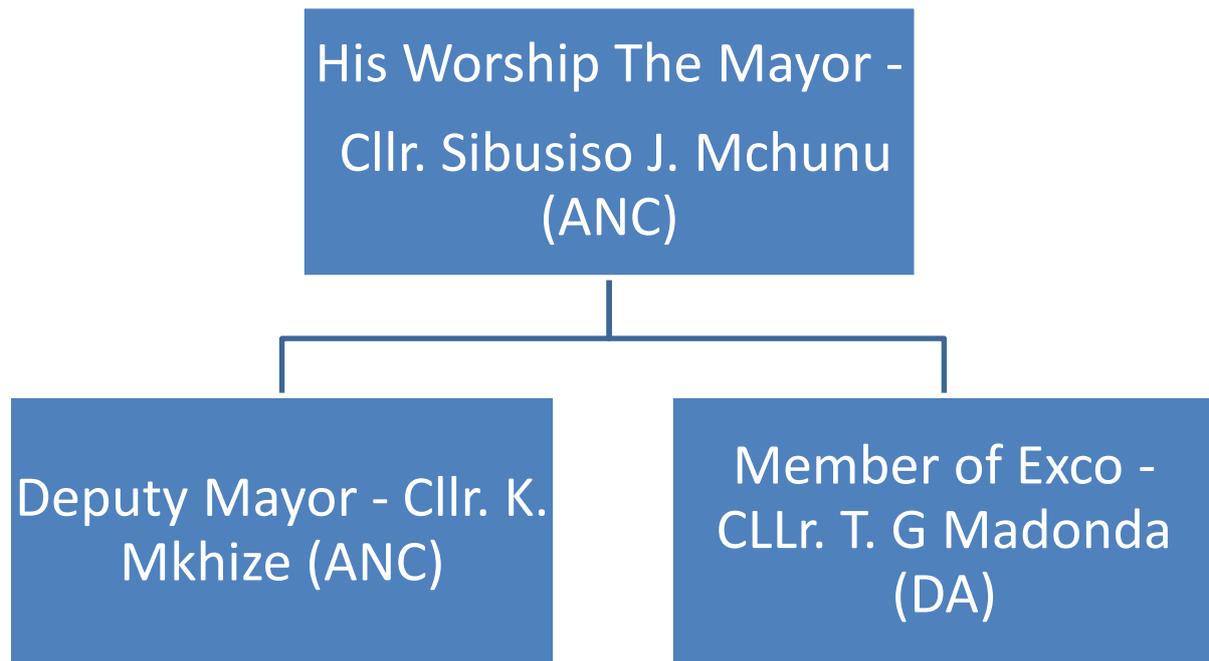
PORTFOLIO COMMITTEE	RESPONSIBLE OFFICIAL	STATUS OF PORTFOLIO
Finance Portfolio	Chief Financial Officer	Functional
Community and Corporate Services Portfolio	Strategic Manager Community Services and Admin and Corporate Services	Functional
Infrastructure Portfolio	Strategic Technical Services Manager	Functional

There are other sub committees that are operational in the Municipality and those committees and forums are as follows;

- Local Labor Forum;

SYSTEM OF GOVERNANCE

Richmond Municipality uses a collective executive system. In this system, the municipal council elects an executive committee, and then delegates executive responsibilities to the executive committee. The executive committee takes decisions on matters that fall within its delegated powers. The establishment of a separate executive structure enables a small group of councilors (those who sit on the executive committee) to deal with the day-to-day business of running the municipality. In a collective executive system, the municipal council must elect one member of the executive committee as the chairperson of that committee. The chairperson of the executive committee is the Mayor.



The Executive Committee of Richmond Municipality comprises three members



Cllr S.J. Mchunu



Cllr K Mkhize



Cllr T. Madonda

CHAIRPERSON/SPEAKER OF COUNCIL

Richmond Municipality has a Speaker of Council who is the Chairperson elected in terms of section 36 of the Municipal Structures Act, Act No. 117 of 1998 as envisaged in section 160 of the Constitution of the Republic of South Africa.



Speaker Cllr S. Ndlovu

The speaker's role in a municipality is key to ensuring oversight, accountability, integrity, discipline of office, and the efficient running of council meetings. As such, impartiality in the exercise of his or her function is essential for the speaker. The speaker must distinguish between his or her activities as a politician and his or her functions as a speaker. It also means that the function of the speaker and the non-partisan exercise of that function must be respected by members, parties and interests represented in the council.

The key principles underlying the role of the Speaker are:

- (a) Chair of council meetings;
- (b) Implementation of the Code of Conduct; and
- (c) Exercise of delegated functions including -
 - i. facilitating public participation in legislative matters;
 - ii. establishment and functioning of ward committees; and
 - iii. support to councilors.

ADMINISTRATIVE GOVERNANCE THE ACTING MUNICIPAL MANAGER



Acting Municipal Manager Mr SD Mkhize

The administration is headed by the Municipal Manager as the Accounting Officer. The Municipal Manager is further responsible and accountable for the formation and development of an economical, effective, efficient and accountable administration as well as the management of the provision service in a sustainable and equitable manner within the municipality. The administration is made up of the following directorates headed by Executive Management Teams: Finance, Corporate Services, Community and Social Development and Technical and Planning Services.

The figure below provides an organogram of Richmond Municipality

ORGANIZATIONAL STRUCTURE OF RICHMOND MUNICIPALITY

2.2 ADMINISTRATIVE GOVERNANCE

DESIGNATION	FUNCTIONS
Municipal Manager	The Municipal Manager is the accounting officer of the Municipality, providing leadership on issues of governance. The Municipal manager heads the Municipal Governance and is a Chairperson of the Management Committee. He is responsible for the day-to-day management and administration of the Municipality. The Municipal Manager Operates in terms of the relevant section in the Municipal Structures Act, Municipal Systems Act and the Municipal Finance Management Act. In discharging his responsibilities in the 2017/2018 financial year, the Municipal Manager was assisted by the Management Team.
Chief Financial Officer	The Chief Financial Officer is responsible for managing the financial affairs of the Municipality. The Department is responsible for Expenditure Management, Assets, Budgeting, Revenue Management and Supply Chain Management.
Strategic Manager: Community Services	The Community Services Manager is responsible for the management of a number of sub unit within the Department namely, HIV/AIDS Unit, Disaster management Unit, , Sports Development unit, Motor and Driver Licensing Unit, Libraries and the Community Liaison Unit.
Strategic Manager: Technical Services	The Technical Services Section is entrusted with ensuring that basic services are delivered to the community. This Department consist of unity namely, Planning and Development Unit, Infrastructure Maintenance Unit, Housing Unit and Project Management Unit.
Strategic Manager: Corporate Services	The Admin and Corporate Services
	<p>Admin and Corporate Services section is made of a number of unit namely, Council Support Human Resources Unit, Services, Registry Management, ICT, and Administration</p> <p>The department is a support unit for all municipality departments.</p>

ORGANISATIONAL DEVELOPMENT OVERVIEW ORGANISATIONAL PERFORMANCE

After having gone through the policy reviews and adopted them in the previous financial year, we are operating smoothly as an organization. All policies are up to date and functioning.

A number of training initiatives were undertaken for both internal staff and local youth. This took place within the year under review and some of the training programs will be rolled over in the next financial year.

ORGANISATIONAL STRUCTURE

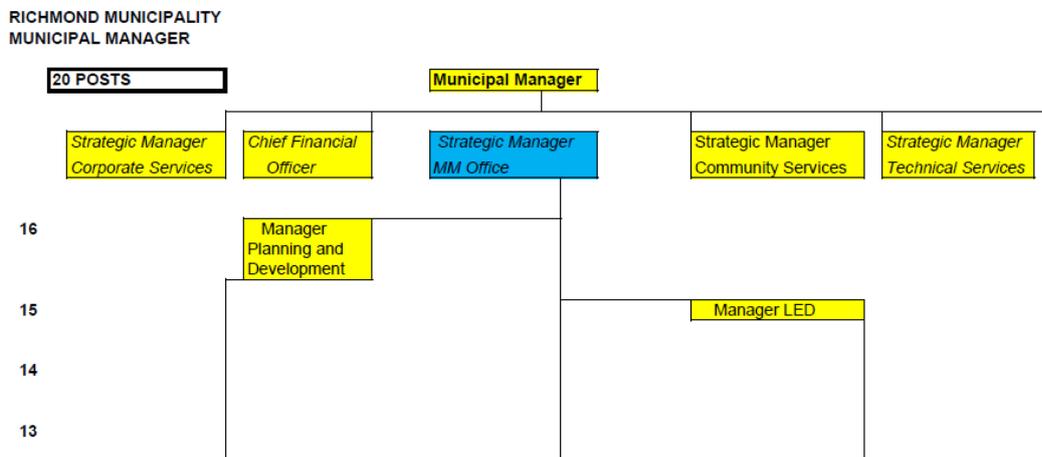
The municipality has a Council approved organisational structure that aligns to the long-term development plans of the municipality as well as the Powers and Functions outlined above.



-Acting CFO S Ngcobo -Community Manager B Mhlongo -Corporate Manager S. Mthembu - Technical Manager S Mkhize

The figure below is a high level municipal structure reflecting institutional arrangements for all the key functions.

Figure 4



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STAFF SUMMARY

	COUNCIL	MM	CORP	FIN	COMM	TECH		
MUNICIPAL MANAGER		1					1	
STRATEGIC MANAGER		1	1	1	1	1	5	
SECRETARY	1	1	1	1	1	1	6	
MANAGER		2	1	1	2	2	8	
ADMIN	2		7		1	3	13	
COMMUNICATION		2					2	
INTERN		1					1	
PUBLIC PARTICIPATION		1					1	
RISK		1					1	
OPMS		1					1	
LED		2					2	1
YOUTH		1					1	
INTERN		3					3	
BUILDING CONTROL		1					1	
PLANNING		1					1	
INTERN		1					1	
HR			4				4	
IT			2				2	1
BUILD MAINT/CLEANING			12				12	
FLEET CONTROL			1				1	

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FINANCE				4			4	1
SCM				3			3	
EXPENDITURE				2			2	1
REVENUE				3			3	1
INTERN				5			5	
COMMUNITY SERVICE					1		1	
COMMUNITY FACILITIES					12		12	
HOUSING					1		1	
LIBRARY					6		6	
TRAFFIC					8		8	1
SCHOLAR PATROL					4		4	
SECURITY					14		14	
DRIVER LICENCE					5		5	3
MOTOR LICENSING					2		2	
LEARNER LICENCE					5		5	
PMU						1	1	
INTERN						1	1	
SENIOR TECHNICIAN						1	1	
TECHNICIAN						1	1	
MECHANICAL						3	3	1
ESTATES						12	12	
CLEANSING						17	17	1
LANDFILL						3	3	
ROADS						16	16	2
MAINTENANCE						0	0	

3	20	29	20	63	62	197	13
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0	0	4	4	4	4		16
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Organization (Filled Positions)

The current structure indicates that the Municipality employs 197 employees. However, the vacancy rate is calculated at the end of each financial year for the Annual Report.

INTRODUCTION TO POLITICAL ADMINISTRATIVE GOVERNANCE

In order to promote accountability to the local community for the decisions made throughout the year by the municipality as per Section 121 (2)(c) of the Municipal Finance Management Act read in conjunction with the Section 18(1)(d) of the Municipal Systems Act, the Municipality has to ensure that the relevant governance structures exist and are functional. Both the political and administrative structures of Municipality need to be fully capacitated in terms of numbers and of skills. In drafting this Annual Report, the intention is not only to comply with relevant legislation but to promote accountability for the decisions that Council undertook in the financial year 2017/2018. Critical to appropriate decision making are mandatory committees that each Council should establish to ensure that the nine characteristics of good governance are adhered to namely: Participation, Rule of Law, Transparency, Responsiveness, Consensus Oriented, Equity & Inclusiveness; Effectiveness and efficiency, Accountability as well as Sustainability. The focus of this Chapter is on Governance Structures, Intergovernmental Relations, Public Accountability & Participation as well as Corporate Governance

EXECUTIVE COMMITTEE

The Executive Committee (EXCO) consist of four members, representative of three political parties. The EXCO is the principal structure that governs the municipal operations and as such, convenes on a monthly basis. The EXCO makes recommendations to Council emanating from discussions made to Council Committees level.

INTERGOVERNMENTAL RELATIONS

The Inter-governmental Relations Framework Act, (Act No 13 of 2005), requires all spheres of government to coordinate, communicate, align and integrate service delivery effectively, to ensure access to services. In this regard the Municipality complies with the provisions of the Act. Richmond Municipality furthermore participates in the uMgungundlovu Intergovernmental Forum. This forum provides a platform for engagement on matters affecting the family of municipalities within the District and to share best practices in pursuing the objects of local government. The Richmond Municipality also participates in the Provincial Housing Coordinating forum where parties look into the Human Settlement Grant funded projects, based on the allocation granted for the province. The Municipality also takes part in the CoGTA DTAC that drives the implementation of performance systems within Municipalities.



COMPONENT C: PUBLIC PARTICIPATION AND ACCOUNTABILITY

PUBLIC MEETINGS

We consider public meetings as the core in obtaining service infrastructure delivery inputs from the community. Despite the legislative require of the Constitution and the Municipal Systems Act, local government would not exist without undertaking community meetings because the municipality exist for the people who reside in that particular municipal area. Public meetings were held in all wards between September 2014 and December 2014 to report on the implementation of the Budget and IDP for first quarter of 2017/2018 that ended on the 30 September 2014. During these meetings municipal officials also gather information relating to the IDP review for 2017/2018 financial. After the end of the second quarter in January and February 2014 the municipality conducted another round of public meeting to report on second

quarter performance and take more inputs on budget and IDP preparations for 2015/2017.

In April 2015 after the municipality had tabled in draft IDP and Draft Budget for 2015/2017, another round of public meetings was conducted to report on quarter 3 performance and also tabled the draft budget and IDP for 2015/2017 in order to obtain public inputs.

After the budget was approved by Council and after the end of the fourth quarter the Municipality in July 2015 conducted another round of public participation meetings to report on last quarter of 2017/2018 performance and to give feedback on the approval of the budget for 2015/2017.

IDP PARTICIPATION AND ALIGNMENT

The Municipal Systems Act (as amended) has prompted changes in the way in which the Council plans for the future of the municipality. It also provides greater scope for communities to make their own choices about what the Council does and how. This legislation requires the Richmond Municipal Council to undertake an exercise, at least once in every year, to identify community development priorities. These development priorities are determined with active participation by affected communities. These priorities form the basis for the long-term integrated development plan.

Since the first term of Council in 2000-2005, the Richmond Municipality Council has been consulting with members of the community, local business community and community organization to determine the priorities of the people of Richmond. Along with the development priorities for the second term of the Council (2006-2011), these priorities were formulated based on the information gathered on social dynamics, service provision and people's perception of the Municipality's strengths, weaknesses, opportunities, and threats.



ACCOUNTING OFFICER'S ASSESSMENT OF THE MUNICIPALITY'S DEBTORS AND RATES TAXES.

The age analysis for the financial year under review (2017/2018) revealed the information shown below in respect of the debtors' book for the municipality.

The Municipality's debt book is escalating at high rate, the Municipality will commence to analyze individual debtors and their capacity to pay and follow the Credit Control and Debt Collection for the Municipality to recover monies owed to the Municipality.

COMPONENT D: CORPORATE GOVERNANCE

RISK MANAGEMENT

Richmond Municipality regards risk management as an important function that contributes to the achievement of the municipality's objective and provides assurance that key risks are being identified and assessed; and effective controls are put in place to mitigate risks. To this end, Richmond Municipality has a draft Risk Management policy as a tool to assist the municipality to proactively identify any uncertainties that could prevent it from achieving its objectives or that could impact

negatively on the desired level of service delivery. In the 2013/2014 financial year the Richmond Municipality developed a Risk Management Strategy supported by the Risk Management Policy, the document that set the stance of the municipality with regards to risk management. To build capacity around risk management, the position of an Administration Clerk in the Municipal Manager's Office was created and filled in December 2012. The incumbent is responsible for ensuring that the municipality has a dedicated person to deal with issues of risk management in compliance with the provisions of the MFMA.

Municipality has established a Risk Management Committee. Members who serve on the Municipal Public Accounts Committee also serve in the Risk Committee.

INTERNAL AUDIT

The municipality is outsourcing the internal audit services since it is not affordable to develop an in-house unit due to financial constraints. The District Intergovernmental Forum is looking at establishing a shared service for internal audit services. The unit provides independent and objective internal audit services that are designed to add value and improve the Municipality's operations. The unit also provides administrative and secretariat support services to the Municipality's Audit Committee. The unit operates in terms of the internal audit charter that has been approved by the Municipality's Audit Committee. To this end, the unit has assisted the municipality to strengthen internal controls in some areas through its recommendations made to management.

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

COMPONENT A: BASIC SERVICES

WATER SERVICES

Water is provided by uMgungundlovu District Municipality as a water service authority (WSA) in the Richmond area of jurisdiction. Almost 70% - 80% of areas within Richmond Municipality have access to clean water.

UMgungundlovu District Municipality as the water services authority and provider has made strides to improve water provision in the area of Richmond. For this purpose they have undertaken a project of approximately R300 million to increase the supply of water in the area of Richmond. This project has been done jointly with Umngeni Water. This project will not only assist with the increase in water supply but it has also assisted in the improvement of employment levels in the area.

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Almost three Wards have 100% access to clean water and other four wards have 80% access to basic water supply and this will improve in the coming financial year since the District has included these areas in its IDP for 2017/2018. Water projects coming to Richmond in 2017/2018 include Phatheni Water Scheme, and Gengeshe Water Scheme. In Zwelethu Low-cost Houses the District has constructed and completed a project for water provision in the form of an elevated Water Reservoir for the 120 households in that area. Water purification plant commissioned by the MEC for CoGTA in November 2012 in Ward 5 Nhlazuka - Embuthweni Water Supply Phase 1 has been having problems which are being resolved by uMgundundlovu District Municipality.



WASTE WATER (SANITATION SERVICES)

UMGUNGUNDLOVU District Municipality has a contingency plan of water trucks to deliver portable water to the community. A bulk pipe line from PMB to Richmond has been constructed in order to close the gap of possible shortage of water in Richmond.



The above report touches all the wards of Richmond Municipality. There are few sections within these wards which have not benefited from the toilet projects however these areas are currently on the IDP of uMgungundlovu District since sanitation is a project of the District in terms of the Municipal Structures Act and will be rolled out as soon as funding has been sourced.

