





Ntabankulu Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2017

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Index

---

The reports and statements set out below comprise the annual financial statements presented to the Audit Committee:

<b>Index</b>	<b>Page</b>
General Information	2 - 3
Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5 - 6
Accounting Officer's Report	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 13
Accounting Policies	14 - 21
Notes to the Annual Financial Statements	22 - 50

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DSRAC	Department of Sports, Recreation, Arts and Culture
GRAP	Generally Recognised Accounting Practice
DEDEAT	Department of Economic Development, Environmental Affairs & Tourism
EPWP	Expanded Public Works Programme
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
ECDC	Eastern Cape Development Corporation
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## General Information

---

<b>Legal form of entity</b>	Municipality
<b>Nature of business and principal activities</b>	Ntabankulu Local Municipality is a South African Category B municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations.
<b>Mayoral committee</b>	
Executive Mayor	Mayor: Cllr V Mgoduka
Councillors	Cllr V Matwasa : Speaker
	<b>EXCO MEMBERS</b>
	Cllr S Menziwa : EXCO - Portfolio Head:IDP
	Cllr N Pikwa : EXCO-Portfolio Head:Community Services
	Cllr S Sopaqa: EXCO-Portfolio Head: Corporate Services
	Cllr M Ndabeni: EXCO - Port Folio Head: Strategic
	Cllr N I Mbonomtsha: Portfolio Head: Budget and Treasury Services
	<b>OTHER COUNCILLORS</b>
	Cllr B Betwayo
	Cllr M Madadasa
	Cllr F Ntshela
	Cllr Z Makhosonke
	Cllr M Nqwazi
	Cllr T Marawu
	Cllr M Dinwayo
	Cllr P Mafilika
	Cllr M Ndlebe
	Cllr B Ndamase
	Cllr M Mkizwana
	Cllr S Sicwayi
	Cllr N Njiva
	Cllr N Ndamase
	Cllr M Gweqani
	Cllr T Msuthu
	Cllr N Sobuthongo
	Cllr Ncekana
	Cllr K Nomanzoyiya
	Cllr E Diko
	Cllr T Lubisi
	Cllr N Daniel
	Cllr Z Mtyaphi
	Cllr N Fundakubi
	Cllr F Mdolo
	Cllr N Sithunzi
	Ms S Mankahla
<b>Acting Chief Financial Officer (CFO)</b>	Mrs N. Mdutyana
<b>Registered office</b>	Erf 85 Main Street Ntabankulu 5130

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## General Information

---

<b>Business address</b>	Erf 85 Main Street Ntabankulu 5130
<b>Postal address</b>	P.O. Box 234 Ntabankulu 5130
<b>Bankers</b>	First National Bank 151 York Road, Mthatha
<b>Auditors</b>	Auditor General of South Africa Registered Auditors 63 Frere Road Vincent Park  East London
<b>Website address</b>	<a href="http://www.ntabankulu.gov.za">www.ntabankulu.gov.za</a>

# **Ntabankulu Local Municipality**

Annual Financial Statements for the year ended 30 June 2017

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

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report.

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year ended 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements set out on pages 7 to 50 which have been prepared on the going concern basis

---

**Acting Accounting Officer**  
**Ntabankulu Local Municipality**

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Audit Committee Report

---

We are pleased to present our report for the financial year ended 30 June 2017.

### Audit committee members and attendance

The Audit Committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year, 5 number of meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr M Mandla (Chairperson)	4
Mr G Labane	5
Ms B Jojo	4

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA

### Overview

In adherence to the terms of the MFMA, the Audit Committee has established and defined its composition, purpose and duties in the Audit Committee Charter. The Audit Committee reports that it complies with all legal and regulatory requirements as necessary under South African legislation. In fulfilling its duties, the Audit Committee has:

- approved the internal audit plan;
- received and considered reports from internal auditors;
- reviewed and discussed the audited Annual Financial Statements with the Auditor General South Africa, the Accounting Officer and the Chief Financial Officer;

Following a review conducted by the Internal Audit Unit, and meeting the requirements of the terms of reference, the committee is satisfied that:

- internal financial controls are effective and no material weaknesses in financial control have been identified,
- the outsourced internal audit function performed their duties as per the terms of reference tabled in the Internal Audit Charter and addressed all components of the Internal Audit Plan,
- the external auditors of the municipality (Auditor General of South Africa), are independent,

### Internal Audit

Ntabankulu Local Municipality has an outsourced Internal Audit function. The Internal Audit function provides the Audit Committee with assurance on the key areas of Ntabankulu Local Municipality's systems of internal control and risk management. The Internal Audit Plan and the Internal Audit Charter are annually reviewed and approved by the Committee. Internal Audit provides assurance that Ntabankulu Local Municipality operates in a responsibly governed manner by performing the following functions:

- objectively assuring effectiveness of risk management and the internal control framework;
- analysing and assessing business processes and associated controls; and
- reporting audit findings and recommendations to management and the Audit Committee.

The Committee is of the opinion that Ntabankulu Local Municipality system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied on, for the preparation of the Annual Financial Statement.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the of the municipality during the year under review.

# **Ntabankulu Local Municipality**

Annual Financial Statements for the year ended 30 June 2017

## **Audit Committee Report**

---

### **Evaluation of annual financial statements**

The Audit Committee has reviewed the Annual Financial Statements for the year ended 30 June 2017 and concluded that it complies, in all material respects, with the requirements of GRAP. The Committee has reviewed the AGSA's Management letter and management's response thereto and adjustments resulting from the audit. The Committee recommended the approval of the Annual Financial Statements.

Furthermore, the Audit Committee recommended the adoption of the Annual Report to the Accounting Officer. In this regard, the Committee:

- considered all facts and risks that may impact on the integrity of the Annual Report;
- reviewed and commented on the Financial Statements included in the Annual Report; and
- considered consistency of the Annual Financial Statements to the rest of the Annual Report.

The Accounting Officer subsequently approved the Annual Report, including the Financial Statements.

### **Conclusion**

The Committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year.

The Audit Committee also concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

---

**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_



# **Ntabankulu Local Municipality**

Annual Financial Statements for the year ended 30 June 2017

## **Accounting Officer's Report**

---

The accounting officer submits his report for the year ended 30 June 2017.

### **1. Review of activities**

#### **Main business and operations**

Ntabankulu Local Municipality is a South African category B municipality (local municipality) as defined by the Municipal Structures act (act no 117 of 1998). the municipality's operations are governed by the Municipal Finance Management Act (act 56 of 2003), the municipal structures act (act 177 of 1998), municipal systems act (act 32 of 2000) and various legislations and regulations. .

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 44 629 111 (2016: surplus R 35 467 887)

### **2. Going concern**

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

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Assets</b>			
Current Assets			
Inventories	3	886 228	766 464
Receivables from exchange transactions	4	1 157 318	1 030 685
Receivables from non-exchange transactions	5	1 354 660	971 712
VAT receivable	6	4 790 192	6 360 882
Cash and cash equivalents	7	1 594 929	9 260 997
		<b>9 783 327</b>	<b>18 390 740</b>
Non-Current Assets			
Investment property	8	22 262 725	20 003 331
Property, plant and equipment	9	319 811 254	291 423 738
Intangible assets	10	13 415	27 764
		<b>342 087 394</b>	<b>311 454 833</b>
Non-Current Assets		342 087 394	311 454 833
Current Assets		9 783 327	18 390 740
<b>Total Assets</b>		<b>351 870 721</b>	<b>329 845 573</b>
<b>Liabilities</b>			
Current Liabilities			
DBSA Loan	11	-	20 609 992
Finance lease obligation	16	82 071	420 273
Payables from exchange transactions	12	19 371 653	17 240 470
Unspent conditional grants and receipts	13	1 033 430	2 436 057
Payables from non-exchange transactions	14	2 490 847	2 255 095
Long Service Awards	15	289 061	191 520
		<b>23 267 062</b>	<b>43 153 407</b>
Non-Current Liabilities			
Finance lease obligation	16	-	332 885
Provisions	17	781 554	3 290 987
Long Service Awards	15	1 575 032	1 450 334
		<b>2 356 586</b>	<b>5 074 206</b>
Non-Current Liabilities		2 356 586	5 074 206
Current Liabilities		23 267 062	43 153 407
<b>Total Liabilities</b>		<b>25 623 648</b>	<b>48 227 613</b>
Assets		351 870 721	329 845 573
Liabilities		(25 623 648)	(48 227 613)
<b>Net Assets</b>		<b>326 247 073</b>	<b>281 617 960</b>
Accumulated surplus		326 247 073	281 617 961