Toilets projects made by the uMgungundlovu District in 2017/2018

- Ward 1 - 160 toilets
- Ward 2 - 120 toilets
- Ward 3 – 180 toilets
- Ward 4 – 200 toilets
- Ward 5- 200 toilets
- Ward 6- 250 toilets
- Ward 7- 120 toilets



ELECTRICITY SERVICES

According to information from Statistics South Africa from 2011 census data, Richmond is 80% electrified. Municipality had budget about R4.8 million for electrification of areas current without electricity in 2017/2018 financial year and this project will be completed in December 2014. Areas that were electrified include the following:

- Ward 1 - Mzinolovu Electrification Project – 90 Connections R1, 532, 000 completed
- Ward 4 & 6 – Farms Dwellers Electrification – 100 Connections R1, 702, 000 completed
- Ward 3& 6 – Gengeshe Electrification Project – 45 Connections R770, 000 completed

The municipality has successfully completed an electrification project in 2017/2018 financial year. The total number of completed house connection 261, which covered ward 01, 03, 04 & 06. In 2015/2017 financial year the Municipality has planned to complete some of the households. Which were left due to financial constraints in ward 01, 04 & 06. The additional wards to be done are ward 03, Zwelethu housing project and ward 05, Nhlazuka rural project.

In 2015/2017 the Municipality is expected to budget another R8 million in order to improve access to just about 90%.

Municipality depends on grants to electrify the areas which currently do not have access to electricity.

WASTE MANAGEMENT, REFUSE COLLECTION, WASTE DISPOSAL AND STREET CLEANING SERVICES.

In order to improve level of services the Municipality has budgeted for a skipper truck for refuse as well as bins to the value of approximately R2.0 million in 2013/2014 financial year. Refuse removal takes place in formalized areas like Byrne Village, Siyathuthuka Low-cost Houses, Richmond CBD and Residential area within the village. Street cleaning takes place in the CBD only. The Municipality currently has refuse truck which services the residential areas and businesses. The Skipper truck has been bought to service the rural areas and Seven (07) skips has been bought in the 2017/2018 financial year. In this current financial year another eight (08) skips will be bought, the intention of the municipality is to expand the service to rural areas.

HOUSING PROJECTS.

Provision of housing is the function and responsibility of the Department of Human Settlement in the Province. The Department and the municipality have to agency agreement for facilitation of the housing provision function within the Municipality's area of jurisdiction. There are 6 projects which have already been approved in the area of Richmond.

The projects for housing infrastructure are as follows:

PROJECT	NO.OF BENEFICIARIES	LOCATION	PROJECT DISCRIPTION	STATUS
Zwelethu Project	120	Bynesfied	Greenfield	Construction stage completed
Nhlazuka	1000	Nhlazuka	In-situ upgrade	Construction stage
Nhlazuka:ST Bernard and Amandus Hill	400	Nhlazuka	Rural housing	Preliminary stage
Middle Income Housing	-	Richmond Village	Greenfield	Preliminary stage
Siyathuthuka Phase 2	1000	Greater Ndalen	In-situ upgrade	Two show houses have been built
Argosy Rehabilitation	1600	Argosy Farm	In-situ upgrade	Planning stage

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Other housing projects for planning applications have been submitted to the Provincial Department of Human Settlement for their approval. The projects include Bhongoza Slums Clearance project, Mzinolovu Housing Project, Genegeshe Housing Project and Masangazane Housing Project.



NHLAZUKA DEMO HOUSE

FREE BASIC SERVICES AND INDIGENT SUPPORT - ADDING VALUE THROUGH FREE BASIC SERVICES.

Richmond Municipality continues to provide free basic services, such as refuse removal, Electricity and rates assistance, to its citizens. The allocation of these free basic services is determined by means of either the municipal value of the property, or on application by those with limited income whose property values exceed the set valuation levels.

The valuation method is preferred, as it helps to prevent the creation of a bloated and costly administration to deal with large number of applications that would likely be received if a purely application-based process were followed. Instead, the valuation system allows the municipality to provide assistance to those residents assumed to be in need. While it is likely that some households that receive the

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benefit may fall outside the qualifying criteria, this approach is still the most practical for the municipality. A further benefit of the valuation-based approach is that it provides certainty in terms of budgets, and reduces the risk of fraud and the costs involved in preventing it.

The benefits vary based on the valuation of the properties at R50 000 or below, and the recipients are all households who stay in the low-cost houses and those that stay in Ingonyama Trust land.

Residents whose property values are too high for them automatically to qualify for the free services are also entitled to apply for these services, provided their gross monthly household income is R1 300 or less. The application process involves registering as indigent. Once approved, these households receive the same benefits as if their property values were below R50 000. To date, 456 residents have registered via this process. This relatively low number demonstrates that the valuation driven measures are effective in reaching the less-fortunate residents at whom they are targeted.

COMPONENT B: ROAD INFRASTRUCTURE AND STORMWATER DRAINS.



ROADS INFRASTRUCTURE.

This unit consists of two operating sub-units, namely Roads and Storm water units. Significant portion of the Municipality allocation of the Municipal Infrastructure Grant is used for the construction of road infrastructure in the area which were neglected in the past. These are mainly gravel roads in the built up area. The following roads projects were constructed during the year under review.

Simozomeni Phase 3 Access Road - Ward 6.

This project is complete and has since been handed over. The total cost of the Project was R3.9 million.

Luanda Gravel Access Road – Ward 7

The project is complete and is awaiting hand over by the contractor and the project managers. Project costs amounted to R1.1 million excluding project consultants fees which are 14% of the construction costs.

COMPONENT C: PLANNING AND DEVELOPMENT

INTRODUCTION TO DEVELOPMENT AND PLANNING

Development and Planning function at the municipality includes Land Use Management, Spatial Development Planning, GIS, IDP and Building Control. The municipality is experiencing a lack of human resources to perform its legislative requirements for GIS, building control. Some of these functions (GIS) is performed on a basic level and are supported by uMgungundlovu District Municipality.

This unit is under Technical Services Department and is involved with the developmental duties of municipalities, as outlined in section 153 of the Constitution, including to 'give priority to the basic needs of the community, and to promote the social and economic development of the community' and 'participate in national and provincial development programmes'. The unit's strategic and operational service delivery objectives include the following:

Strategic

- Dynamically lead in shaping the municipality's short- and longer-term growth and development in order to ensure improved quality of life;
- Mainstream the municipality's Economic Development Strategy, and ensure alignment with both internal and external plans and partners;
- Develop a 'green economic' policy and framework to ensure that the municipality optimises economic growth and job creation;
- Ensure that the municipality's unique economic and social asset – its natural environment – is protected, integrated and optimised within the urban landscape

Operational

- Deliver efficient and effective service to the developers and property owners of Richmond, reducing approval turnaround time for land use management applications and building development;
- Improve the municipality's building development and land use regulation functions, and drive coordinated and integrated environmental enforcement;
- Lead law reform planning processes by implementing and continuously reviewing the new Richmond Zoning Scheme and drafting the planning bylaw;
- Improve environmental compliance with relevant environmental legislation, using best-practice environmental technologies and processes; and
- Formulate the municipality's Integrated Development Plan (IDP).

The Integrated Development Plan (IDP) is regarded as the principle strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development, in the Municipality. The approach to strategic planning that involves the entire District and its citizens is to find the best solution to achieve good long-term development. It aims to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in an area, and should consider the existing conditions and resources available for development. The Richmond Municipality is responsible for drafting the IDP Process Plan, which is aligned to the UMDM Framework Plan. The framework with the IDP/Budget process plan was approved by Council in August 2012. Quarterly public interaction was experienced at IDP engagements, e.g. izimbizo and representative forums.

COMMUNITY FACILITIES

Community facilities consist of municipal halls and sports field. There are about 11 halls owned and controlled by the municipality is all seven Wards. There are 3 halls in Ward 1, Memorial Hall, Agricultural Hall and UMzinolovu Hall, in Ward 2 there is Slahla Hall and Siyathuthuka Hall, in Ward 4 there is Argossy Hall shared between Wards 3 and 4 and the Municipality has budget to construct a Hall in Ward 3. Ward 5 there is Nkumane Hall and Thusong Centre and another hall in Malizayo which is currently under construction. In Ward 6 there is Smozomeni Hall and Phatheni Hall and Gengeshe Hall and in Ward 7 there is Magoda Hall. Sportsfield are in Ward 1, Ward 2, Ward 3, Ward 5, and Ward 6.



CEMETORIES AND CREMATORIUMS

There is one municipal cemetery in Ward 1 and communal cemeteries in all wards which are not controlled by the Municipality. The District has budgeted for the extension of cemetery in Richmond in 2013/2014 financial year due to problem within the District Municipality. This budget has been rolled over to 2017/2018 financial year.

HEALTH, HIV/AIDS AND OTHER SOCIAL PROGRAMMES

Health services are provided by the Provincial Government. The following health facilities are found in the Municipal area.

- Richmond Chest Hospital
- Provincial clinics in Richmond , Ndaleni and Mbuthisweni
- Private Clinic in Nkumane
- Six mobile clinic ports

Impact of HIV/Aids.

Between the years 2000 and 2012 many South Africans have died from HIV/Aids related diseases. The number of deaths from HIV and AIDS is considerable higher than from any other single cause of death and will probable double the number of deaths from all other causes combined. It has been found that the uMgungundlovu District accounts for 23% of the KwaZulu Natal HIV and AIDS cases. Richmond

Municipality has the highest number of HIV positive people in the District compared to other Municipalities. The likely effects of HIV/AIDS in our community are as follows;

Poor households are more vulnerable and the epidemic is likely to deepen poverty and compromise upward mobility.

- There is increased demand for health facilities
- A great demand for financial support for orphans, child-headed households and households run by grandparents.

The likely effect of HIV/AIDS on the economy systems are as follows;

- There is a shift from savings to current expenditure, limiting fixed investment and economic growth.
- The possibility of technological deepening of the economy as a result of high absenteeism rates.
- Increased spending on pharmaceuticals and funerals.

Operation Sukuma Sakhe

To deal with the HIV and AIDS epidemic, poverty and so forth, Richmond Municipality has been working very well with the programme introduced by the Office of the Premier in the Province, namely, Sukuma Sakhe. The objectives of Operation Sukuma Sakhe are as follows;

- To reduce poverty by half in 2017.
- To create healthy and sustainable communities.
- To deal with HIV/ AIDS and TB issues.
- To provide food security, that is, one home one garden.

The Implementers of the programs are Community Volunteers, community health workers, HCBC Givers, Matsupatsela and other cadres trained to conduct households profiling in 7 wards in the Municipality and thereafter Sector Departments do intervention.

Cholera and other related disease

The occurrence of the said diseases is a direct result of the absence of potable water as well as the lack of proper sanitation in the rural areas of the Municipality. This results in the contamination of natural water resources. This may lead to outbreaks of disaster proportions and is specifically characteristics of the rural areas. These diseases are life threatening and require constant monitoring.

COMPONENT E: SECURITY AND SAFETY

TRAFFIC POLICE

Richmond Municipality has a number of programs aimed at promoting compliance with Road Safety Act.

Hereunder are some of the programs;

- Road Safety Awareness Campaign targeting schools.
- Road Blocks, especially, during the festive season and Easter Holidays. These programs are aimed at dealing with drunk and driving, overload, vehicles fitness and so on.

Community Policing Forum

Richmond Municipality has functional Community Forum. The Forum meets once a month. The main aim of the Forum is to address crime in the areas of Municipality.

Stakeholders who part of the forum are;

- South African Police Services
- Municipal Traffic Police
- Councilors
- Non-Governmental Organizations
- Ward Committee members

DISASTER MANAGEMENT AND ANIMAL CONTROL

Disaster management is the function of UMgungundlovu District Municipality, Richmond Municipality's role is to provide the District with reports relating to disaster occurrences and also provide support in a small scale.

Animal control is done by the municipality security personnel with the assistance of SPCA. The Municipality has a service level agreement with SPCA for providing storage for impounded animals.

COMPONENT F: SPORTS AND RECREATION.

SPORTS AND RECREATION

The geographic spread of sport facilities within the Richmond Municipality indicates that the majority of areas have access to the sport facilities. Sport fields are found at

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Hopewell, Argosy Farm, Ndaleni, KwaGengeshe, Mzinolovu, Phatheni, Richmond Village and Nhlazuka.

On top of the above, Richmond Municipality has been involved in a number of cultural and sporting activities. The most critical event which the Municipality has participated since 1998 is SALGA Games. These games aspire to promote sound inter-Municipalities relationship and social cohesion between the Municipalities by using sport as a vehicle to forge sustainable partnership and further strengthen existing relations.

In addition to SALGA Games, the municipality has a number of programs of Sport, Art and Culture. Hereunder are some of the programs;

- Mayoral Cup;
- Promotion of School Play in Primary and High School;
- Programs aimed at developing potential of physical challenged people. For example, Richmond Riders and runners, Seven Wheel Chair Race; and
- Facilitation of Annual Reed Dance.

COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

EXECUTIVE AND COUNCIL

Municipalities in South Africa are governed by Municipal Councils. Richmond Municipal Council is therefore the governing body of the Richmond Local Municipality (RLM) and the custodian of its powers, duties and functions, both legislative and administrative. Essentially, the Council performs a legislative and executive role. The Constitution of the Republic of South Africa, 1996, Chapter 7, Section 160 (1) defines the role of the Council as being:

- a) (making) decisions concerning the exercise of all the powers and the performance of all the functions of the municipality;
- b) (electing) its chairperson;
- c) (electing) an executive committee and other committees, subject to national legislation;
- d) (employing) personnel that are necessary for the effective performance of its functions

Richmond Municipal Council is constituted by 14 elected Councillors; 7 Councillors are ward representatives and 7 represent their political parties on a proportional basis. The parties in Council are illustrated in Table below.

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Political Party	No. of Seats	No. of Wards	PR Seats
African National Congress	11	7	4
Independent	0	0	0
United Democratic Movement	0	0	0
Economic Freedom Fighter	1		1
Democratic Alliance	2	0	2
National Freedom Party	0	0	0
Inkatha Freedom Party	0	0	0
Totals	14	7	7

EMPLOYEES - COUNCIL SUPPORT SERVICE					
JOB LEVEL	YEAR 1	YEAR 0			
	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES	VACANCIES (as % of total posts)
0 to 3	0	0	0	0	0.00%
4 to 6	3	3	3	0	0.00%
7 to 9	0	0	0	0	0.00%
10 to 12	0	0	0	0	0.00%
13 to 15	0	0	0	0	0.00%
16 to 18	0	0	0	0	0.00%
19 to 20	0	0	0	0	0.00%
TOTAL	3	3	3	0	0.00%

Portfolio Committees

Richmond Municipality has four other committees which support the effective functioning of the Executive Committee. The table below shows the four different committees and their chairpersons:

FINANCIAL SERVICES

The Finance Department is responsible for the following functions:

- Income
- Consolidated Billing
- Rates

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- Sundry Debtors
- Cashiers
- Financial System Management and Control (ABAKUS)
- Expenditure Monitoring (Capital and operational)
- Payroll Management (VIP)
- Creditors
- Budget and Financial Management
- Budget Compilation and Budgetary Control
- Preparation and Distribution of Management Accounts
- Investments Management and Control
- Costing
- Annual Financial Statements
- Supply Chain Management

Overview

The Finance Department provides financial support and guidance to all other directorates within Richmond Municipality on financial matters.

The Finance department is broken down into the following components in order to fulfil its obligations to its internal structures and communities.

- Budget and Treasury Office
- Expenditure Section
- Billing Section
- Supply Chain Management Unit

Budget & Treasury Office

- Manage all accounting activities
- Manage the budget
- Manage the annual financial statements
- Financial management
- Preparation of the annual budgets
- Preparation of annual financial statements
- Budget monitoring and reporting.
- Implementation of the MFMA
- Financial accounting
- Revenue management
- Expenditure management
- Policies and By Laws
- Tariffs charges, levies and rates
- Reporting

Expenditure Section

Responsible for payment of creditors, salaries wages and allowances, asset register maintenance and grant income and expenditure as well as the insurance of all assets.

Billing

Responsible for the raising of property rates, refuse and monthly billing. The control of free basic services also forms part of this portfolio. The management and maintenance of the valuation roll is a critical part of this section in order to ensure that all properties are levied for rates.

Responsible for credit control and debt collection which includes the collection of all outstanding monies owed to council and legal action taken against debtors.

Regular reporting with regard to outstanding debtors, age analysis, write-offs and indigents.

Supply chain management unit

Responsible for the procurement of goods and services in terms of the Municipal Finance Management Act, (No 56 of 2003) which includes the Supply Chain Management Policy and Regulations. Regular meetings of all Bid Committees are managed by this unit. The maintenance of supplier's database and compliance with all relevant legislation forms an integral part of this unit.

EM PLOYEES - SUPPLY CHAIN & PROCUREMENT SERVICE					
JOB LEVEL	YEAR 1	YEAR 0			
	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES	VACANCIES (as % of total posts)
0 to 3	0	0	0	0	0.00%
4 to 6	0	0	0	0	0.00%
7 to 9	0	0	0	0	0.00%
10 to 12	2	2	2	0	0.00%
13 to 15	0	0	0	0	0.00%
16 to 18	0	0	0	0	0.00%
19 to 20	0	0	0	0	0.00%
TOTAL	2	2	2	0	0.00%

HUMAN RESOURCES

Department Overview

To provide Administrative and Human Resource support to departments aimed at improving service delivery and ensuring compliance with prescriptions. To ensure that the strategic objectives of the municipality are achieved whilst complying with all legal provisions.

Description of activity

To create an enriching working environment where the optimum of employee capabilities is received as an output so as to ensure and improve upon the delivery of services to the community in a sustainable fashion. To promote sound governance and provide administrative support and ensure that the applicable legislative mandate is adhered to in terms of sound labor practice. Creation of a reliable system of communication (internal and external), record keeping (hard copy and electronic). Implementation of the Performance Management Framework, inclusive of the signature of performance agreements, ensuring the guidelines to measuring performance are adhered to and further ensuring the participation of the local community in measuring the performance of the municipality as an institution. Facilitate the development of Ward Committees and render support to ensure that their objectives are realized.

Administration and Human Resource

Of vital importance to any organization is the administrative and human resource functions performed by a department. One of the key issues of the department is to align the organogram (staff structure) of the Richmond Municipality to meet the objectives of its Integrated Development Plan, thereby ensuring alignment to the Budget and Performance Management System.

The respective department covers a wide array of functions, from managing employee leave, reviewing policies and procedures applicable to human resources, being the face of the municipality (reception area), maintaining Councils' records, ensure the development of employee skills, support of Council structures and secretariat to Council, compliance with employment and arranging various functions.

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Strategic Objectives in line with Key Performance Area D - Institutional Transformation

Public Relations and Marketing

- Formulation of a Municipal Communications Plan to ensure that public is well informed of municipal development;
- Formulation of internal communication to ensure a structured system is available to increase output.

Organizational Structure

- Alignment of current organization structure to the Integrated Development Plan to meet its objectives and also alignment with government's policies on transformation.

Skills Development

- Undertake workplace skills audit and work towards capacitating staff to enable them to implement the IDP and establish and maintain the speedy delivery of services.
- Skills development and training

		Employees at beginning of financial year	Learner ships	Skills programs and other short courses		Other forms of training	
MM and s 57	Female	0			0		
	Male	4		5000	4400		
Councilors, senior officials and managers	Female	9		5000	4400		
	Male	11		5000	4400		
Technicians and associate	Female	3		6000	6600		
	Male	8		5000	4400		

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professionals							
Professionals	Female	1		2500	2200		
	Male	5		5000	4400		
Clerks	Female	13		5000	5141		
	Male	16		2500	2200		
Service and sales workers	Female	4		8000	12969		
	Male	18		65000	72826		
Plant and machine operators and assemblers	Female	0			0		
	Male	11			0		
Elementary occupations	Female	17		6000	8464		
	Male	36		30000	35176		
				150000	167576		

HR POLICIES AND PLANS

HR POLICIES AND PLANS				
	NAME OF POLICY	ADOPTED BY COUNCIL	REVIEWED and ADOPTED BY COUNCIL	COMMENT
1	Health and Safety	31/05/2010		
2	Uniforms and Protective Clothing	31/05/2010	Apr-12	
3	Leave	26/02/2009	Apr-12	SALGBC Collective Agreement
4	Recruitment, Selection & Appointment	26/02/2009	Apr-12	

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5	Training (Skills Development)	26/02/2009		Annual Document	WSP
6	Overtime	8/12/2009	Apr-12	SALGBC Collective Agreement	
7	Standby Allowance	8/12/2009		SALGBC Collective Agreement	
8	Staff Study Scheme	26/02/2009	31/05/2010		
			28/02/2011		
			Apr-12		
9	Acting Allowance	26/02/2009	Apr-12	SALGBC Collective Agreement	
10	HIV / AIDS	31/05/2010			
11	Gender	26/02/2009			
12	Remuneration and Salary Levels			SALGBC Collective Agreement	
13	Job Evaluation			SALGBC Collective Agreement	
14	Grievance & Disciplinary and Procedures			SALGBC Collective Agreement	
15	Employee Assistance Programme				
16	Employment Equity				
17	Performance Management	31/01/2011			
18	Code of Conduct for Employees				
19	Delegations	30/06/2008	22/07/2011		

AUDIT COMMITTEE REPORT

The Audit Committee report is attached as an Annexure.

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL EMPLOYEES TOTALS, TURNOVER AND VACANCIES

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EMPLOYEES				
DESCRIPTION	YEAR 1	YEAR 0		
	EMPLOYEES	POSTS	EMPLOYEES	VACANCIES
Council Support Service	3	3	3	0
Municipal Manager Office	3	3	3	0
LED Service	3	3	3	0
Planning & Development Service	2	2	1	1
Corporate Service	15	17	15	2
HR Service	2	2	2	0
ICT Service	2	2	2	0
Financial Service	9	9	9	0
Supply Chain & Procurement Service	2	2	2	0
Community Service	1	1	1	0
Community Facilities Service	10	10	10	0
Youth and Social Service	1	1	1	0
Library Service	6	6	6	0
Housing Service	1	1	0	1
Traffic Service	8	8	7	1
Security Service	11	11	11	0
Vehicle & Driver Licensing Service	9	9	6	3
Technical Service	7	8	7	1
Roads & Storm water Service	14	14	14	0
Parks and Gardens Service	12	12	12	0
Cleansing and Refuse Service	18	18	16	2
Cemetery Service	1	1	1	0
PMU Service	2	2	1	1

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NUMBER OF DAYS AND COST OF SICK LEAVE					
	Total Sick Leave Days	Proportion with no Medical Certificate %	Employees No.	Total Employees No.	Average Sick Leave Per Employee Days
Lower skilled (levels 1 - 3)	257	85%	30	44	5.84
Semi-Skilled (levels 4 - 5)	143	85%	14	17	8.41
Skilled (levels 6 - 10)	364	80%	37	49	7.43
Middle Management (levels 11 - 12)	113	80%	13	14	8.07
Senior Management (levels 13 - 16)	29	85%	6	8	3.63
MM and Sect 56/57	22	85%	4	4	5.50
	928	83%	104	136	6.82
	142		145	133	12

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

POLICIES INJURIES, SICKNESS AND SUSPENSIONS

PERFORMANCE REWARDS

The Municipality has a performance management policy which is linked to performance incentives. In the year under review there no performance rewards.

COMPONENT C: CAPACITATING MUNICIPAL WORKFORCE

SKILLS DEVELOPMENT AND TRAINING

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The Municipality developed a Workplace Skills Plan for the financial year under review. Budget that was allocated for this purpose during the financial was very limited, however the following training was afforded to staff and Councilors.

- IC Symposium by SIGMA IT;
- Human Resources Behavioral Competencies (PALAMA);
- Job Description Writing (SALGA)
- Fleet Management Skills;
- Firearm Training (The Gun Shoppe);
- Bid Specification Training (PALAMA);
- Municipal Finance Management Programme (DBSA);
- Registry Training (KZN Provincial Archives); and
- Arbitration Training (SALGA).

COMPONENT D: MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

EMPLOYEE EXPENDITURE

COUNCILLORS REMUNERATION AND ALLOWANCES

Major	795,913	741,225
Deputy Mayor	326,741	247,298
Speaker	333,213	294,436
Executive Committee Members	276,130	284,222
Councillors	2,930,332	2,398,394
Other Allowances (Cellular Phones, Housing, Transport, etc)	381,005	347,748
Total Councillors' Remuneration	5,043,334	4,313,323

CHAPTER 5 – FINANCIAL PERFORMANCE

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

STATEMENTS OF FINANCIAL PERFORMANCE

This refers to the Income and expenditure Statement which is contained in the Annual Financial Statements for the year under review.

GRANTS

Statement of performance on grants received from National and Provincial Government is also contained in the Annual Financial Statements for the year under review.

ASSET MANAGEMENT

The Municipality has its fixed assets policy which it uses in managing the assets.

FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Financial state of the municipality can be measured through the Liquidity Ratios and Efficiency Ratios. The liquidity ratio measures the organization's ability to meet its short term debts and the efficiency ratio measures how efficiently certain resources have been utilized within the organization.

Liquidity Ratios:

- **Current ratio:** The ratio will indicate the municipality's ability to use its short term assets (cash-on-hand, inventory and trade receivables) to meet its short term obligations (Eskom and Other Suppliers). An organization will be said to be in a positive financial state if this ratio is greater than 1. For Richmond Municipality this ration is currently sitting at **1.79** (2018) and **3.69** (2017), this means that the municipality will be in a position to cover its short term obligations more than once if it were to use its short term assets. So the municipality is financially sound.

Efficiency Ratios:

- **Debtors Collection Period:** The debtors' collection period ratio measures the period it takes for debtors to pay their bills. The longer the period the greater is the problem financial status of the organization.
- **Creditors Payment Period:** The creditor's payment period measure the time it takes for a municipality to pay its creditors. A high ratio indicates liquidity problems and an organization that is in high financial distress. The payment period recommended in terms of the MFMA is 30 days. Richmond's ratio for the current financial year is days **145.7days** compared to the **21.2days** for 2017/2018.
- **Cash Coverage Ratio:** Measures the number of times an organization can meet all its monthly operational expenditure before it can receive the next equitable share allocation or the number of months an organization can continue to operate without receiving equitable share grants. For Richmond Municipality this ratio is 4.4 times as at the end of the financial year. It means Richmond can continue to operate for a period of 4 months before its cash reserves get depleted. Therefore this Municipality is not in financial distress, this was also evidenced through the creditors' payment period shown above.

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INDICATOR	AS AT 30 JUNE 2018	AS AT 30 JUNE 2017
Liquidity		
Current ratio	1.79	3.69
Cash coverage ratio	4.40	4.90
Expenditure management		
Creditor-payment period	145.7days	21.2days
Revenue management		
Debtor-collection period (after impairment)	455.8days	992.6 days
Debtors impairment provision as a percentage of accounts receivable	55.70%	14.60%
amount of debtor's impairment provision	R34 578 226	R7 849 584
amount of accounts receivable	R62 106 205	R53 583 798
Asset and liability management		
Amount of the surplus / (deficit) for the year	(R28 168 824)	R22 043 564
Amount of the net current assets / (liability) position	R26 172 330	R58 574 349
Amount of the net asset / (liability) position	R346 578 886	R374 657 712
Cash management		
Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft)	R34 341 892	R32 099 387
Amount of net cash in / (out)flows for the year from operating activities	R24 861 143	R24 517 994
Creditors as a percentage of cash and cash equivalents	47.10%	1.90%
amount of creditors (accounts payable)	R16 173 010	R600 262
Amount of cash and cash equivalents / (bank overdraft) at year-end	R34 341 892	R32 099 387
amount of current liabilities	R33 232 518	R21 874 349
Amount of next year's budgeted income	R40 189 000	R41 683 000

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

CAPITAL EXPENDITURE

This report is contained in the annual financial statements for the year under review. It also gives comparison with prior year information.

SOURCES OF FINANCE

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The statement of the sources of finance is contained in annual financial statements for the year under review and it also gives comparative information.

CAPITAL SPENDING ON 5 LARGEST PROJECTS

The statement of the sources of finance is contained in annual financial statements for the year under review and it also gives comparative information.

BASIC SERVICES AND INFRASTRUCTURE BACKLOGS

This information is given in the demographic of the municipality above just below the Mayor's foreword.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

CASHFLOW

This report is contained in the annual financial statements for the year under review. It also gives comparison with prior year information.

BORROWINGS AND INVESTMENT

This report is contained in the annual financial statements for the year under review. It also gives comparison with prior year information.

PUBLIC PRIVATE PARTNERSHIP

There were no Public Private Partnerships during the year under review.

COMPONENT D: OTHER FINANCIAL MATTERS

SUPPLY CHAIN MANAGEMENT

An overview of supply chain management has been given in details in the preceding paragraphs.

GRAP COMPLIANCE

A statement on the compliance with GRAP standards in the preparation of the annual financial statements for the year under review has been given in the accounting policy notes of the annual financial statements.

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INTER-GOVERNMENTAL GRANTS

The Municipality is dependent of financial aid from other government spheres to finance its annual capital programme. Operating grants are utilized to finance indigent assistance and provision of free basic services

Refer to Note 17 and 27, and Appendix “F” for more detail.

EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in note 59.

EXPRESSION OF APPRECIATION

Refer to note 20.

FINANCIAL HEALTH OVERVIEW

ORGANISATIONAL DEVELOPMENT OVERVIEW

AUDITOR GENERAL REPORT 2011/2018

Richmond Municipality obtained an Unqualified Audit Opinion with 1 matter of emphasis in 2011/2012 financial year. In 2010/2011, the Municipality obtained an Unqualified Audit Opinion with no matters of emphasis (Clean Audit Report). The municipality is committed to reverting to its “Clean Audit” status it achieved in 2010/2011.

In preparing for this the municipality has improved significantly in its financial management and addressed all matters which were raised by the Auditor General in 2012/2013. In 2013/14 Richmond municipality received a clean audit

Audit Opinions for past 5 financial years

FINANCIAL YEAR	TYPE OF AUDIT OPINION	CLEAN AUDIT/MATTERS OF EMPHASIS
2009/2010	Unqualified	Emphasis of Matters

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2010/2011	Unqualified	Clean Audit
2011/2012	Unqualified	Emphasis of Matters
2012/2013	Unqualified	Emphasis of Matters
2013/2014	Unqualified	Clean Audit
2014/2015	Unqualified	Emphasis of Matters
2015/2016	Unqualified	Emphasis of Matters
2016/2017	Unqualified	Emphasis of Matters
2017/2018	Adverse	Emphasis of Matters

STATUTORY ANNUAL REPORT PROCESS

Prescribed Dates	Actions	MFMA (MSA)	Responsibility of
31 August	Submit municipality's AFS to Auditor-General	S126(1)(a)	Municipal Manager
31 October and quarterly thereafter	Auditor-General submits to Parliament and the provincial legislature names of any municipalities, which have failed or continue to fail to submit AFS	S133(2)	Auditor-General
Within three months of receiving AFS (30 November or 31 December)	Audit report returned to Municipal Manager	S126(3)	Auditor-General
On receipt of audit report	Municipality must address any issues raised by the Auditor-General and prepare action plans to address issues and include these in annual report. Provide copy of report to Audit Committee.	S131(1)	Municipal Manager. Mayor must ensure compliance by municipality.
31 January	Annual Reports of municipality and entities tabled in Council.	S127(2)	Mayor
Immediately after annual report is tabled	Annual report made public and local community invited to submit representations.	S127(5)(a) (MSA) S21A and B	Municipal Manager
Immediately after annual report is tabled	Annual report submitted to Auditor-General, relevant provincial treasury and provincial department responsible for local government in the province.	S127(5)(b)	Municipal Manager
When meetings held to discuss the annual report.	Attend meetings to respond to questions concerning the report	S129(2)(a)	Accounting Officer of municipality and entity
Following meetings to discuss the annual report	Submit copies of minutes of the meetings to the Auditor-General, provincial treasury and provincial department responsible for local government.	S129(2)(b)	Accounting Officer of municipality and entity

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Within two months of report being tabled (31 March)	Council to have considered the annual report and adopted an oversight report.	S129(1)	Council
Within seven days of adoption of oversight Report.	Make public the oversight report.	S129(3)S21A-MSA	Accounting Officer
Within seven days of adoption of oversight report	Submit to the provincial legislature, the annual report of municipality and entities and the oversight reports on those annual reports.	S132(1) & (2)	Accounting Officer
<p>Notes:</p> <ul style="list-style-type: none"> MFMA section 133 provides for consequences of non-compliance with provisions relating to the submission of AFS and tabling of annual reports. All dates shown are the latest permissible in terms of the applicable legislation, earlier compliance is preferable. 			

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council of Richmond Municipality

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

ADVERSE OPINION

1. I have audited the financial statements of the Richmond Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the financial position of the Richmond Municipality as at 30 June 2018, and its financial performance and its cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

BASIS FOR ADVERSE OPINION

REVENUE FROM NON-EXCHANGE TRANSACTIONS - GOVERNMENT GRANTS AND SUBSIDIES RECEIVED

3. The municipality recognised revenue which did not meet the definition of revenue as required by SA Standard of GRAP 23, *Revenue from non-exchange transactions*. This had a resultant impact on contracted services. I was unable to determine whether any further adjustment was necessary to government grants and subsidies received and contracted services stated at R98,16 million and R37 million in note 26 and note 34 respectively to the financial statements.

UNSPENT GRANTS AND SUBSIDIES

4. I was unable to obtain sufficient appropriate audit evidence for unspent conditional grants and receipts due to the status of the accounting records. Supporting invoices for payments made and evidence to confirm that payments made were for goods and services actually received was not provided. I could not confirm the recorded liability by alternative means. Consequently, I was unable to

determine whether any further adjustment was necessary to unspent conditional grants and receipts stated at R4,27 million in note 16. Additionally, there was a resultant impact on the accumulated surplus.

RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS- SUNDRY DEBTORS

5. I was unable to obtain sufficient appropriate audit evidence for sundry debtors and the related provision for impairment amounting to R37,57 million and R31,48 million, respectively, included in note 5 to the financial statements. Supporting documentation could not be provided for these amounts due to the status of accounting records. I was unable to confirm the sundry debtors and related provision for impairment by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the receivables from non-exchange transactions stated at R18,30 million in the financial statements.

Revenue from non-exchange transactions - property rates

6. The municipality did not account for revenue from non-exchange transactions in accordance with SA Standard of GRAP 23, *Revenue from non-exchange transactions*. Revenue from property rates was not accounted for at the fair value of the consideration received or receivable, as required by this standard. Property rates were calculated based on incorrect tariffs and market values. Consequently, property rates revenue and receivables from non-exchange transactions stated at R14,01 million and R18,30 million in note 24 and note 5, respectively to the financial statements was misstated by an unknown amount. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.

UNAUTHORISED EXPENDITURE

7. The municipality did not include all instances of unauthorised expenditure in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA. This was as a result of inadequate budget controls. I was unable to determine the full extent of this misstatement as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustments were necessary to the unauthorised expenditure stated at R67,29 million in note 41 to the financial statements.

Irregular expenditure

8. The municipality did not include all instances of irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. This was due to payments made in contravention of the supply chain management requirements. I was unable to determine the full extent of this misstatement as it was impracticable to do so. Consequently, I was unable to determine to

determine whether any further adjustments were necessary to irregular expenditure stated at R2,49 million in note 43 to the financial statements.

CAPITAL COMMITMENTS

9. The municipality did not fully disclose capital commitments in accordance with SA Standard of GRAP 17, *Property, plant and equipment*. This was due to inadequate system and process controls. I was unable to determine the full extent of this misstatement as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustments were necessary to capital commitments stated at R60 million in note 44 to the financial statements.

Context for the opinion

10. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
11. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
12. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

OTHER MATTER

13. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

14. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

RESPONSIBILITIES OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
16. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

17. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

19. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected development priority presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.
20. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general

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notice, for the following the selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2018:

Development priority	Pages in the annual performance report
Development priority 2 – basic service delivery and infrastructure development	x – x

21. The material findings in respect of the usefulness and reliability of the selected development priority are as follows:

DEVELOPMENT PRIORITY 2 – BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Various indicators

22. I was unable to obtain sufficient appropriate audit evidence for the selected development priority as the annual performance report was presented without accurate and complete underlying performance records. I was therefore unable to audit the usefulness and reliability of the reported performance information. This was due to limitations placed on the scope of my work. I was unable to audit the reported performance information for the selected development priority by alternative means.

Various indicators

23. The indicators and targets reported in the annual performance report were not consistent with the indicators and targets approved in the service delivery and budget implementation plan.