\* See Note 36

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	354 687	302 885
Rental of facilities and equipment	20	1 089 991	1 364 319
Interest Income		2 323 601	2 403 116
Licences and permits		1 077 226	1 395 094
Services Rendered		42 508	39 603
Sundry Income		367 609	1 372 200
<b>Total revenue from exchange transactions</b>	<b>18</b>	<b>5 255 622</b>	<b>6 877 217</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	21	5 208 754	4 707 812
<b>Transfer revenue</b>			
Government grants & subsidies	22	208 811 355	195 599 252
Fines		816 900	1 013 900
<b>Total revenue from non-exchange transactions</b>	<b>18</b>	<b>214 837 009</b>	<b>201 320 964</b>
		5 255 622	6 877 217
		214 837 009	201 320 964
<b>Total revenue</b>	<b>18</b>	<b>220 092 631</b>	<b>208 198 181</b>
<b>Expenditure</b>			
Employee related costs	23	(47 661 320)	(44 136 086)
Remuneration of councillors	24	(9 806 636)	(9 441 031)
Depreciation and amortisation	25	(17 790 469)	(15 598 013)
Impairment loss Inventory	26	-	(2 840)
Finance costs	27	(306 634)	(2 145 027)
Allowance for impairment	28	(1 332 874)	(3 301 491)
Repairs and maintenance		(5 106 763)	(2 309 013)
General Expenses	29	(91 948 273)	(91 930 079)
Auditors fees	30	(3 728 411)	(3 427 281)
<b>Total expenditure</b>		<b>(177 681 380)</b>	<b>(172 290 861)</b>
		-	-
Total revenue		220 092 631	208 198 181
Total expenditure		(177 681 380)	(172 290 861)
<b>Operating surplus</b>		<b>42 411 251</b>	<b>35 907 320</b>
Loss on disposal of assets		(22 009)	(362 350)
Fair value adjustments		2 259 394	-
Actuarial gains/losses		(19 525)	(77 083)
		<b>2 217 860</b>	<b>(439 433)</b>
Surplus before taxation		44 629 111	35 467 887
Taxation		-	-
<b>Surplus</b>		<b>44 629 111</b>	<b>35 467 887</b>

\* See Note 36

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	254 832 362	254 832 362
Adjustments		
Prior year adjustments	36 (8 682 288)	(8 682 288)
<b>Balance at 01 July 2015 as restated*</b>	<b>246 150 074</b>	<b>246 150 074</b>
Changes in net assets		
Surplus for the year	35 467 887	35 467 887
Total changes	35 467 887	35 467 887
<b>Restated* Balance at 01 July 2016</b>	<b>281 617 962</b>	<b>281 617 962</b>
Changes in net assets		
Surplus for the year	44 629 111	44 629 111
Total changes	44 629 111	44 629 111
<b>Balance at 30 June 2017</b>	<b>326 247 073</b>	<b>326 247 073</b>

\* See Note 36

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property Rates		4 134 733	5 078 502
Service Charges		2 892 729	2 826 466
Operating Grants		172 910 354	172 398 562
Capital Grants		34 588 375	25 075 250
Other Income		3 599 688	3 089 312
Interest income		1 707 354	2 403 116
		<b>219 833 233</b>	<b>210 871 208</b>
<b>Payments</b>			
Suppliers & Employee costs		(117 526 682)	(106 945 796)
Finance costs		(306 634)	(1 635 284)
		<b>(117 833 316)</b>	<b>(108 581 080)</b>
Total receipts		219 833 233	210 871 208
Total payments		(117 833 316)	(108 581 080)
<b>Net cash flows from operating activities</b>	<b>31</b>	<b>101 999 917</b>	<b>102 290 128</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(90 662 720)	(84 359 125)
Proceeds from sale of property, plant and equipment	9	18 420	-
<b>Net cash flows from investing activities</b>		<b>(90 644 300)</b>	<b>(84 359 125)</b>
<b>Cash flows from financing activities</b>			
Proceeds from DBSA Loan		-	7 089 441
Redemption of loans - DBSA		(20 609 992)	(18 683 318)
Finance lease payments		(671 087)	(223 084)
<b>Net cash flows from financing activities</b>		<b>(19 021 685)</b>	<b>(10 557 362)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(7 666 068)</b>	<b>7 373 641</b>
Cash and cash equivalents at the beginning of the year		9 260 997	1 887 356
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>1 594 929</b>	<b>9 260 997</b>

\* See Note 36

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## 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
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	445 000	(90 313)	<b>354 687</b>	354 687	-	
Rental of facilities and equipment	1 111 737	(324 635)	<b>787 102</b>	1 089 991	<b>302 889</b>	
Interest received	2 450 000	(126 399)	<b>2 323 601</b>	2 323 601	-	
Licences and permits	2 800 000	(1 722 774)	<b>1 077 226</b>	1 077 226	-	
Services Rendered	37 953	4 555	<b>42 508</b>	42 508	-	
Sundry Income	376 917	(159 696)	<b>217 221</b>	367 609	<b>150 388</b>	
<b>Total revenue from exchange transactions</b>	<b>7 221 607</b>	<b>(2 419 262)</b>	<b>4 802 345</b>	<b>5 255 622</b>	<b>453 277</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	6 500 000	(1 291 246)	<b>5 208 754</b>	5 208 754	-	
Value Added Tax (Vat)	21 543 859	(4 270 000)	<b>17 273 859</b>	15 611 287	<b>(1 662 572)</b>	a
<b>Transfer revenue</b>						
Government grants & subsidies	193 360 760	16 575 349	<b>209 936 109</b>	208 811 355	<b>(1 124 754)</b>	
Traffic Fines	-	816 900	<b>816 900</b>	816 900	-	
<b>Total revenue from non-exchange transactions</b>	<b>221 404 619</b>	<b>11 831 003</b>	<b>233 235 622</b>	<b>230 448 296</b>	<b>(2 787 326)</b>	
'Total revenue from exchange transactions'	7 221 607	(2 419 262)	<b>4 802 345</b>	5 255 622	<b>453 277</b>	
'Total revenue from non-exchange transactions'	221 404 619	11 831 003	<b>233 235 622</b>	230 448 296	<b>(2 787 326)</b>	
<b>Total revenue</b>	<b>228 626 226</b>	<b>9 411 741</b>	<b>238 037 967</b>	<b>235 703 918</b>	<b>(2 334 049)</b>	
<b>Expenditure</b>						
Personnel	(49 677 890)	1 789 051	<b>(47 888 839)</b>	(47 661 320)	<b>227 519</b>	
Remuneration of councillors	(10 689 843)	883 207	<b>(9 806 636)</b>	(9 806 636)	-	
Depreciation and amortisation	(5 698 497)	2 200 000	<b>(3 498 497)</b>	(17 790 469)	<b>(14 291 972)</b>	b
Finance costs	(60 000)	(246 634)	<b>(306 634)</b>	(306 634)	-	
Allowance for impairment	(2 046 236)	300 000	<b>(1 746 236)</b>	(1 332 874)	<b>413 362</b>	
Repairs and maintenance	(3 800 000)	902 350	<b>(2 897 650)</b>	(5 106 763)	<b>(2 209 113)</b>	c
General Expenses	(45 111 760)	(10 979 474)	<b>(56 091 234)</b>	(91 948 273)	<b>(35 857 039)</b>	d
Audit Fees	(3 400 000)	(513 937)	<b>(3 913 937)</b>	(3 728 411)	<b>185 526</b>	
<b>Total expenditure</b>	<b>(120 484 226)</b>	<b>(5 665 437)</b>	<b>(126 149 663)</b>	<b>(177 681 380)</b>	<b>(51 531 717)</b>	
	228 626 226	9 411 741	<b>238 037 967</b>	235 703 918	<b>(2 334 049)</b>	
	(120 484 226)	(5 665 437)	<b>(126 149 663)</b>	(177 681 380)	<b>(51 531 717)</b>	
<b>Operating surplus</b>	<b>108 142 000</b>	<b>3 746 304</b>	<b>111 888 304</b>	<b>58 022 538</b>	<b>(53 865 766)</b>	
Loss on disposal of assets and liabilities	-	-	-	(22 009)	<b>(22 009)</b>	
Fair value adjustments	-	-	-	2 259 394	<b>2 259 394</b>	e
Actuarial gains/losses	-	-	-	(19 525)	<b>(19 525)</b>	f
	-	-	-	<b>2 217 860</b>	<b>2 217 860</b>	