Planned Indicator	Reported Indicator	Planned target	Reported target
Percentage Stage of Completion - Multipurpose Sport Project	Percentage Stage of Completion - Multipurpose Sport Project	50%	75%

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Planned Indicator	Reported Indicator	Planned target	Reported target
Percentage of completion of small business incubation center	Percentage of completion of small business incubation center	50%	100%
Number of Youth assisted with information by the youth office.	-	3000	-
Number of Youth given access to funding opportunities.	-	3000	-
Number of Youth Capacity Building / Skills Development Workshops held	-	2 workshops	-
Date of Crime and Substance Abuse Campaign	-	30 June 2018	-
Number of work schedules implemented for maintenance of verges and grass cutting.	-	12 Work schedules	-
-	Number of work schedules signed for maintenance of public open spaces	-	12 Work schedules
-	Number of work schedules signed for grass maintenance of Municipal Premises	-	24 Work schedules
-	Number of New Households with Access	-	3300

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Planned Indicator	Reported Indicator	Planned target	Reported target
	to refuse removal as opposed to conventional ways of disposing		
-	Number of Work Schedules signed for daily refuse removal	-	48 Work Schedules
-	Number of Inspections and reports for faulty Street Lights	-	4 inspection reports to Eskom
-	Number of Work Schedules signed for garden refuse removal	-	12 Work schedules
Number of work schedules signed for digging graves at the cemetery	-	12 Reports	-
-	Number of Work-Schedules submitted for the maintenance of Vehicles	-	
Number of Layers completed for Smozomeni Tarring Project Phase 2	-	4 Layers	-
Number of Layers completed for tarring of Internal Roads in Ward 3	-	4 Layers	-

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Planned Indicator	Reported Indicator	Planned target	Reported target
Number of Layers completed for tarring of internal roads in Ward 4 Phase 1	-	1 Layers	-
-	Date of Completion for Renovation at Agricultural Hall	-	30 September 2017
-	Number of new Households with access to Refuse Removal	-	1000
-	Percentage of stage of completion for tarring of Internal Roads in Ward 3	-	50%
-	Number of connections at Ward 5-Nhlazuka	-	190
-	Date of completion of Ward 5 Electrification - Nhlazuka Phase 2	-	31 March 2018
-	Date of completion Ward1 Electrification - Mzinolovu	-	30 June 2018
-	Number of connections at Ward 1 Electrification - Mzinolovu	-	165
-	Number of connections at Ward 4 - Gingqitshe/Mandusi	-	169

Annual Report

Planned Indicator	Reported Indicator	Planned target	Reported target
	Farm Dwellers		
Percentage stage of completion of Ward 4 Electrification - Gingqitshe/Amandus Farm Dwellers	-	60%	-
-	Date of completion Ward 4 Electrification - Gingqitshe/Amandus Farm Dwellers - Gingqitshe/Amandus Farm Dwellers	-	30 June 2018
-	Date of completion in Ward 6 - Dumamanzi/Mgxobeleni /Mkomazi Farm Dwellers	-	430
-	Number of connections in Ward 6 Electrification - Dumamanzi/Mgxobeleni /Mkomazi Farm Dwellers	-	430
Percentage stage of completion of Ward 6 Electrification - Dumamanzi/Mgxobeleni/Mkomazi Farm Dwellers	-	20%	-
-	Date of Completion for Slahla Sports Field Fencing	-	30 September 2017

Annual Report

Planned Indicator	Reported Indicator	Planned target	Reported target
-	Number of new Households Electrified	-	789
-	Number of houses constructed at Siyathuthuka Phase 2	-	50 units
-	Number of houses rehabilitated at Argosy	-	50 units
-	Number of New Subsidy Houses Constructed	-	470

Various indicators

24. The targets for the indicators listed below were changed without obtaining the necessary approval.

Planned Indicator	Reported Indicator	Initial target	Revised target
Percentage Stage of Completion - Multipurpose Sport Project	Percentage Stage of Completion - Multipurpose Sport Project	50%	75%
Percentage of completion of small business incubation center	Percentage of completion of small business incubation center	50%	100%

Various indicators

Annual Report

25. The reported achievement for the following indicators and targets were not consistent with the indicators and targets approved in the service delivery budget implementation plan:

Planned indicator	Planned/ reported Target	Reported actual achievement
Number of new low cost houses constructed in Nhlazuka Housing Project	240 units	No Information
Date of Completion for Renovation at Agricultural Hall	30 September 2017	No Information
Number of new Households with access to Refuse Removal	1000	No Information
Date of completion of Ward 5 Electrification - Nhlazuka Phase 2	31 March 2018	In progress
Date of completion Ward1 Electrification - Mzinolovu	30 June 2018	In progress
Date of completion Ward 4 Electrification - Gingqitshe/Amandus Farm Dwellers- Gingqitshe/Amandus Farm Dwellers	30 June 2018	In progress
Date of Completion for Slahla Sports Field Fencing	30 September 2017	No Information
Number of new Households Electrified	789	No Information provided
Number of houses constructed at Siyathuthuka Phase 2	50 units	No Information
Number of houses rehabilitated at Argosy	50 units	No Information

Annual Report

Planned indicator	Planned/ reported Target	Reported actual achievement
Number of New Subsidy Houses Constructed	470	No Information

Various indicators

26. A comparison between the performance of the year under review and previous year for the following indicators was not included in the annual performance report.

■Number of Kilometres of Gravel Roads Maintained in All Wards ■Percentage of potholes patching on Black Top Roads ■ Percentage Stage of completion for Smozomeni Tarring Project Phase 1 ■Percentage Stage of completion for Smozomeni Tarring Project Phase 2 ■Percentage of stage of completion for tarring of Internal Roads in Ward 4 ■Number of bus shelters constructed ■Percentage of completion of small business incubation centre ■Number of new low cost houses constructed in Nhlazuka Housing Project ■Number Disaster awareness campaigns facilitated through District ■Number of New Households with Access to refuse removal as opposed to conventional ways of disposing ■Date of Completion for Renovation at Agricultural Hall ■Number of new Households with access to Refuse Removal. ■Percentage of stage of completion for tarring of Internal Roads in Ward 3 ■Date of completion of Ward 5 Electrification - Nhlazuka Phase 2 ■Date of completion Ward1 Electrification – Mzinolovu ■Date of completion in Ward 6- Dumamanzi/Mgxobeleni/Mkomazi Farm Dwellers ■Date of Completion for Slahla Sports Field Fencing ■Number of new Households Electrified ■Number of houses rehabilitated at Argosy ■Number of New Subsidy Houses Constructed ■Turnaround time in responding to Disaster incidents ■Number of houses constructed at Siyathuthuka Phase 2.

Various indicators

27. I was unable to obtain sufficient appropriate audit evidence to validate the existence of systems and processes that enable reliable reporting of actual service delivery against the indicators listed below. This was due to a lack of formal standard operating procedures. I was unable to validate the existence of systems and processes by alternative means.

■Number of Work Schedules signed for cemetery maintenance Project■Percentage Stage of Completion of Bulawayo Sports field■Percentage Stage of completion for Smozomeni Tarring Project Phase 1■Percentage Stage of completion for Smozomeni Tarring Project Phase 2■Percentage of stage of completion for tarring of Internal Roads in Ward 4 ■Percentage Stage of Completion - Multipurpose Sport Project ■Percentage of completion of small business incubation centre■Number of new low cost houses constructed in Nhlazuka Housing Project■Number of Youth assisted with information by the youth office.■Number of Youth given access to funding opportunities ■Number of Youth Capacity Building / Skills Development Workshops held ■Percentage stage of completion of Ward 4 Electrification – Gingqitshe/Amandus Farm Dwellers■Percentage stage of completion of Ward 6 Electrification – Dumamanzi/Mgxobeleni/Mkomazi Farm Dwellers ■Date of Crime and Substance Abuse Campaign.

Various indicators

28. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined method of collection to be used when measuring the actual achievement for the following indicators. This was due to a lack of technical indicator descriptions and I was unable to test whether the indicator was well-defined by alternative means.

■Percentage Stage of Completion - Multipurpose Sport Project■Percentage of completion of small business incubation centre ■Percentage Stage of Completion of Bulawayo Sports field■Percentage Stage of completion for Smozomeni Tarring Project Phase 1■Percentage Stage of completion for Smozomeni Tarring Project Phase 2■Percentage of stage of completion for tarring of Internal Roads in Ward 4■Percentage of potholes patching on Black Top Roads ■Percentage stage of completion of Ward 4 Electrification – Gingqitshe/Amandus Farm Dwellers■Percentage stage of completion of Ward 6 Electrification – Dumamanzi/Mgxobeleni/Mkomazi Farm Dwellers.

Various indicators

29. I was unable to obtain sufficient appropriate audit evidence for the achievement and the related measures taken to improve performance as reported in the annual performance report for the indicators listed below. Limitations were placed on the scope of my work as the actual level of achievement for the year was not quantified. I was unable to confirm the reported achievement and the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and the reported measures taken to improve performance.

Annual Report

Indicator	Annual target	Actual result
Number of Kilometers of Gravel Roads Maintained in All Wards.	20 Kilometers	0
Percentage Stage of Completion of Bulawayo Sports field	62%	10%
Percentage Stage of completion for Smozomeni Tarring Project Phase 2	100%	95%
Number of bus shelters constructed	12 Shelters	6 Shelters
Percentage Stage of Completion - Multipurpose Sport Project	50%	35%
Percentage of completion of small business incubation center	50%	45%
Number of new low cost houses constructed in Nhlazuka Housing Project.	240 units	No Information
Number Disaster awareness campaigns facilitated through District.	7 Campaigns	2 Campaigns
Date of Completion for Renovation at Agricultural Hall	17/09/30	No Information
Percentage of stage of completion for tarring of Internal Roads in Ward 3	50%	0
Number of houses constructed at Siyathuthuka Phase 2		50 units
Number of houses rehabilitated at Argosy		50 units

Annual Report

Indicator	Annual target	Actual result
Number of New Subsidy Houses Constructed		470

OTHER MATTER

30. I draw attention to the matter below.

ACHIEVEMENT OF PLANNED TARGETS

31. The annual performance report on pages ... to ... includes information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 22 to 29 of this report.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

32. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

33. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure, disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and the supporting records that could not be provided relating to current assets, liabilities, revenue, expenditure and disclosure items resulted in the financial statements receiving an adverse audit opinion.

35. The annual performance report for the year under review did not include the comparison with the previous financial year and measures taken to improve performance, as required by section 46 (1)(b) and (c) of the MSA.

Strategic planning and performance management

36. A performance management system was not established as required by section 38(a) of the Municipal System Act of South Africa, 2000 (Act No. 32 of 2000) and municipal planning and performance management regulation 8.

Asset management

37. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Expenditure management

38. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with procurement processes.

Revenue management

39. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

Conditional grants

40. The Integrated National Electrification Programme (INEP) grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the Dora.

Procurement and contract management

Annual Report

41. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of Municipal Supply Chain Management (MSCM) regulation 17(a) and (c).
42. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by MSCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of MSCM regulation 36(1). Similar non-compliance was also reported in the prior year.
43. Sufficient appropriate audit evidence could not be obtained that bid specifications were unbiased and allowed all potential suppliers to offer their goods or services, as required by MSCM regulation 27(2)(a). This non-compliance was identified on the selection of suppliers for the INEP grant.
44. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.

Consequence management

45. All of the unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
46. All of the irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

OTHER INFORMATION

47. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that have been specifically reported in this auditor's report.
48. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
49. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

Annual Report

the financial statements and the selected development priority presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

50. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

51. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

52. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the adverse opinion, the findings on the annual performance report the findings on compliance with legislation included in this report.

53. Leadership did not adequately oversee financial and performance reporting as well as compliance with legislation. In this regard, leadership did not ensure that effective measures were taken to ensure credible reporting and compliance with legislative requirements.

54. Senior management did not implement a proper records management over the maintenance of documents supporting financial and performance reporting as they did not fully understand the financial and performance reporting frameworks. Additionally, measures implemented to review and monitor compliance with applicable laws and regulations were inadequate resulting in material findings on compliance.

OTHER REPORTS

55. I draw attention to the following engagement conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part

of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

56. The Directorate for Priority Crime Investigation investigated an allegation of possible financial misconduct at the request of the municipality which covered the period of 1 March 2015 to 25 April 2017. The investigation resulted in criminal charges against one official.

Pietermaritzburg

4 February 2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for the selected development priority and on the municipality’s compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Richmond Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements

represent the underlying transactions and events in a manner that achieves fair presentation

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

GLOSSARY

APPENDICES

APPENDIX A – CONCILLORS ATTENDANCE AND COMMITTEE ATTENDANCE

APPENDIX B – WARD INFORMATION

APPENDIX C – DISCLOSURE OF FINANCIAL INTERESTS

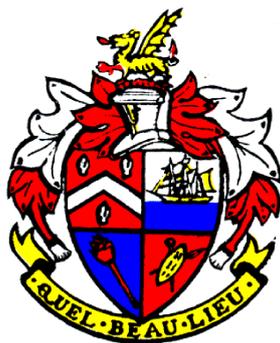
APPENDIX D – SERVICE BACKLOGS, EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

APPENDIX E - DECLARATION OF RETURNS NOT MADE IN DUE DATE AND TIME UNDER SECTION 71 OF THE MFMA

VOLUME 1 – SECTION 46 ANNUAL PERFORMANCE REPORT FOR 2017/2018

VOLUME 2 – ANNUAL FINANCIAL STATEMENTS FOR 2017/2018 (CFO)

VOLUME 3- REPORT OF THE AUDIT COMMITTEE 2017/2018 (CFO)



Richmond Local Municipality
(Registration number KZN 227)
Annual financial statements
for the year ended 30 June 2018

Richmond Local Municipality

(Registration number KZN 227)

Annual Financial Statements for the year ended 30 June 2018

General Information

The councilors listed below were as at 30 June 2018

Executive Mayor	Cllr. S.J. Mchunu
Deputy Mayor	Cllr. K.E. Mkhize (01/09/2017 to 30/06/2018)
Speaker	Cllr. S.B. Ndlovu
Member of the Executive Committee	Cllr. S.J. Mchunu
Member of the Executive Committee	Cllr. K.E. Mkhize
Member of the Executive Committee	Cllr. T.C. Madonda
Councilor	N.P. Phoswa
Councilor	B. Mbanjwa
Councilor	V. Maphumulo
Councilor	B.R. Shange
Councilor	B. Ngcongo
Councilor	M.J. Jili
Councilor	S.L. Shange
Councilor	T.C. Madonda
Councilor	S. Ngubo
Councilor	S.J. Mchunu
Councilor	N.W. Mjwara
Councilor	S.B. Ndlovu
Councilor	K.E. Mkhize
Councilor	S. Ngcobo

Chief Finance Officer (CFO)
S. Mewalall
033 212 2155
cfo@richmond.gov.za

Municipal Manager
A.B. Mnikathi
033 212 2155
mm@richmond.gov.za

Grading of local authority Category 3

Registered office
57 Shepstone Street
Richmond
3780

Postal address
Private Bag 1028
Richmond
3780

Primary bankers First National Bank

Auditors Auditor General of South Africa (AGSA)

Internal Auditors Umnotho Business Consulting

Telephone number 033 212 2155

Fax number 033 212 4183

Email address mm@richmond.gov.za

Richmond Local Municipality

(Registration number KZN 227)

Annual Financial Statements for the year ended 30 June 2018

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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

Richmond Local Municipality

(Registration number KZN 227)

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's report

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 2 - 94, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of South Africa Act No.108 of 1996, save for disclosure in said note read with the Remuneration of Public Officer Bearers Act No. 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

Accounting Officer
S. Mkhize

Richmond Local Municipality

(Registration number KZN 227)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Inventories	3	995	37,267
Receivables from exchange transactions	4	1,380,519	583,291
Receivables from non-exchange transactions	5	18,297,875	45,150,923
VAT receivable	6	5,383,565	2,578,229
Cash and cash equivalents	7	34,341,894	32,099,387
		59,404,848	80,449,097
Non-Current Assets			
Property, plant and equipment	8	328,280,189	323,351,620
Heritage assets	9	212,767	212,767
Intangible assets	10	1,077,733	1,635,457
Investment property	11	7,820,000	7,820,000
Non-current Investments	12	266	266
		337,390,955	333,020,110
Total Assets		396,795,803	413,469,207
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	25,478,694	14,719,554
Payables from non-exchange transactions	15	2,650,891	1,075,191
Unspent conditional grants and receipts	16	4,270,588	5,376,905
Operating lease liabilities	17	434,625	401,432
Current portion of long term liabilities	18	-	34,669
Current portion of employee benefit obligation	19	397,720	176,997
		33,232,518	21,784,748
Non-Current Liabilities			
Employee benefit obligation	19	10,788,346	11,189,979
Non-current provisions	13	6,196,053	5,746,769
		16,984,399	16,936,748
Total Liabilities		50,216,917	38,721,496
Net Assets		346,578,886	374,747,711
Accumulated surplus		346,578,886	374,747,711

Richmond Local Municipality

(Registration number KZN 227)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	20	3,200,546	3,297,160
Interest earned - External investments	21	2,923,111	3,900,882
Interest earned - Outstanding debtors	21	142,890	94,603
Service charges	22	999,869	487,504
Operational revenue	23	442,409	635,601
Total revenue from exchange transactions		7,708,825	8,415,750
Revenue from non-exchange transactions			
Property rates	24	14,007,456	11,328,074
Property rates - penalties imposed and collection charges	21	2,407,306	1,452,230
Licences and permits	25	715,949	725,461
Government grants and subsidies received	26	98,155,114	106,421,217
Fines	27	271,892	252,677
Total revenue from non-exchange transactions		115,557,717	120,179,659
Total revenue		123,266,542	128,595,409
Expenditure			
Employee related costs	28	(39,873,951)	(36,658,673)
Remuneration of councillors	29	(5,043,334)	(4,313,323)
Depreciation and amortisation	30	(18,216,278)	(17,382,919)
Impairment losses	31	(34,578,226)	(7,110,951)
Finance costs	32	(182,242)	(325,496)
Lease rentals on operating lease		(674,397)	(479,338)
Collection costs	33	(37,146)	(116,096)
Contracted services	34	(36,996,455)	(24,201,429)
Operational costs	36	(15,833,337)	(15,963,621)
Total expenditure		(151,435,366)	(106,551,846)
(Deficit) surplus for the year		(28,168,824)	22,043,563

Richmond Local Municipality

(Registration number KZN 227)

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	352,704,148	352,704,148
Changes in net assets		
Surplus for the year	22,043,563	22,043,563
Total changes	22,043,563	22,043,563
Balance at 01 July 2017	374,747,710	374,747,710
Changes in net assets		
Deficit for the year	(28,168,824)	(28,168,824)
Total changes	(28,168,824)	(28,168,824)
Balance at 30 June 2018	346,578,886	346,578,886

Richmond Local Municipality

(Registration number KZN 227)

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Property rates		7,613,954	9,046,467
Government grants and subsidies		96,130,300	103,994,765
Service charges		3,066,743	318,226
Interest received		2,923,111	3,900,881
Other receipts		2,985,213	(13,719,814)
		<u>112,719,321</u>	<u>103,540,525</u>
Payments			
Employee related costs		(39,873,951)	(35,958,508)
Remuneration of councillors		(5,043,334)	(4,313,323)
Interest paid		(182,242)	(325,496)
Suppliers paid		(40,519,530)	(10,329,068)
Other payments		(2,235,971)	(28,018,672)
		<u>(87,855,028)</u>	<u>(78,945,067)</u>
Net cash flows from operating activities	37	<u>24,864,293</u>	<u>24,595,458</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(22,587,123)	(38,355,390)
Purchase of other intangible assets	10	-	(1,647,420)
Purchases of heritage assets	9	-	(151,887)
Net cash flows from investing activities		<u>(22,587,123)</u>	<u>(40,154,697)</u>
Cash flows from financing activities			
Repayment of borrowings		(34,669)	(77,464)
Net increase/(decrease) in cash and cash equivalents		2,242,501	(15,636,703)
Cash and cash equivalents at the beginning of the year		32,099,387	47,736,089
Cash and cash equivalents at the end of the year	7	<u>34,341,888</u>	<u>32,099,386</u>