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## 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
Figures in Rand						
	108 142 000	3 746 304	<b>111 888 304</b>	58 022 538	<b>(53 865 766)</b>	
	-	-	-	2 217 860	<b>2 217 860</b>	
<b>Surplus before taxation</b>	<b>108 142 000</b>	<b>3 746 304</b>	<b>111 888 304</b>	<b>60 240 398</b>	<b>(51 647 906)</b>	
Surplus before taxation	108 142 000	3 746 304	<b>111 888 304</b>	60 240 398	<b>(51 647 906)</b>	
Taxation	-	-	-	-	-	
<b>Deficit for the year from continuing operations</b>	<b>108 142 000</b>	<b>3 746 304</b>	<b>111 888 304</b>	<b>60 240 398</b>	<b>(51 647 906)</b>	
Capital Expenditure	(108 142 000)	(6 408 596)	<b>(114 550 596)</b>	(88 911 229)	<b>25 639 367</b>	g
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	-	<b>(2 662 292)</b>	<b>(2 662 292)</b>	<b>(28 670 831)</b>	<b>(26 008 539)</b>	

### Reconciliation

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below as referenced above;

a. VAT: Not all returns submitted were refunded by SARS.

b. Depreciation: The depreciation was under budgeted as all non cash items were under budgeted

c. Repairs & Maintenance: Repairs of Community halls which accounts for huge amount was budgeted.

d. Capital: Not all funds received were utilised for current year's expenditure. Some of the INEP funds received was utilised to repay DBSA loan

f. General Expenditure: varuance was due to electrification projecvts completed and transfered to ESKOM

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements

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

---

---

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables and/or loans and receivables.

##### Impairment testing

In calculating the impairment loss for receivables the following were considered:

The payments received from receivables for the year

The age of the debt

Current and 30 days were considered not to have past due date

Receivables who were 60 days old were considered to be past due date but were not impaired. The municipality assessed the balances that were 60 days old for recoverability and believes that they are of good credit quality. The creation and the release the impairment loss for receivables have been included in the Statement of Financial Performance.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### 1.4 Investment property

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured. Investment properties comprise properties held for earning rental income or for capital appreciation or both. This does not include properties held for the supply of services or for administrative purposes.

Investment property is measured initially at its cost (transaction costs shall be included in this initial measurement).

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. After initial recognition, investment property is held at the fair value model except in cases where the municipality cannot reliably determine the fair value thereof.



# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.4 Investment property (continued)

A gain or loss arising from a change in the fair value of investment property shall be included in surplus or deficit for the period in which it arises. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The differences between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of financial performance in the period of derecognition.

### 1.5 Property, plant and equipment

Property, plant and equipment is recognised when it is probable future economic benefits will flow to the entity and the cost can be measured reliably. Spare parts and stand-by equipment are recognised when they qualify as property, plant and equipment. Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes all directly attributable costs that are incurred in order to bring the asset into a location and condition necessary to enable it to operate as intended by management and includes the cost of materials and direct labour.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised if the cost can be measured reliably and it is probable that future economic benefits associated with the item will flow to the municipality. If a replacement part is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised. When significant parts of property, plant and equipment are required to be replaced at intervals, the municipality recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenditure is recognised as an expense in the year it is incurred.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset on the same basis as owned assets. If the Group does not have reasonable certainty that it will obtain ownership of the leased asset at the end of the lease term, the asset is depreciated over the shorter of its lease term and its useful life.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line basis over the estimated useful life of each part of property, plant and equipment from when it is available to operate as intended by management. The estimated useful lives are

---

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 Years
Furniture	Straight line	5 - 7 Years
Motor vehicles	Straight line	4 - 7 Years
Office equipment	Straight line	5 - 7 Years
IT equipment	Straight line	3 - 5 Years
Computer software	Straight line	
Infrastructure		
Landfill site	Straight line	30-55 years
Culverts and ditch drains	Straight line	20-60 years
Traffic signs	Straight line	5-20 years
Electricity infrastructure	Straight line	15-40 years
Traffic barriers	Straight line	10-30 years
Roads & Paving	Straight line	30-50 years
Recreational Facilities	Straight line	10-60 years
Bridges	Straight line	60 - 80 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted (where required) annually. Where significant parts (components) of an item of property, plant and equipment have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.5 Property, plant and equipment (continued)

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in operating profit. Items or part of an item of property, plant and equipment are derecognised at the earlier of the date of disposal or the date when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition of items of property, plant and equipment are included in the statement of financial performance. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

### 1.6 Intangible assets

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.

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Intangible assets are derecognised:

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

### 1.7 Financial instruments

Financial assets and liabilities are recognised on the municipality's statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value at date of acquisition. Subsequent to initial recognition financial instruments are measured as set out below.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.7 Financial instruments (continued)

#### Receivables from exchange transactions

Receivables from exchange transactions are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. At each reporting date, the municipality assesses whether there is any objective evidence that trade and other receivables are impaired. A provision for impairment of trade and other receivables is raised in the statement of financial performance, when there is objective evidence that the municipality will not be able to collect all amounts due, in accordance with the original terms agreed upon. The amount of the provision is the difference between the assets carrying value and the present value of estimated future cash flows, discounted at the effective interest rate. The municipality takes the impairment of trade receivables directly to the carrying value of the asset and recognises the impairment in profit and loss.

#### Receivables from non-exchange transaction

Receivables from non-exchange transactions arise through a contractual commitment by a third party to transact with the municipality, without the municipality giving the third party any value that approximates the contractual amount. Receivables from non-exchange are subsequently measured at cost, where cost is the amount contractually receivable.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and call deposits. Cash on hand is initially recognised at fair value and subsequently measured at fair value. Deposits are carried at amortised cost. However, due to their short-term nature, the amortised cost normally approximates its fair

#### Financial liabilities at amortised cost

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, when the municipality become party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the cost and the redemption value is recognised in the statement of financial position over the period of the borrowings as interest.

#### Payables from exchange transactions

Payables from exchange transactions are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

#### Payables from non-exchange transactions

Payables from non-exchange transactions arise when the municipality has an obligation to return the grant funds and/or receipts transferred to it by any third parties, through a non-exchange transaction, if conditions of the grant have not been met (conditional grants). A non-exchange transaction is a transaction where an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

When funds are received as per stipulations of the grant contract, they give rise to a present obligation. A present obligation arising from a non-exchange transaction, that meets the definition of a liability shall be recognised as a liability when, and only when: it is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and reliable estimate can be made of the amount of the obligation.

Payables from exchange transactions are initially measured at fair value and are subsequently measured at cost. Where fair value is the best estimate of the amount required to settle the present obligation at the reporting date. And cost is the cash outflow payable to the third upon unsuccessful discharge of grant conditions.

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

#### Offset

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legal enforceable right to set-off the recognised amounts, and the intention is to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Derecognition

A financial asset, or portion of a financial asset, is derecognised where:

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.7 Financial instruments (continued)

The rights to receive cash flows from the asset have expired

The municipality has transferred the right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without any material delay to a third party;

the municipality has transferred substantially all the risks and rewards of the asset; or

the municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### Impairment of financial assets

Financial assets, other than those financial assets classified as fair value through the statement of financial performance, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. If any such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is recognised in the profit or loss.

.

### 1.8 Inventories

Inventories acquired through an exchange transaction are initially stated at cost. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the FIFO method. Inventories acquired through a non-exchange transaction are initially measured at fair value as at the date of acquisition.

All inventories are subsequently measured at lower of cost and net realisable value. The net realisable value of inventories is the estimate of the selling price in the ordinary course of business, less the estimated selling expenses.