Richmond Local Municipality

(Registration number KZN 227)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	656,000	2,690,000	3,346,000	3,200,546	(145,454)	(1)
Interest received (external investments)	3,070,000	10,000	3,080,000	2,923,111	(156,889)	
Interest earned (debtors)	40,000	30,000	70,000	142,890	72,890	(2)
Service charges	1,070,000	-	1,070,000	999,869	(70,131)	
Operational revenue	272,000	165,000	437,000	442,409	5,409	
Total revenue from exchange transactions	5,108,000	2,895,000	8,003,000	7,708,825	(294,175)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	15,040,008	-	15,040,008	14,007,456	(1,032,552)	
Property rates - penalties imposed	850,000	-	850,000	2,407,306	1,557,306	(3)
Licences and Permits	1,082,000	(185,000)	897,000	715,949	(181,051)	
Transfer revenue						
Government grants & subsidies	84,025,000	15,960,000	99,985,000	98,155,114	(1,829,886)	
Fines	405,000	-	405,000	271,892	(133,108)	(4)
Total revenue from non-exchange transactions	101,402,008	15,775,000	117,177,008	115,557,717	(1,619,291)	
Total revenue	106,510,008	18,670,000	125,180,008	123,266,542	(1,913,466)	
Expenditure						
Personnel	(45,898,000)	2,184,000	(43,714,000)	(39,873,951)	3,840,049	(5)
Remuneration of councillors	(5,106,000)	(388,000)	(5,494,000)	(5,043,334)	450,666	
Depreciation and amortisation	(11,867,000)	(7,443,000)	(19,310,000)	(18,216,278)	1,093,722	
Impairment loss	(1,050,000)	(1,267,000)	(2,317,000)	(34,578,226)	(32,261,226)	(6)
Finance costs	(18,000)	-	(18,000)	(182,242)	(164,242)	(7)
Lease rentals on operating lease	-	-	-	(674,397)	(674,397)	
Collection costs	-	-	-	(37,146)	(37,146)	
Contracted Services	(24,275,000)	(5,793,000)	(30,068,000)	(36,996,455)	(6,928,455)	(8)
Transfers and Subsidies	(1,443,000)	-	(1,443,000)	-	1,443,000	(9)
General Expenses	(13,989,000)	(2,532,000)	(16,521,000)	(15,833,337)	687,663	(10)
Total expenditure	(103,646,000)	(15,239,000)	(118,885,000)	(151,435,366)	(32,550,366)	
Deficit before taxation	2,864,008	3,431,000	6,295,008	(28,168,824)	(34,463,832)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	2,864,008	3,431,000	6,295,008	(28,168,824)	(34,463,832)	
Reconciliation						

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Reasons for differences between budget and actual:

- (1) Largely in line with budget
- (2) During the financial year, the Municipality absorbed an additional region to provide services to. In addition to that, property rates increased due the the increase in the values of the properties
- (3) During the financial year, the Municipality absorbed an additional region to provide services to. In addition to that, property rates increased due the the increase in the values of the properties
- (4) Large reduction in the traffic fines
- (5) Staff compliment not complete
- (6) Unexpected impairment of debtor
- (7) Includes the landfill site interest.
- (8) Expenditure not all fulfilled
- (9) More subsidies could be made
- (10) In line with budget

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Accounting Policies

1. Basis of preparation

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2018 and 30 June 2017 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GRAP 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

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1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (Financial Instruments).

1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 5.2 and 6.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The assessment and considerations of useful lives are set out in Accounting Policy 8, Estimation of Useful Lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 5.2 on Intangible Assets - Subsequent Measurement, Amortisation and Impairment and Accounting Policy 10. on Inventory - Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 2, 7, 8, 9 and 10 to the Annual Financial Statements, if applicable.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, Employee Benefits - Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.2.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.8 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material

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differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a Going Concern Basis. Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 32 Service Concession Arrangement Grants
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

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

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as

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separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. 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.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years
Buildings	
Improvements	10 - 30
Infrastructure	
Electricity	5 - 30
Roads and Paving	10 - 80
Sanitation	7 - 55
Water	50
Community	
Community Facilities	15 - 30
Recreational Facilities	15 - 30
Other	
Bins and Containers	5 - 15
Computer Equipment	5 - 10
Emergency Equipment	5 - 10
Furniture and Fittings	5 - 15

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Motor Vehicles	7 - 15
Office Equipment	5 - 15
Plant and Equipment	5 - 15
Specialist Vehicles	10 - 20
Other Assets	25 - 30

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.7 Leased Assets

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.

3.8 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

4.1 Initial Recognition

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

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

4.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

4.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

5. INTANGIBLE ASSETS

5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only 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.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

5.2 Subsequent Measurement, Amortisation and Impairment

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After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a Straight-line Basis over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Asset Class	Years
Computer software	5

The assets' residual values, estimated useful lives and amortisation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

5.3 Derecognition

Intangible Assets 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 on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

6. INVESTMENT PROPERTY

6.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

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The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

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6.2 Subsequent Measurement

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 10 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets . All other assets are classified as Non-cash Generating Assets .

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-

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cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

8. ESTIMATION OF USEFUL LIVES

The municipality depreciates its assets over their estimated useful lives.

The useful life of an asset is defined as:

- The period over which an asset is expected to be available for use by a municipality; or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful life of an asset has changed. If any such indication exists, the useful life is changed.

Any change in the useful life is accounted for as Change in Estimate in accordance with GRAP 3 (Accounting Policies, Change in Accounting Estimates and Errors).

Annually the municipality considers whether there is any indication that the initial useful lives of assets need to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

- (a) The composition of the asset has changed.
- (b) The use of the asset has changed because of the following:
 - (i) The municipality has changed the manner in which the asset is used;
 - (ii) The municipality has changed the utilisation rate of the asset;
 - (iii) The municipality has made the decision to dispose of the asset during a future reporting period which results in a change in the useful life of the asset;
 - (iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset; and
 - (v) The asset was idle or retired during the current reporting period.
- (c) The asset is approaching its previously expected useful life.
- (d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (e) The asset is assessed as being impaired in accordance with the Accounting Policy 7.1 and 7.2 on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial

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The impairment of an asset is accounted for in accordance with Accounting policy 7.1 and 7.2 on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

9. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability 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.

Amortised Cost

Amortised Cost 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 Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

9.1 Financial Assets - Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the Effective Interest Rate Method less a provision for impairment.
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active

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market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial asset	Classification in terms of GRAP 104
Non-current Investments	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents - Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents - Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents - Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

9.2 Financial Liabilities - Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

9.3 Initial and Subsequent Measurement

9.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

9.3.2 Financial Liabilities:

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Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

9.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

9.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the Effective Interest Rate Method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

9.4.2 Financial Assets at Cost

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

9.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the

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municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

9.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

10. INVENTORIES

10.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

10.2 Subsequent Measurement

10.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost (the cost the municipality would incur to acquire the asset on the reporting date). The cost is determined using the weighted average cost of commodities.

Inventories distributed through a non-exchange transaction and those consumed in the production process of goods to be distributed at no or nominal cost are subsequently measured at the lower of cost and current replacement cost.

10.2.2 Other Inventories

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

11. REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

11.2.2 Rentals Received

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

11.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the Time-proportionate Basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

11.2.4 Tariff Charges

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

11.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

11.2.6 Sale of Goods (including Houses)

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

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

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11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

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

11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

11.3.3 Public Contributions

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

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11.3.4 Government Grants and Receipts

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

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

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

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11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFIT LIABILITIES

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for nonaccumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

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13.2.1 Defined Contribution Plans

A Defined Contribution Plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A Defined Benefit Plan is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. 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), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

14. LEASES

14.1 Classification

Leases are classified as Finance Leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as Operating Leases.

14.2 The Municipality as Lessee

14.2.1 Finance Leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred.

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

14.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

14.3 The Municipality as Lessor

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from Operating Leases is recognised on a Straight-line Basis over the term of the relevant lease.

14.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as

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payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the municipality that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

All borrowing costs are treated as an expense in the period in which they are incurred.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

18. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the

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

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

22. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

24. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- 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.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

25. RELATED PARTIES

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, Mayor, Executive

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Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

26. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

27. COMPARATIVE INFORMATION

27.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

27.2 Prior Year Comparatives

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

27.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2017 to 30 June 2018.

1.1 Investment property

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

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

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

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

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.

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

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

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1.1 Investment property (continued)

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

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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1.2 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

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

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1.2 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

1.3 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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1.3 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.4 Heritage assets

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

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

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

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

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

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

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

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

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

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1.4 Heritage assets (continued)

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

1.5 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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).

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1.5 Financial instruments (continued)

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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1.5 Financial instruments (continued)

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.6 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

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

Operating leases - lessee

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

1.7 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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1.7 Inventories (continued)

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

1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

1.9 Share capital / contributed capital

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

1.10 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.10 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

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

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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1.11 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 51.

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

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

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

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

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

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

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

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1.12 Borrowing costs

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

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

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2. General Information

Richmond Local Municipality (the municipality) is a local government institution in Richmond, Kwa-Zulu Natal Province, and is one of six local municipalities under the jurisdiction of the uMgungundlovu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

3. Inventories

Consumables	995	37,267
Total inventories	995	37,267

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of Inventories recognised as an expense during the period was R36 272 (2017: R98 162).

No Inventories have been pledged as collateral for Liabilities of the municipality.

4. Receivables from exchange transactions

Gross balances

Refuse	1,218,586	448,484
Other receivables	1,057,550	693,980
	2,276,136	1,142,464

Less: Provision for impairment

Refuse	(672,362)	(253,400)
Other receivables	(223,254)	(305,773)
	(895,616)	(559,173)

Net balance

Refuse	546,223	195,084
Other receivables	834,296	388,207
	1,380,519	583,291

Other Receivables include outstanding debtors for various other services, e.g. Deposits, Interest, Rentals and Sundry Services like Dumping Fees, Impounding Fees, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The municipality receives applications that it processes. There are no consumers who represent more than 5% of the total balance of Receivables.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

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4. Receivables from exchange transactions (continued)

4.1 Ageing of receivables from exchange transactions

As at 30 June 2018	Current 0 - 30 Days	31 - 60 Days	Past Due 61 - 90 Days	+90 Days	Total
Refuse:					
Gross Balances	196,936	72,384	73,528	875,739	1,218,587
Less: Provision for impairment	-	-	-	(672,362)	(672,362)
Net balances	196,936	72,384	73,528	203,377	546,225
Other Receivables					
Gross Balances	510,708	2,849	44,526	499,467	1,057,550
Less: Provision for impairment	-	-	-	(223,254)	(223,254)
Net balances	510,708	2,849	44,526	276,213	834,296
All Receivables					
Gross Balances	707,644	75,233	118,054	1,375,206	2,276,137
Less: Provision for impairment	-	-	-	(895,616)	(895,616)
Net balances	707,644	75,233	118,054	479,590	1,380,521

As at 30 June Receivables of R672 875 were past due but not impaired. The age analysis of these Receivables are as follows:

As at 30 June 2018	Current 0 - 30 Days	31 - 60 Days	Past Due 61 - 90 Days	+90 Days	Total
All Receivables					
Gross Balances	-	75,233	118,054	479,588	672,875
As at 30 June 2017					
Refuse:					
Gross Balances	15,533	24,802	20,138	388,012	448,485
Less: Provision for impairment	-	-	-	(253,400)	(253,400)
Net balances	15,533	24,802	20,138	134,612	195,085
Other Receivables					
Gross Balances	(225,981)	55,747	27,687	836,528	693,981
Less: Provision for impairment	-	-	-	(305,773)	(305,773)
Net balances	(225,981)	55,747	27,687	530,755	388,208

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4. Receivables from exchange transactions (continued)

4.2 Summary of receivables from exchange transactions by customer classification

As at 30 June 2018

	Household	Industrial / Commercial	National and Provincial Government	Other
	R	R	R	R
<i>Current:</i>				
0 - 30 Days	415,032	43,828	229,015	19,769
<i>Past Due:</i>				
31 - 60 Days	64,798	8,978	1,153	304
61 - 90 Days	101,809	8,637	1,136	6,472
+90 Days	815,960	140,215	39,455	379,575
Subtotal	1,397,599	201,658	270,759	406,120
Less: Provision for Impairment	(705,357)	(123,685)	-	(66,574)
Total Trade Receivables by Customer Classification	692,242	77,973	270,759	339,546

As at 30 June 2017

	Household	Industrial / Commercial	National and Provincial Government	Other
	R	R	R	R
<i>Current:</i>				
0 - 30 Days	14,758	16,720	(231,327)	(10,598)
<i>Past Due:</i>				
31 - 60 Days	55,500	10,102	12,680	2,267
61 - 90 Days	28,719	4,259	12,680	2,166
+90 Days	656,384	108,218	331,421	128,516
Subtotal	755,361	139,299	125,454	122,351
Less: Provision for Impairment	(471,601)	(85,271)	-	(2,301)
Total Trade Receivables by Customer Classification	283,760	54,028	125,454	120,050

4.3 Reconciliation of the provision for impairment

Balance at beginning of year	559,173	443,185
Impairment Losses recognised	418,962	115,988
Impairment Losses reversed	(82,519)	-
Amounts written off as uncollectable	-	-
Balance at end of year	895,616	559,173

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

4.4 Ageing of impaired receivables from exchange transactions

<i>Current:</i>		
0 - 30 Days	-	-
<i>Past Due:</i>		
31 - 60 Days	-	-
61 - 90 Days	-	-
+90 Days	895,616	559,173
Total	895,616	559,173

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4. Receivables from exchange transactions (continued)		
4.5 Derecognition of financial assets		
No Financial Assets have been transferred to other parties during the year.		
5. Receivables from non-exchange transactions		
Gross Balances		
Assesment rates debtors	22,106,898	13,163,200
Payments made in advance	3,804	3,458
Accruals	150,715	414,688
Sundry debtors	37,566,540	38,857,876
Suspense accounts	2,112	2,112
	59,830,069	52,441,334
Less: Provision for impairment		
Assesment rates debtors	(10,054,454)	(7,065,705)
Payments made in advance	-	-
Accruals	-	-
Sundry debtors	(31,477,740)	(224,706)
Suspense accounts	-	-
	(41,532,194)	(7,290,411)
Net Balances		
Assesment rates debtors	12,052,444	6,097,495
Payments made in advance	3,804	3,458
Accruals	150,715	414,688
Sundry debtors	6,088,800	38,633,170
Suspense accounts	2,112	2,112
Total receivables from non-exchange transactions	18,297,875	45,150,923

Sundry Deposits are in respect of cash deposits made to Caltex for the supply of fuel and uMgungundlovu District Municipality for the supply of water.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

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5. Receivables from non-exchange transactions (continued)

5.1 Ageing of receivables from non-exchange transactions

As at 30 June 2018	Current 0 - 30 Days	31 - 60 Days	Past Due 61 - 90 Days	+90 Days	Total
Assessment rates					
Gross Balances	1,753,530	741,501	1,131,700	18,480,166	22,106,897
Less: Provision for impairment	-	-	-	(10,054,454)	(10,054,454)
Net balances	1,753,530	741,501	1,131,700	8,425,712	12,052,443
Payments made in advance:					
Gross Balances	3,804	-	-	-	3,804
Accruals:					
Gross Balances	150,715	-	-	-	150,715
Sundry Debtors:					
Gross Balances	258,532	-	-	37,308,008	37,566,540
Less: Provision for impairment	-	-	-	(31,477,740)	(31,477,740)
Net balances	258,532	-	-	5,830,268	6,088,800
Suspense Accounts:					
Gross Balances	-	-	-	2,112	2,112
All Receivables					
Gross Balances	2,166,581	741,501	1,131,700	55,790,286	59,830,068
Less: Provision for impairment	-	-	-	(41,532,194)	(41,532,194)
Net balances	2,166,581	741,501	1,131,700	14,258,092	18,297,874

As at 30 June 2018 Receivables of R16 131 293 were past due but not impaired. The age analysis of these Receivables are as follows:

All receivables	31 - 60 Days	Past Due 61 - 90 Days	+90 Days	Total
Gross Balances	741,501	1,131,700	14,258,092	16,131,293

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5. Receivables from non-exchange transactions (continued)

As at 30 June 2017	Current		Past Due		Total
	0 - 30 Days	31 - 60 Days	61 - 90 Days	+90 Days	
Assessment rates					
Gross Balances	(1,841,802)	323,062	233,474	14,448,466	13,163,200
Less: Provision for impairment	-	-	-	(7,065,705)	(7,065,705)
Net balances	(1,841,802)	323,062	233,474	7,382,761	6,097,495
Payments made in advance:					
Gross Balances	3,458	-	-	-	3,458
Accruals:					
Gross Balances	414,688	-	-	-	414,688
Sundry deposits:					
Gross Balances	27,084	-	-	-	27,084
Sundry Debtors:					
Gross Balances	38,830,792	-	-	-	38,830,792
Less: Provision for impairment	(224,706)	-	-	-	(224,706)
Net balances	38,606,086	-	-	-	38,606,086
Suspense Accounts:					
Gross Balances	2,112	-	-	-	2,112

As at 30 June Receivables of R7 939 297 were past due but not impaired.

All Receivables	Current		Past Due		Total
	0 - 30 Days	31 - 60 Days	61 - 90 Days	+90 Days	
Gross Balances	37,436,332	323,062	233,474	14,448,466	52,441,334
Less: Provision for impairment	(224,706)	-	-	(7,065,705)	(7,290,411)
Net balances	37,211,626	323,062	233,474	7,382,761	45,150,923

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5. Receivables from non-exchange transactions (continued)

5.2 Summary of assessment rates debtors by customer classification

As at 30 June 2018

	Household	Industrial / Commercial	National and Provincial Government	Other
	R	R	R	R
<i>Current:</i>				
0 - 30 Days	636,177	132,073	95,040	890,240
<i>Past Due:</i>				
31 - 60 Days	309,112	72,790	99,458	260,141
61 - 90 Days	347,024	75,790	407,030	301,856
+90 Days	5,898,765	1,219,168	4,224,396	7,137,837
Subtotal	7,191,078	1,499,821	4,825,924	8,590,074
Less: Provision for Impairment	(4,837,927)	(1,115,695)	-	(4,100,832)
Total Trade Receivables by Customer Classification	2,353,151	384,126	4,825,924	4,489,242

As at 30 June 2017

	Household	Industrial / Commercial	National and Provincial Government	Other
	R	R	R	R
<i>Current:</i>				
0 - 30 Days	(200,660)	(24,317)	-	(1,616,825)
<i>Past Due:</i>				
31 - 60 Days	136,162	49,772	4,216	132,912
61 - 90 Days	120,312	41,724	4,216	67,223
+90 Days	4,613,667	1,083,172	3,060,229	5,691,398
Subtotal	4,669,481	1,150,351	3,068,661	4,274,708
Less: Provision for Impairment	(4,130,348)	(977,887)	-	(1,957,470)
Total Trade Receivables by Customer Classification	539,133	172,464	3,068,661	2,317,238

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5. Receivables from non-exchange transactions (continued)		
5.3 Reconciliation of the provision for impairment		
Balance at beginning of year	7,290,411	6,307,735
Impairment Losses recognised	34,241,783	1,307,673
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	(324,997)
Balance at end of year	41,532,194	7,290,411

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

5.4 Ageing of impaired receivables

<u>Current:</u>		
0 - 30 days	-	-
<u>Past due:</u>		
31 - 60 days	-	-
61 - 90 days	-	-
+ 90 days	41,532,194	7,290,411
Total	41,532,194	7,290,411

6. VAT receivable

VAT Receivable	5,383,565	2,578,229
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. Cash and cash equivalents

Current investments	14,022,370	31,292,496
Bank accounts	20,316,324	803,691
Cash and cash equivalents	3,200	3,200
Total bank, cash and cash equivalents	34,341,894	32,099,387

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current investment deposits

Call deposits	14,022,370	31,292,496
Total current investment deposits	14,022,370	31,292,496

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7. Cash and cash equivalents (continued)

The Municipality has the following bank accounts:

Call Deposits:

	Bank Statement Balance		Cashbook / Ledger Balance	
	2018 R	2017 R	2018 R	2017 R
Call Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 613 5600 2695:				
Balance at beginning of year	7,090	60,008	7,090	60,008
Balance at end of year	530,991	7,090	530,991	7,090
Housing Operating Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 621 3447 3280:				
Balance at beginning of year	293,019	275,173	293,019	275,173
Balance at end of year	310,982	293,019	310,982	293,019
Financial Management Grant Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 622 4181 7537:				
Balance at beginning of year	-	130,162	-	130,162
Balance at end of year	1,900,000	-	1,900,000	-
Library Grant Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 623 3852 5928:				
Balance at beginning of year	-	316,233	-	316,233
Balance at end of year	-	-	-	-
Municipal Infrastructure Grant Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 622 9962 9116:				
Balance at beginning of year	-	279,972	-	279,972
Balance at end of year	1,282	-	1,282	-
Municipal Systems Integration Grant Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 622 4181 7727:				
Balance at beginning of year	-	272,540	-	272,540
Balance at end of year	-	-	-	-
Patheni Housing Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 621 1717 0407:				
Balance at beginning of year	194,281	182,449	194,281	182,449
Balance at end of year	206,266	194,281	206,266	194,281

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7. Cash and cash equivalents (continued)				
	Bank Statement Balance	Cashbook / Ledger Balance		
	2018	2017	2018	2017
	R	R	R	R
Siya Phase II Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 621 7617 4383:				
Balance at beginning of year	366,171	343,870	366,171	343,870
Balance at end of year	388,843	366,171	388,843	366,171
Zwelethu Housing Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 621 5568 2844:				
Balance at beginning of year	431,935	405,630	431,935	405,630
Balance at end of year	458,591	431,935	458,591	431,935
Call Account:-				
Nedbank - City Branch, Durban - Account Number 03/7165013946/00028/29/30:				
Balance at beginning of year	30,000,000	45,000,000	30,000,000	45,000,000
Balance at end of year	10,225,415	30,000,000	10,225,415	30,000,000

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4 % to 7 % (2017: 0,50% to 7,86%) per annum.

Deposits attributable to Unspent Conditional Grants	4,270,588	5,376,905
Deposits attributable to Creditors	-	11,766,007
Deposits attributable to Current Provisions	397,720	176,997
Deposits attributable to Rehabilitation of Landfill Site	6,196,053	5,746,769
Deposits attributable to Long-service Awards	2,033,983	1,849,191
Deposits attributable to Retirement Benefits	1,124,026	6,376,626
Total Deposits attributable to Commitments of the Municipality	14,022,370	31,292,495

7.2 Bank accounts

Cash in bank	20,316,324	803,691
Total bank accounts	20,316,324	803,691

The Municipality has the following bank accounts:

Primary Bank Account

First National Bank - Richmond Branch, Richmond - Account Number 535 6532 2104:

Cash book balance at beginning of year	803,691	466,851
Cash book balance at end of year	20,316,324	803,691

Bank statement balance at beginning of year	803,691	466,851
Bank statement balance at end of year	20,316,324	803,691

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

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7. Cash and cash equivalents (continued)

7.3 Cash and cash equivalents

Cash floats and advances	3,200	3,200
Total Cash on hand in Cash Floats, Advances and Equivalents	3,200	3,200

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

8. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	60,746,733	-	60,746,733	60,746,733	-	60,746,733
Buildings	33,951,613	(12,574,802)	21,376,811	33,951,613	(11,661,363)	22,290,250
Plant and machinery	5,059,290	(4,442,032)	617,258	4,988,339	(4,317,661)	670,678
Furniture and fixtures	1,928,274	(1,194,241)	734,033	1,928,274	(1,007,513)	920,761
Motor vehicles	13,563,892	(2,831,618)	10,732,274	13,563,892	(2,276,506)	11,287,386
Office equipment	4,834,989	(3,066,556)	1,768,433	4,608,634	(2,342,624)	2,266,010
Infrastructure	286,218,283	(102,306,410)	183,911,873	272,138,103	(90,418,525)	181,719,578
Community	66,921,623	(18,530,301)	48,391,322	58,711,985	(15,292,264)	43,419,721
Leased infrastructure	242,307	(240,855)	1,452	242,307	(211,804)	30,503
Total	473,467,004	(145,186,815)	328,280,189	450,879,880	(127,528,260)	323,351,620

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Land	60,746,733	-	-	60,746,733
Buildings	22,290,250	-	(913,438)	21,376,812
Plant and machinery	670,679	70,950	(124,371)	617,258
Furniture and fixtures	920,761	-	(186,728)	734,033
Motor vehicles	11,287,386	-	(555,112)	10,732,274
Office equipment	2,266,010	226,355	(723,932)	1,768,433
Infrastructure	181,719,578	14,080,180	(11,887,885)	183,911,873
Community	43,419,721	8,209,638	(3,238,037)	48,391,322
Leased infrastructure	30,503	-	(29,050)	1,453
	323,351,621	22,587,123	(17,658,553)	328,280,191

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	60,746,733	-	-	-	60,746,733
Buildings	21,322,436	2,581,017	(904,323)	(708,880)	22,290,250
Plant and machinery	2,555,985	88,734	(546,507)	(1,427,534)	670,678
Furniture and fixtures	1,064,429	84,907	(192,872)	(35,702)	920,762
Motor vehicles	9,216,012	2,746,320	(504,880)	(170,065)	11,287,387
Office equipment	1,426,606	1,504,955	(557,885)	(107,667)	2,266,009
Infrastructure	165,886,563	28,694,246	(11,490,593)	(1,370,638)	181,719,578
Community	45,693,121	2,655,211	(3,061,805)	(1,866,806)	43,419,721
Leased infrastructure	120,291	-	(89,788)	-	30,503
	308,032,176	38,355,390	(17,348,653)	(5,687,292)	323,351,621

Other movements of Property, Plant and Equipment are in respect of Work-in-Progress completed and transferred to Cost.

The leased Property, Plant and Equipment is secured as set out in Note 18.

8.1 Gross carrying amount of property, plant and equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

8.2 Carrying amount of property, plant and equipment retired from active use and not classified as a discontinued operation

No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.

8.3 Assets pledged as security

The municipality's obligations under Finance Leases (see Note 18) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

8.4 Impairment of property, plant and equipment

Impairment Losses on Property, Plant and Equipment to the amount of R 0 (2017: R 5 687 289) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 31.

Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.

The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has only been partially impaired as it still in use.

8.5 Change in estimate - useful life of property, plant and equipment reviewed

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:

Sport and recreation	-	1,865,949
Total change in estimate for useful life of property, plant and equipment	-	1,865,949

8.6 Land and buildings carried at fair value

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8. Property, plant and equipment (continued)

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

8.7 Work-in-progress

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

Buildings	1,554,002	1,554,002
Infrastructure: Roads	16,980,236	24,897,945
Community Assets: Recreational Facilities	11,140,576	3,517,418
Total Carrying Amounts of Work-in-Progress	29,674,814	29,969,365

2018	Opening balance	Additions	Transferred out	Closing balance
Buildings	1,554,002	-	-	1,554,002
Infrastructure	24,897,945	14,080,179	(21,997,887)	16,980,237
Community	3,517,418	8,209,638	(586,481)	11,140,575
	29,969,365	22,289,817	(22,584,368)	29,674,814

2017	Opening balance	Additions	Transferred out	Closing balance
Buildings	(485,198)	2,581,017	(541,817)	1,554,002
Infrastructure	4,125,908	28,760,556	(7,988,519)	24,897,945
Community	1,124,567	2,655,211	(262,360)	3,517,418
	4,765,277	33,996,784	(8,792,696)	29,969,365

8.8 Delayed projects

No projects that are currently in progress are experiencing significant delays or were halted.

8.9 Expenditure incurred to repair and maintain

Cost incurred for the repair and maintenance of property, plant and equipment as disclosed in note 34 are as follows:

	2018	2017
Maintenance of Buildings and facilities	81,178	364,035
Maintenance of Equipment	1,298,266	1,815,887
Maintenance of Other assets	1,563,651	814,196
	2,943,095	2,994,118

9. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Cultural buildings	57,880	-	57,880	57,880	-	57,880
Municipal jewellery	154,887	-	154,887	154,887	-	154,887
Total	212,767	-	212,767	212,767	-	212,767

Reconciliation of heritage assets 2018

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9. Heritage assets (continued)

	Opening balance	Total
Cultural buildings	57,880	57,880
Municipal jewellery	154,887	154,887
	212,767	212,767

Reconciliation of heritage assets 2017

	Opening balance	Additions	Total
Cultural buildings	57,880	-	57,880
Municipal jewellery	3,000	151,887	154,887
	60,880	151,887	212,767

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

9.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

9.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

9.3 Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

9.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays or were halted.

10. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,635,457	(557,724)	1,077,733	1,730,594	(95,137)	1,635,457

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	1,635,457	(557,724)	1,077,733

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10. Intangible assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	22,303	1,647,420	(34,266)	1,635,457

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

10.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

10.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

10.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10.4 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

10.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

11. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	7,820,000	-	7,820,000	7,820,000	-	7,820,000

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	7,820,000	7,820,000

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11. Investment property (continued)

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	7,820,000	7,820,000

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	2,210,245	2,584,432
Direct Operating Expenses - incurred to generate rental revenue	2,420,660	2,660,295

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

11.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

11.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

11.3 Work-in-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

11.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

11.5 Expenditure incurred to Repair and Maintain

No specific costs included in the amount of Repairs and Maintenance disclosed in Note 35 were incurred by municipality during the reporting period on Investment Property.

12. Non-current Investments

Unlisted

Unlisted Shares	266	266
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Total Investments

All Investments	266	266
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Total Non-current Investments

	266	266
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Council's valuation of Unlisted Investments

Unlisted Shares	266	266
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Unlisted Investments comprise the following:

(i) Unlisted Shares are investments in shares of NCT Forestry Co-operative Limited with no specific maturity dates or interest rates.

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13. Non-current provisions

Reconciliation of non-current provisions - 2018

	Opening Balance	Additions	Change in discount factor	Total
Rehabilitation of Land-fill Sites	5,746,769	667,952	(218,668)	6,196,053

Reconciliation of non-current provisions - 2017

	Opening Balance	Additions	Change in discount factor	Total
Rehabilitation of Land-fill Sites	5,524,675	461,738	(239,644)	5,746,769

13.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur licencing and rehabilitation costs of R6 196 053 (2017: R 5 746 769) to restore the sites at the end of its useful life, estimated to be in 2020. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

14. Payables from exchange transactions

Trade creditors and accruals	16,173,010	600,262
Payments received in advanced	932,305	-
Retentions	4,908,432	2,652,291
Other creditors	37,692	8,513,451
Leave accrual	3,427,255	2,953,550
Total Payables	25,478,694	14,719,554

The average credit period on purchases is 30 (2017: 30) days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been renegotiated by the municipality.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

15. Payables from non-exchange transactions

Payments received in Advance	2,650,891	835,734
Suspense Accounts	-	210,130
Sundry Deposits	-	29,327
Total Payables	2,650,891	1,075,191

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been renegotiated by the municipality.

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16. Unspent conditional grants and receipts

Conditional grants from government

Unspent conditional grants and receipts

Provincial Government Grants	4,222,768	5,329,085
Local Government Grants	47,820	47,820
Total Conditional Grants and Receipts	4,270,588	5,376,905

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 26 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

17. Operating lease liabilities

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	401,432	367,234
Operating Lease expenses recorded	44,259	44,259
Operating Lease payments effected	(11,066)	(10,061)
Total Operating Lease Liabilities	434,625	401,432

17.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 40 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

17.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Land:

Up to 1 year	44,259	44,259
2 to 5 years	177,037	177,037
More than 5 years	1,032,716	1,076,974
Total Operating Lease Arrangements	1,254,012	1,298,270

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	(11,066)	10,061
Total Operating Lease Expenses	11,066	(10,061)

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Land

The following restrictions have been imposed on the municipality in terms of the lease agreements on Land:

- The land shall remain the property of the lessor.
- The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the land.
- The land shall be returned in good order and condition to the lessor upon termination of the agreement.

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18. Long-term liabilities

Finance Lease Liabilities	-	34,669
Less: Current Portion transferred to Current Liabilities:	-	(34,669)
Total Long-term Liabilities (Neither past due, nor impaired)	-	-

18.1 Summary of Arrangements

The Finance lease liabilities was paid off in the current year . The effective interest rate on Finance Leases was 30,43% (2017: 48,13%). Capitalised Lease Liabilities are secured over the items of equipment leased.

18.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases related to Property, Plant and Equipment with lease terms not more than 3 years. The effective interest rate on Finance Leases was 30,43% (2017: 48,13%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

Amounts payable under finance leases:	Minimum Lease Payments Present Value of Minimum Lease Payments			
	2018 R	2017 R	2018 R	2017 R
Within one year	-	38,186	-	38,186
In Second to fifth years, inclusive	-	-	-	-
Over five years	-	-	-	-
	-	38,186	-	38,186
Less: Future Finance Obligations	-	(3,517)	-	(3,517)
	-	34,669	-	34,669
Less: Amounts due for settlement within 12 months (Current Portion)			-	(34,669)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			-	-

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

Included in these classes are the following significant leases:

(i) Ericson Switchboard and Photocopiers		
- Instalments are payable quarterly in advance	-	38,186
- Average period outstanding		4 months
- Average effective interest rate		48.13%
- Average monthly instalment	-	1,909.28

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19. Employee benefit liabilities

Post-Retirement Medical Obligation	8,893,849	9,340,788
Long Service Awards	2,292,217	2,026,188
Total employee benefit liabilities	11,186,066	11,366,976

Non-current portion

Post-Retirement Medical Obligation	8,754,363	9,340,788
Long Service Awards	2,033,983	1,849,191
	10,788,346	11,189,979

Current liability portion

Post-Retirement Medical Plan Obligation	139,486	-
Long service award	258,234	176,997
	397,720	176,997

19.1 Post-retirement Health Care Benefits Liability

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Notes to the Annual Financial Statements

19. Employee benefit liabilities (continued)

Balance at beginning of year	9,482,199	8,863,414
Contributions to Provision	650,280	629,521
Expenditure incurred	(1,238,630)	(10,736)
Balance at end of year	8,893,849	9,482,199
Transfer to Current Provisions	(139,486)	(141,411)
Total Post-retirement Health Care Benefits Liability	8,754,363	9,340,788

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions 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 operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by One Pangea, 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.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	69	69
In-service Non-members (Employees)	65	65
Continuation Members (Retirees, widowers and orphans)	5	5
Total Members	139	139

The liability in respect of past service has been estimated as follows:

In-service Members	3,073,959	4,319,912
In-service Non-members	3,373,182	2,841,981
Continuation Members	2,446,708	2,320,307
Total Liability	8,893,849	9,482,200

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2018 is estimated to be R650 280, whereas the cost for the ensuing year is estimated to be R708 298 (30 June 2017: R654 706 and R650 280 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	10.69 %	9.94 %
Health Care Cost Inflation Rate	8.47 %	8.22 %
Net Effective Discount Rate	2.05 %	1.59 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	9,482,199	8,985,286
Current service costs	650,280	654,706
Interest cost	935,878	856,947
Benefits paid	(141,411)	(132,608)

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19. Employee benefit liabilities (continued)

Actuarial losses / (gains)	(2,033,097)	(882,131)
	8,893,849	9,482,200

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	8,754,363	9,482,200
Unfunded Accrued Liability	8,754,363	9,482,200
Total Benefit Liability	8,754,363	9,482,200

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	650,280	654,706
Interest cost	935,878	856,947
Actuarial losses / (gains)	(2,033,097)	(882,131)
	(446,939)	629,522

The history of experienced adjustments is as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Present Value of Defined Benefit Obligation	2,292,217	8,893,949	9,482,199	8,985,286	7,828,571
Deficit	3,804,326	10,406,058	10,060,187	8,978,166	7,550,485
Experienced adjustments on Plan Liabilities	1,512,109	1,512,109	577,988	(7,120)	(278,086)

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	345,035	415,200
Effect on the defined benefit obligation	1,462,863	2,059,266

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(252,858)	(309,500)
Effect on the defined benefit obligation	(2,037,574)	(1,592,324)

The municipality expects to make a contribution of R1 512 109 (2017: R1 586 158) to the Defined Benefit Plans during the next financial year.

19.2 Long Service Awards Liability

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Notes to the Annual Financial Statements

19. Employee benefit liabilities (continued)

Balance at beginning of year	1,884,777	1,626,815
Contributions to Provision	407,440	257,962
Balance at end of year	2,292,217	1,884,777
Transfer to Current Provisions	(258,234)	(35,586)
Total Long Service Awards Liability	2,033,983	1,849,191

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the longservice based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Arch Actuarial Consulting, 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.

At year end, 137 (2017: 134) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2018 is estimated to be R182 000, whereas the cost for the ensuing year is estimated to be R274 653 (30 June 2017: R249 610 and R182 000 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.92 %	9.30 %
Cost Inflation Rate	6.57 %	7.15 %
Net Effective Discount Rate	2.21 %	2.01 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	1,884,777	1,681,524
Current service costs	182,000	249,610
Interest cost	173,630	146,363
Benefits paid	(35,586)	(54,709)
Actuarial losses / (gains)	87,396	(138,011)
	2,292,217	1,884,777

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2,292,217	1,884,777
Unfunded Accrued Liability	2,292,217	1,884,777
Total Benefit Liability	2,292,217	1,884,777

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	182,000	249,610
Interest cost	173,630	146,363
Actuarial losses / (gains)	87,396	(138,011)
Total Post-retirement Benefit included in Employee Related Costs	443,026	257,962

The history of experienced adjustments is as follows:

	2018	2017	2016	2015	2014
	R	R	R	R	R
Present Value of Defined Benefit Obligation	2,292,217	1,884,777	1,681,524	1,537,519	1,318,993

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19. Employee benefit liabilities (continued)

Deficit	2,413,855	1,869,628	1,704,741	1,527,291	1,445,362
Experienced adjustments on Plan Liabilities	121,638	(15,149)	23,217	(10,228)	126,369

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	13,181	14,680
Effect on the defined benefit obligation	598,734	173,409

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(14,680)	(13,181)
Effect on the defined benefit obligation	360,970	(150,658)

The municipality expects to make a contribution of R274 653 (2017: R355 630) to the Defined Benefit Plans during the next financial year.

20. Rental of facilities and equipment

Rental Revenue from Amenities	5,930	6,000
Rental Revenue from Buildings	601,900	584,625
Rental Revenue from Halls	195,701	49,746
Rental Revenue from Land	2,210,245	2,584,432
Rental Revenue from Other Facilities	186,770	72,357
Total Rental of Facilities and Equipment	3,200,546	3,297,160

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

21. Interest earned

Property Rates:

Interest / Penalties Raised	2,407,306	1,452,230
	2,407,306	1,452,230

External Investments:

Bank Account	110,184	58,407
Investments	2,812,930	3,842,475
	2,923,114	3,900,882

Outstanding Debtors:

Outstanding Billing Debtors	142,890	94,603
	142,890	94,603

Total Interest Earned

5,473,310	5,447,715
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22. Service charges

Refuse Removal	999,869	487,504
Total Service Charges	999,869	487,504

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23. Operational revenue

Building Plan Fees	83,371	40,079
Cemetary fees	89,446	76,062
Insurance claims	-	158,878
Prints	9,419	10,605
Refuse dump fees	-	21,694
Reimbursement of Expenditure	-	130,513
SETA Refunds	60,661	57,774
Tender documents	113,265	67,595
Town planning fees	1,043	1,988
Sundry income	85,204	70,413
Total Operational Revenue	442,409	635,601

24. Property rates

	June 2018 R'000	June 2017 R'000	2018	2017
Agricultural Properties	2,367,337	1,088,565	4,065,117	2,034,732
Commercial	233,484	171,822	2,625,951	1,485,803
Residential	456,773	349,024	3,904,069	1,697,773
State	466,377	308,087	2,304,176	4,502,271
Other	198,777	209,565	1,108,143	1,607,495
Total Property Rates	3,722,748	2,127,063	14,007,456	11,328,074

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2017.

Interim valuations are processed annually to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:

- Residential Properties: 0,0072645 c/R (2016/17: 0,0072645 c/R)
- Business Properties: 0,0146662 c/R (2016/17: 0,0146662 c/R)
- Agricultural Properties: 0,0018161 c/R (2016/17: 0,0018161 c/R)

The first R15 000 (2016/17: R15 000) of the valuation of all properties are exempted from the calculation of rates. Furthermore, a rebate of R35 000 (2016/17: R35 000) is allowed on developed residential property.

Rebates and exemptions are granted to pensioners, non-profitable organisations, sporting bodies, religious bodies, etc in terms of the municipality's Rates Policy.

Rates are levied monthly on property owners and are payable at the end of each month. Property owners can request that the full amount for the year be raised in August in which case the amount has to be paid by 28 February. Interest is levied at a rate determined by council on outstanding rates amounts.

25. Licences and permits

Business Licences	583,844	601,024
Learners Licenses	111,571	104,440
Other Licenses	20,534	19,997
Total Licences and Permits	715,949	725,461

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26. Government grants and subsidies

Operating grants

Donated assets	16,313	36,442
National Equitable share	59,253,300	55,625,000
Other subsidies	936,293	776,807
	60,205,906	56,438,249

Capital grants

National: EPWP	1,443,000	1,277,000
National: FMG	1,900,000	1,825,000
National: MIG	25,354,000	36,057,397
National: Department Minerals and Energy	8,000,000	9,000,000
Provincial: CoGTA	1,252,208	72,300
Provincial: Department Arts and Culture	-	476,218
Provincial: Department Human Settlement	-	1,275,053
	37,949,208	49,982,968
Total Government Grants and Subsidies	98,155,114	106,421,217

Operational Grants:

26.1 Donated Assets

Department Arts and Culture	16,313	36,443
Total Donated Assets from Government	16,313	36,443

Assets, as described above, were donated to the municipality and recognised as Grants and Subsidies Received during the year.

26.2 National Equitable Share

National Equitable share	59,253,300	55,625,000
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R82,82 (2017: R82,82), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. Indigent residential households receive basic refuse removal and 50 kWh electricity free every month. No funds have been withheld.

Conditional Grants:

26.3 National: EPWP Grant

Balance unspent at beginning of year	-	-
Current-year receipts	1,443,000	1,277,000
Conditions met - transferred to Revenue: Operating Expenses	(1,443,000)	(1,277,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
	-	-

The Expanded Public Works Programme Grant was allocated to the municipality for environmental projects whereby temporary work opportunities are expanded. No funds have been withheld.

26.4 National: FMG Grant

Balance unspent at beginning of year	-	-
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26. Government grants and subsidies (continued)

Current-year receipts	1,900,000	1,825,000
Conditions met - transferred to Revenue: Operating Expenses	(1,900,000)	(1,825,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

26.5 National: MIG Funds

Balance unspent at beginning of year	-	2,117,371
Current-year receipts	25,354,000	26,000,000
Conditions met - transferred to Revenue: Operating Expenses	(790,579)	(319,834)
Conditions met - transferred to Revenue: Capital Expenses	(24,563,421)	(35,737,562)
Other Adjustments/Refunds	-	7,940,025
	<u>-</u>	<u>-</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports fields and community halls as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

26.6 National: Department Minerals and Energy

Balance unspent at beginning of year	-	-
Current-year receipts	8,000,000	9,000,000
Conditions met - transferred to Revenue: Operating Expenses	(8,000,000)	(9,000,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
	<u>-</u>	<u>-</u>

Expenses were incurred for the electrification of households in the community. No funds have been withheld.

26.7 Provincial: Department Cooperative Government and Trading Affairs (CoGTA)

Balance unspent at beginning of year	3,480,304	3,552,604
Current-year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(1,252,208)	(72,300)
Other Adjustments/Refunds	-	-
	<u>2,228,096</u>	<u>3,480,304</u>

This grant was allocated for the funding of various projects e.g. Retail Market Facility, CBD Stormwater and Street Rehabilitation, Traffic Lights and Drivers' Testing Centre. No funds have been withheld.

26.8 Provincial: Department Arts and Culture

Balance unspent at beginning of year	-	297,218
Current-year receipts	-	179,000
Conditions met - transferred to Revenue: Operating Expenses	-	(201,642)
Conditions met - transferred to Revenue: Capital Expenses	-	(274,576)
Other Adjustments/Refunds	-	-
	<u>-</u>	<u>-</u>

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26. Government grants and subsidies (continued)

This grant was allocated to provide access to modern day technology and information resources; and relevant collections of library materials which meet the needs of the communities. No funds have been withheld.

26.9 Provincial: Department Human Settlement

Balance unspent at beginning of year	1,848,781	1,788,343
Current-year receipts	-	1,275,053
Interest allocated	61,673	60,438
Conditions met - transferred to Revenue: Operating Expenses	-	(1,275,053)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
	1,910,454	1,848,781

This grant was allocated for the funding of various housing projects to assist the indigent communities. No funds have been withheld.

26.10 Local Government: Umgungundlovu District Municipality

Balance unspent at beginning of year	47,820	47,820
Current-year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
	47,820	47,820

This grant was allocated to the municipality as a contribution towards the clearing of vacant land and plots. No funds have been withheld.

26.11 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2017), government grant funding is expected to increase over the forthcoming three financial years.

27. Fines

Pound Fees Fines	727	3,098
Traffic Fines	271,165	248,400
Other Fines	-	1,179
Total Fines	271,892	252,677

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28. Employee related costs

Employee Related Costs - Salaries and Wages	32,828,029	28,584,196
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4,844,340	4,912,273
Overtime Payments	272,484	297,087
Housing Benefits and Allowances	59,461	54,702
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1,219,357	1,922,932
Defined Benefit Plan Expense: Current Service Cost	650,280	887,483
Total Employee Related Costs	39,873,951	36,658,673

No advances were made to employees.

Remuneration of municipal manager

Annual Remuneration	793,592	960,164
Allowance	126,581	110,323
Contributions to UIF, Medical and Pension Funds	27,702	36,225
	947,875	1,106,712

Remuneration of chief finance officer

Annual Remuneration	966,427	949,834
Allowance	132,000	132,000
Contributions to UIF, Medical and Pension Funds	1,884	1,877
	1,100,311	1,083,711

Remuneration of the Strategic Manager: Community Services

Annual Remuneration	796,370	781,044
Allowance	192,000	192,000
Contributions to UIF, Medical and Pension Funds	100,182	99,120
	1,088,552	1,072,164

Remuneration of the Strategic Manager: Corporate Services

Annual Remuneration	799,505	762,659
Allowance	192,000	192,000
Contributions to UIF, Medical and Pension Funds	97,407	88,342
	1,088,912	1,043,001

Remuneration of the Strategic Manager: Technical Services

Annual Remuneration	800,668	813,439
Allowance	286,000	286,000
Contributions to UIF, Medical and Pension Funds	1,884	1,877
	1,088,552	1,101,316

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29. Remuneration of Councillors

Major	795,913	741,225
Deputy Mayor	326,741	247,298
Speaker	333,213	294,436
Executive Committee Members	276,130	284,222
Councillors	2,930,332	2,398,394
Other Allowances (Cellular Phones, Housing, Transport, etc)	381,005	347,748
Total Councillors' Remuneration	5,043,334	4,313,323

Remuneration of Councillors:

In-kind Benefits

The Councillor occupying the position of Mayor of the municipality serve in a full-time capacity. The Councillors occupying the positions of Mayor, Deputy Mayor and Speaker are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has two full-time bodyguards and a full-time driver. The Speaker has two full-time bodyguards. The Deputy Mayor has one full-time bodyguard/driver.

30. Depreciation and Amortisation

Depreciation: Property, Plant and Equipment	17,658,554	17,348,654
Amortisation: Intangible Assets	557,724	34,266
Total Depreciation and Amortisation	18,216,278	17,382,920

31. Impairment losses

Impairments

Property, plant and equipment	-	5,687,289
Receivables from exchange and non exchange transactions	34,578,226	1,423,662
	34,578,226	7,110,951

32. Interest paid

Finance leases	3,517	37,092
Landfill Provision	178,725	288,404
Total Interest Paid on External Borrowings	182,242	325,496

33. Collection Costs

Legal Costs	37,146	116,096
Total Collection Costs	37,146	116,096

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Notes to the Annual Financial Statements

34. Contracted services

Outsourced Services

Burial Services	10,000	-
Business and Advisory	174,262	-
Catering Services	274,573	-
Clearing and Grass Cutting Services	117,100	1,277,000
Hygiene Services	6,333	-
Internal Audit	487,096	814,869
Litter Picking and Street Cleaning	29,557	-
Medical Services [Medical Health Services & Support	4,243	-
Professional Staff	1,452	-
Security Services	6,037,670	5,720,277
Other contracted services	-	1,947,415
Valuation Services	-	192,329

Consultants and Professional Services

Professional fees	18,551,195	11,255,421
Legal Cost	1,040,299	-

Contractors

Catering Services	184,566	-
Electrical	1,800,195	-
Maintenance of Buildings and Facilities	84,212	364,035
Maintenance of Equipment	1,298,266	1,815,887
Maintenance of Other Assets	5,378,762	814,196
Prepaid Electricity Vendors	1,322,425	-
Stage and Sound Crew	151,884	-
Prepaid Water Vendors	42,365	-

Total Contracted Services

36,996,455	24,201,429
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Notes to the Annual Financial Statements

35. Grants and Subsidies

36. Operational costs

Administration	1,556	-
Advertising	546,094	222,701
Aids awareness	-	40,970
Arts and Culture	-	71,368
Bank charges	91,951	84,782
Burial support for indigents	-	37,928
Bursaries	75,517	57,286
Chemicals and poison	53,465	80,730
Cleaning materials	-	156,154
Commission	14,006	-
Communication and Public Participation	6,809	226,539
Consulting and professional fees	-	330,024
Consumables	2,686,298	-
Contractors Siviculture	28,897	-
Decommissioning Restoration: Landfill sites	270,559	-
Delivery expenses	180	-
Disability programmes	-	54,350
Disaster expenses	-	119,818
EPWP Programme:Skill Development and Training	1,435,552	-
Electricity	-	1,271,726
Entertainment	-	42,527
Expenditure incurred from grants	-	289,615
External Auditors remuneration	1,481,590	903,471
Free Basic services grant	-	1,175,427
Fuel and oil	189,607	1,767,023
Groceries for indigent relief	938,139	1,275,053
Hire Charges	5,628	297,700
IDP Review	-	144,582
IT expenses	26,154	-
Insurance	720,540	900,565
Levies	357,987	500,000
Licences	-	15,224
Machinery costs	602	-
Marketing	-	114,332
Mayoral special programmes	-	11,992
Medical examinations	-	6,316
NCT Contractors	259,265	-
NCT Contractors Direct costs	1,095,272	-
NCT Insurance	106,848	-
NCT Management fee	500,052	-
NCT maintenance	30,789	-
NCT professional fee	5,368	-
NCT security costs	324,540	-
Other expenses	-	1,256,390
PMU Unit Operating Expenses	-	316,995
Performance evaluation committee	2,000	72,050
Postage and telegrams	57,080	94,218
Printing and stationery	357,441	220,467
Protective clothing	61,470	-
Scholar Patrol grant expenditure	88,871	-
Seminars and conferences	359,575	70,589
Senior citizen	-	94,790
Subscriptions and membership fees	523,312	-
Telephone costs	1,052,746	829,813
Title deed search fees	12,344	-
Tourism strategy	-	38,602

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36. Operational costs (continued)

Training	-	165,042
Training	-	154,948
Transport and freight	155,975	-
Travelling and subsistence	870,059	935,049
Uniforms and protective clothing	-	356,427
Valuation Roll	-	618,233
Vehicle Licences	155,501	107,755
Ward committee Management	560,400	371,915
Water	-	62,134
Workmen's Compensation	323,298	-
	15,833,337	15,963,620

37. Cash generated from operations

(Deficit) surplus for the year	(28,168,824)	22,043,563
Adjustments for:		
Depreciation and amortisation	18,216,278	17,382,919
Impairment losses	34,578,226	7,110,951
Movements in operating lease liabilities	33,193	34,198
Movements in employee benefit obligations	(180,910)	700,166
Movements in provisions	449,284	222,094
Bad debts written off	-	(324,997)
Changes in working capital:		
Inventories	36,272	(36,044)
Receivables from exchange transactions	(1,133,672)	(169,278)
Receivables from non-exchange transactions	(7,388,736)	(23,490,598)
Payables from exchange transactions	10,759,135	1,806,404
VAT	(2,805,336)	1,356,443
Payables from non-exchange transactions	1,575,700	386,089
Unspent conditional grants and receipts	(1,106,317)	(2,426,452)
	24,864,293	24,595,458

38. Non-cash Investing and Financing

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2017/18 financial year.

39. Financing Facilities

The municipality did not have any Financing Facilities available at any time during the two financial years.

40. Utilisation of long-term liabilities reconciliation

Long-term Liabilities	-	34,669
Used to finance Property, Plant and Equipment - at cost	-	(34,669)
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

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Notes to the Annual Financial Statements

41. Unauthorised expenditure

Opening balance	27,220,658	11,316,226
Incurred during the year	40,065,466	19,708,709
Approved or condoned	-	(3,804,277)
	67,286,124	27,220,658

42. Fruitless and wasteful expenditure

Opening balance	-	-
Incurred during the year	-	3,166
Recovered	-	(3,166)
	-	-

43. Irregular expenditure

Opening balance	286,334	-
Add: Irregular Expenditure - current year	2,200,000	286,334
	2,486,334	286,334

Richmond Local Municipality

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44. Commitments for expenditure

44.1 Capital commitments

Approved and contracted for

• Infrastructure	34,154,232	11,044,708
• Community	25,841,665	6,291,895
	59,995,897	17,336,603

This expenditure will be financed from government grants.

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

44.2 Lease commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 17 and 18.

44.3 Other commitments

The municipality has entered into a contract with Munsoft for the provision of integrated financial management and internal control systems services for the period 01 August 2016 to 31 May 2019, which will give rise to an approximate charge of R1,8 million in the first year, thereafter escalating with the pricing as approved by National Treasury in the RT25-2016 Transversal Contract.

The municipality has entered into a contract with KSA Security for the provision of security services for 3 years, which will give rise to an annual charge of approximately R5,9 million. The contract terminates on 30 June 2019.

The municipality has entered into a contract with Kuyahambeka Traffic Training & Project Management for the establishment and impounding of stray animals for 3 years, which will give rise to a charge of R980 000. The contract terminates on 30 June 2019.

The municipality has entered into a contract with Mills Fitchet for the provision of valuation services for 6 years, which will give rise to a total charge of R1,7 million. The contract terminates on 30 June 2022.

The municipality has entered into a contract with Vox Telekom for the provision and maintenance of a telephone system for 3 years, which will give rise to an approximate charge of R1,1 million. The contract terminates on 30 June 2019.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	-	-
Council subscriptions	500,000	500,000
Amount paid - current year	(500,000)	(500,000)
Amount paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

Audit fees

Opening balance	-	-
Current year audit fee	1,481,590	903,471
Amount paid - current year	(1,481,590)	(903,471)
Amount paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, Skills Development Levy and UIF

Opening balance	-	-
Current year payroll deductions	6,540,609	5,864,946
Amount paid - current year	(6,540,609)	(5,864,946)
Amount paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	7,863,047	7,535,519
Amount paid - current year	(7,863,047)	(7,535,519)
Amount paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

VAT

VAT receivable	5,383,565	2,578,229
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The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

Councillor's arrear Consumer Accounts

No known matters existed at reporting date.

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements. The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	No of cases	Description of Service	Reason	Amount
Technical services	Year 2017/2018	Key truck & Car hire	1	Cylinder and clutch kit for tipper truck: NK5223	Required strip and quote basis	3,074
Technical services	Year 2017/2018	Bell Equipment	1	Prop-Shaft for TLB NK 3503	Sole service provider	4,351
Community	Year 2017/2018	Trophy international	1	Gold,silver and bronze medal.	Required strip and quote basis	5,500
Technical services	Year 2017/2018	Masakhane hardware	1	Building Material	Urgency and short notice	64,385
Corporate services	Year 2017/2018	Digital voice processing	1	Maintanance renewal conference system	Sole Service Provider	5,492
Community	Year 2017/2018	Intercalibration natal	1	2x Speed timing machine for calibration.	Required strip and quote basis	3,876
Community	Year 2017/2018	Key Truck and Car PMB	1	Repair and service of Isuzu Nk 4457	Still under warranty	5,847
Finance	Year 2017/2018	SAGE VIP	1	Addition of employees on VIP system	Single service provider	25,340
Finance	Year 2017/2018	SAGE VIP	1	Consultation for MSCOA	Single service provider	17,442
Community	Year 2017/2018	Richmond Taxi Association	1	Transportation	Single service provider	13,600
Corporate services	Year 2017/2018	Express employment	1	Varification for 2 candidates	Urgency and short notice	3,231
Technical services	Year 2017/2018	Barloworld Equipment	1	Repairs on Excvator 320D on right hand side	Single service provider	38,507
Technical services	Year 2017/2018	Kinsey Steel Industries	1	Welding on Grader: NK 1730	Required strip and quote basis	5,928
Technical services	Year 2017/2018	Man Automotive	1	Repair of radiator cap on NK7750	Still under warranty	8,171
Community	Year 2017/2018	Lexis nexis	1	Road TRAT/TRANS 5 vols 2md & road delivery	Sole Service Provider	3,463
Community	Year 2017/2018	Tholalwazi trading	1	Catering for SALGA games	Urgency and short notice	7,300
Community	Year 2017/2018	Germina trading	1	Catering for SALGA games	Urgency and short notice	3,400
Department	Date	Successful Tenderer	No of cases	Description of Service	Reason	Amount

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Community	Year 2017/2018	Airbrake services	1	Service fo Chevrolet Cruse NK 6274	Required strip and quote basis	15,483
Community	Year 2017/2018	Mchunu repairs	1	Service fo Chevrolet Cruse NK 4957	Required strip and quote basis	15,695
Community	Year 2017/2018	Mchunu repairs	1	Service of NK4528	Required strip and quote basis	15,926
Technical services	Year 2017/2018	Badcock International	1	Repair on fuel and pressure switch grader NK7957	Required strip and quote basis	11,977
Technical services	Year 2017/2018	Key truck & car	1	Repair and fit string	Required strip and quote basis	8,838
Technical services	Year 2017/2018	NMI Durban South	1	Service for Fuso truck NK4477	Still under warranty	4,410
Corporate services	Year 2017/2018	Msimed Medical	1	Medical check-up for Municipal staff.	Urgency and short notice	2,250
Corporate services	Year 2017/2018	Tash security system	1	Aircon shutdown relays, access control over ride	Urgency and short notice	10,500
Finance	Year 2017/2018	SAGE VIP	1	Premier existing consultation	Single service provider	24,885
Finance	Year 2017/2018	Munsoft finacial system	1	Caseware licencing	Single service provider	15,738
Technical services	Year 2017/2018	Barloworld Equipment	1	Service on CAT 320 Excavator	Still under warranty	28,776
Technical services	Year 2017/2018	Mchunu repairs		Repairs to hydraulics	Required strip and quote basis	6,244
Technical services	Year 2017/2018	Mchunu repairs		Service of NK1475	Still under warranty	14,254
Community	Year 2017/2018	Mchunu repairs		Repairs to NK5360	Required strip and quote basis	11,473
Technical services	Year 2017/2018	Summit hose		Repairs to hydraulic cylinder	Required strip and quote basis	21,603
Technical services	Year 2017/2018	SG Tractor		Repair to TLB	Required strip and quote basis	22,711
Technical services	Year 2017/2018	Key Truck		Service kits	Sole Service Provider	3,048
Technical services	Year 2017/2018	Key Truck		Service kits	Sole Service Provider	3,048
Technical services	Year 2017/2018	Barloworld Equipment		Repair to Excavator	Sole Service Provider	38,719
Finance	Year 2017/2018	Sage VIP		Premier existing consultation	Sole Service Provider	8,949
Finance	Year 2017/2018	Sage VIP		On site MSCOA trading	Sole Service Provider	9,576
Technical services	Year 2017/2018	Key Truck		Repair to NK3522	Sole Service Provider	10,380
Finance	Year 2017/2018	Sage VIP		Premier existing consultation	Sole Service Provider	7,260
	Year 2017/2018	Richmond Fire Protection Association		Membership - Fire protection	Emergency	53,755

584,405

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46. RECLASSIFICATION OF FINANCIAL STATEMENTS

Reclassifications of certain amounts in the 2017 annual financial statements were made in the current year to more adequately align the nature of these transactions and balances. Details of the reclassifications are as follows:

46.1 Reclassification of Revenue

The prior year figures of Revenue Classes have been reclassified to more appropriately disclose the nature of Revenue of the municipality. The effect of the reclassification is as follows:

	Notes	Prior year 2016/2017	Current year 2016/2017	Reclassified amount
Fines	A	249,579	252,677	3,098
Operational revenue	A, B1	602,231	635,601	33,370
Income from agency services	B	631,974	-	(631,974)
Licences and permits	B2	129,952	725,461	595,509

A: Operational revenue in the prior year financial statements included fines for the impounding and storage of animals of R3,098. In the current year, these have been reclassified to the Fines line item to more adequately align the nature of the transactions with the financial statements line item.

B1: The income from agency services in the prior year financial statements included R36,466 income from commission and net vendor services. These revenues are operational in nature and have thus been reclassified to operational revenue. The income from agency services in the prior year financial statements included R595,509 income business licenses services.

B2: These revenues have been reclassified to the Licences and permits line item in the current financial year to more adequately align the nature of the transactions with the financial statements line item.

46.2 Reclassification Debtors

The prior year figures of Debtors have been reclassified to more appropriately disclose the nature of the balance in the municipality. The effect of the reclassification is as follows:

:

	Prior year 2016/2017	Current year 2016/2017	Reclassified amount
	R		
Sundry deposits	27,084	-	(27,084)
Sundry debtors	38,830,792	38,857,876	27,084

47. Prior period errors

Errors of certain amounts in the 2017 annual financial statements were identified and corrected in the current year. Details of the errors are as follows:

47.1 Payables from exchange transactions and payables from non-exchange transactions

The leave accrual was incorrectly disclosed as payables from non-exchange transactions in the 2017 financial year. This balance has been corrected to payables from exchange transactions to more adequately align the nature of this balance to the financial statement line item. The impact of this error has resulted in an increase in payables from exchange transactions and a decrease in payables from non-exchange transactions. The effects of the correction is as follows:

	Prior year 2016/2017	Current year 2016/2017	Reclassified amount
	R		
Payables from exchange transactions	11,766,007	14,719,554	2,953,547

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

47. Prior period errors (continued)

Payables from non exchange transactions	4,028,741	1,075,191	(2,953,550)
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47.2 Expenditure disclosure

The prior year figures of Expenditure Classes have been corrected to more appropriately disclose the nature of the expenditure in the municipality. The effect of the correction of the error is as follows:

	Notes	Prior year 2016/2017	Current year 2016/2017	Reclassified amount
Repairs and maintenance	A	2,994,118	-	(2,994,118)
Lease rentals on operating lease	B	-	479,338	479,338
Operational costs		25,630,029	(28,114,810)	(2,514,781)

A: In the prior year financial statements, repairs and maintenance of R2,994,118 was disclosed as its own separate line item in the financial statements. Repairs and maintenance expenditure has now been appropriately reclassified according to the nature of the expense within operational costs.

B: In the prior year financial statements, operating lease rentals of R479,338 were disclosed as operational costs. These have now been reclassified to Lease rentals on operating leases to more adequately align the nature of the transactions with the financial statements line item.

48. Financial instruments disclosure

48.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

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48. Financial instruments disclosure (continued)

Financial Assets at Amortised Cost:

Non-current Investments

Unlisted Shares 266 266

Receivables from Exchange Transactions

Refuse 546,225 195,084

Other Debtors 834,296 388,207

Receivables from Non-exchange Transactions

Assessment Rates Debtors 12,052,444 6,097,495

Payments made in Advance 3,804 3,458

Accruals 150,715 414,688

Sundry Debtors 6,088,800 38,633,170

Suspense Accounts 2,112 2,112

Cash and Cash Equivalents

Call Deposits 14,022,370 31,292,496

Bank balances 20,316,324 803,691

Financial assets at Fair Value

Cash and Cash Equivalents

Cash Floats and Advances 3,200 3,200

Total Financial Assets

54,020,556 77,833,867

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Financial Liabilities at Amortised Cost:

Long-term Liabilities

Payables from Exchange Transactions

Trade Creditors 10,428,412 600,266

Retentions 4,908,432 2,652,291

Other Creditors 37,692 8,513,451

Payables from Non-exchange Transactions

Sundry Deposits - 29,327

Suspense Accounts - 210,130

Current Portion of Long-term Liabilities

Finance Lease Liabilities - 34,669

Total Financial Liabilities

15,374,536 12,040,134

48.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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48. Financial instruments disclosure (continued)

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2018, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2018	Level 1 R	Level 2 R	Level 3 R	Total
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and cash equivalents	-	3,200	-	3,200
Total Financial Assets	-	3,200	-	3,200
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	3,200	-	3,200

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48. Financial instruments disclosure (continued)

30 June 2017	Level 1 R	Level 2 R	Level 3 R	Total
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and cash equivalents	-	3,200	-	3,200
Total Financial Assets	-	3,200	-	3,200
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	3,200	-	3,200

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49. Multi-employer retirement benefit information

The municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes. Councillors have an option to belong to the Pension Fund for Municipal Councillors. Employees belong to a variety of approved Pension and Provident Funds as described below. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions.

Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R5 008 286 2017: R3 154 067 represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2017 by ARGEN Actuarial Solutions.

The interim actuarial valuation performed as at 31 March 2017 revealed that the fund had a shortfall of R190m (31 March 2016: shortfall of R244m), with a funding level of 95,3% (31 March 2016: 93,8%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (38,37%) is expected to eradicate the shortfall in the fund by 31 March 2020.

Super Annuation:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2016 by ARGEN Actuarial Solutions. The last statutory actuarial valuation was performed as at 31 March 2017.

The statutory actuarial valuation performed as at 31 March 2017 revealed that the fund was 100% funded with a funding level of 100% (Statutory 31 March 2015: 96,1%). Members contributed at 9.25% of pensionable salaries during the valuation period. Local authorities contributed at 21.63% of pensionable salaries.

A surcharge of 9.5% of pensionable salaries has been paid from 1 April 2012 in terms of a "Scheme to Eliminate Deficiency" that was submitted to the FSB by the fund in terms of Section 18 of the Act. Although the prior periods deficits have been eliminated, the Trustees have agreed that the surcharge should continue to be paid to the Fund in order to build up Solvency Reserves in the Fund.

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2017 by ARGEN Actuarial Solutions. The last statutory actuarial valuation was performed as at 31 March 2015.

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The interim actuarial valuation performed as at 31 March 2017 revealed that the market value of the fund was R3 486m (31 March 2016: R3 016,9), with a funding level of 103,5% (Interim 31 March 2017: 105,3%). The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in financial sound position as at 31 March 2017.

None of the above mentioned plans are State Plans.

50. Related parties

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

50.1 Interest of Related Parties

No Related Party Interests have been identified/declared for the two financial years under review.

50.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates charges	Service Charges	Sundry Charges	Oustanding balances
For the year ended 30 June 2018				
Councillors	-	-	-	-
Municipal Manager and Section 57 Personnel	3,996	589	-	-
Total Services	3,996	589	-	-
For the year ended 30 June 2017				
Councillors	2,150	549	-	-
Municipal Manager and Section 57 Personnel	2,877	549	-	-
Total Services	5,027	1,098	-	-

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

50.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. All Loans granted prior to this date have been fully repaid.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30

50.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

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51. Contingencies

Contingent liabilities

51.1 Guarantees

(i) First National Bank - 12,000

Council provided letters of suretyship to First National Bank to assist staff members to obtain home loans. These sureties were provided prior to the introduction of the Municipal Finance Management Act. The sureties ensure that the municipality complies with section 164(2) of the Municipal Finance Act. These amounts have been secured against the staff members' pension/provident funds by means of written agreements which are lodged with the Kwa-Zulu Natal Joint Municipal Pension/Provident Fund. Copies are maintained on the staff members' personal files.

51.2 Court Proceedings

(i) Claim for Remuneration: - 70,000

Mr Gumede, a former employee of the municipality, is suing the municipality for alleged remuneration owed to him. The municipality has filed its Plea, whilst the plaintiff has filed an exception to that Plea. Normal legal proceedings will start once the plaintiff has set down the exception to be argued in Court. The outcome of the legal proceedings is still unknown and is lying dormant with no further actions.

(ii) Claim for Land: - -

The municipality is claiming back a piece of land which was bought by Umona Phagi for the purpose of developing low and middle income housing. Umona Phagi failed to develop the property within the specific period of time agreed upon and the municipality cancelled the agreement and is claiming back the land in terms of the contract entered into. Negotiations to settle out of court have failed and the municipality is compelled to go to Court to seek the appropriate order. Subsequently, Umona Phangi went into liquidation and the municipality is negotiating an offer to purchase the property back from SARS, which SARS did not accept and taken over the property themselves. The municipality is not pursuing the matter any further.

(iii) Breach of Contract: - 50,000

The municipality has lodged a claim against Masefane Trading in respect of the unlawful breach of contract by Masefane Trading. The matter is undefended to date and Affidavits are being prepared in support of application for default judgement. The outcome of the legal processes is unknown at this stage. The Contingent Liability is in respect of expected legal costs incurred herein. Also refer to Note 54.1 (i).

(iv) Defamation of Character: 1,300,000 1,300,000

Z.J.Funeka claims damages against the Municipality based on defamation of character. The action is based on vicarious liability. The matter is lying dormant as Plaintiff is not taking action to prosecute the matter. The outcome of the legal proceedings is still unknown.

250,000 -

This is an urgent application brought by Volsun to interdict the municipality from awarding a tender otherwise than in an open tender. Also seeking the municipality to be forced to continue with an expired tender involving millions being paid to Volsun. We opposed the application and filed an interim Answering affidavit. The matter stands postponed sine die to enable 1st Respondent to file a Supplementary Answering affidavit which we filed on the 30th July 2018. Depending on Volsun choice to file a Replying affidavit, the parties will then arrange a date for setting down the matter for hearing towards the end of year. Then parties will have to exchange Heads of Arguments before the matter is heard.

The disciplinary hearing commenced on 17 April 2018 and proceeded on other dates until it was interrupted by the suspension of the Municipal Manager who is a key witness in the disciplinary hearing. The disciplinary hearing is still pending.

59,288 -

Malenhle KaJoba Trading sought to interdict payment due by Richmond Municipality to Alpha Om Energy. The urgent application was adjourned to try and resolve the issue relating to invoice claimed by Alpha Om Energy.

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51. Contingencies (continued)

Action had been instituted in the High Court against the Municipality in respect of services rendered by Sivest. Whilst the Municipality does not necessary dispute the invoices Sivest has refused to deliver the necessary documents to prove that they had carried out the work they have claimed for in their invoices until such time that payment has been received. Parties are in talks to try to settle the matter. Sivest has applied for summary judgment which has been adjourned sine die for the purpose of allowing settlement negotiations.	433,239	-
Municipality was sued as a party to eviction proceedings instituted in the Lands Claim Court pursuant to an illegal occupation of a farm in Richmond which farm is subject to a land claim. The Municipality was joined in these proceedings pursuant to its constitutional obligation to provide alternate adequate accommodation. Matter was eventually settled on the basis that the affected persons will be provided temporary accommodation by the Municipality at a designated location.	97,291	-
Municipality was sued as a party to eviction proceedings instituted in the Richmond Magistrate Court pursuant to PIE legislation. However given that the property in question is a commercial one, the Municipality should not have been joined in these proceedings. This was raised with the Court and the applicant. The applicant was ordered to pay the cost and is in the process of formally withdrawing claim against Municipality.	22,483	-
A matter related to the disciplinary proceedings instituted against the CFO of the Municipality pursuant to alleged irregular and fraudulent conduct by the CFO. The disciplinary enquiry has commenced. An urgent application was also instituted by the CFO to set aside his suspension and disciplinary enquiry. This application was successfully opposed which resulted in its dismissal with cost, such cost include the cost of two counsel.		
	2,162,301	1,432,000

Contingent assets

51.3 Court Proceedings

(i) Breach of Contract:

The municipality has lodged a claim against Masefane Trading in respect of the unlawful breach of contract by Masefane Trading. The matter is undefended to date and Affidavits are being prepared in support of application for default judgement. The outcome of the legal processes is unknown at this stage. The municipality needs to provide the Attorneys with the documentary proof of the estimated damages to be suffered for purposes of preparing the Damages Affidavit which will support the Application for Default Judgment.

4,000,000	4,000,000
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52. In-kind donations and assistance

The municipality did not receive in-kind donations and assistance during the year.

53. Private public partnership

The municipality was not a party to any Private Public Partnerships during the year under review.

54. Events after the reporting date

The CFO of the municipality was suspended with pay while investigations continue.

55. Going concern assessment

Management considered the following matters relating to the Going Concern:

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55. Going concern assessment (continued)

(i) On 30 May 2017 the Council adopted the 2017/18 to 2019/20 Budget. This three-year Medium Term Revenue and Expenditure Framework(MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

56. Risk management

56.1 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2016.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing ratio

The gearing ratio at the year-end was as follows:

Debt	-	34,669
Cash and Cash Equivalents	34,341,894	32,099,387
Net Debt	34,341,894	32,064,718
Equity	346,578,891	374,747,710
Net debt to equity ratio	(9.91)%	(8.57)%

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

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56. Risk management (continued)

56.2 Financial risk management objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

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

Further quantitative disclosures are included throughout these Annual Financial Statements.

56.3 Significant risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 50.8 to the Annual Financial Statements.

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Market risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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56. Risk management (continued)

56.4 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

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

56.4.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

56.4.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

The short and long-term financial instruments at year-end with variable interest rates are set out in Note 50.8 below.

- Surplus for the year ended 30 June 2017 would have increased / decreased by R399 145 (30 June 2016: R473 964). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

Finance Lease Liabilities:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2017 would have decreased / increased by R6 037 (30 June 2016: decreased / increased by R6 300).

This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings; and

56.5 Credit Risk Management

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56. Risk management (continued)

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates and waste services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling recovery for the non-payment of any of the individual debts, in terms of section 102 of the MSA;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.