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

### 1.9 Impairment of cash-generating assets

At each reporting date, the Municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of financial statement. Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.9 Impairment of cash-generating assets (continued)

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, if related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the statement of financial statements. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life.

### 1.10 Employee benefits

#### Long-service bonus awards employment benefit

##### Long service employment benefit

Ntabankulu offers bonuses for every 5 years of completed service from 10 years to 45 years. The liability recognised in respect of the long-service bonus awards is the present value of the obligation at the reporting date. The benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms of maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance, in the period in which they arise. Current service costs are recognised immediately in profit and loss.

##### Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Remuneration of employees is charged to the income statement. A provision is made for accumulated leave, incentive bonuses and other short-term employee benefits.

### 1.11 Provisions and contingencies

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of a past event and it is probable that the municipality will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability.

### 1.12 Commitments

Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date. These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance as risks and rewards of ownership has not lapsed to the municipality prior delivery therein. However, are disclosed as part of the disclosure notes.

The commitments disclosed in the disclosure note are the aggregate amount of capital and current expenditure approved and contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements. A distinction is made between capital and current commitments.

Other commitments for which disclosure is necessary to achieve a fair presentation will be disclosed in a note if both the following criteria are met:

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

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.13 Revenue from exchange transactions

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipalities activities. Revenue is reduced for customer returns, rebates and other similar allowances

*Service charges and licenses and permits* are recognised in the statement of financial performance when the significant risks and rewards of ownership have been transferred to the customer.

Revenue from *services rendered* is recognised by reference to stage of completion.

*Interest income* is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

*Rental of facilities and equipment revenue* arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

### 1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions arise where the municipality will receive resources and provide no or nominal consideration directly in return. These constitutes government grants, property rates, fines and penalties.

*Government grants* pertains to funds and/or subsidies received or receivable by the municipality from other state organs. These include conditional and non-conditional grant. Conditional grants arise where the municipality has a conditional obligation to pay cash or another financial asset to the grantor, upon unsuccessful discharge of the grantor's conditions. Non-conditional grants are grants received or receivable, for the municipality's operational needs, with no obligation to pay cash or another financial asset to the grantor.

Non-conditional government grants are recognised as revenue when received. And conditional government grants received and recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. The revenue shall be measured at the amount of the increase in net assets recognised by the entity.

Subsequently, as an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset or expense, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

*Property rates* satisfy the definition of "non-exchange transaction", because the homeowner transfers resources to the government without receiving approximately equal value directly in exchange.

An entity shall recognise an asset in respect of property rates when the taxable event occurs and the asset recognition criteria are met. And, to the extent that an asset (cash or receivables) is recognised, the municipality shall also recognise the amount as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

*Fines and penalties* are economic benefits or service potential received or receivable by an entity from an individual or other entity, as determined by a court or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. And, to the extent that an asset is recognised, the municipality shall also recognise the amount as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

In instances where a defendant reaches an agreement with a prosecutor that includes the payment of a penalty instead of being tried in court, the payment thus received or receivable shall be recognised as fine revenue.

### 1.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period, to get ready for its intended use or sale are capitalised as part of the cost of the respective assets during the period that is required to complete and prepare the asset for its intended use. 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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the municipality incurs relating to borrowing of funds.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.16 Comparative figures

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

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

### 1.18 Fruitless and wasteful expenditure

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

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

### 1.19 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.20 Budget information

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

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

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

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The Annual Financial Statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.21 Related parties

The municipality, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market rates with related parties. The municipality is presumed to be related to all other government entities within the national sphere by virtue of its classification as a Category B municipality. Only transactions that are not carried out on an arms' length basis are disclosed. Key personnel are limited to the s56 employees only.

### 1.22 Events after reporting date

Subsequent to the reporting date the Municipal Manager - Ms S Mankahla's contract was terminated as at 8 August 2017 and Mr S Matiwane was appointed by the council as the Acting Municipal Manager on the same date.

# **Ntabankulu Local Municipality**

Annual Financial Statements for the year ended 30 June 2017

## **Notes to the Annual Financial Statements**

---

---



# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

---

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective;

Document number	Title	Summary
GRAP 20	Related party disclosure	Standard objective is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties
GRAP 32	Service concession arrangement: Grantor	The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.
GRAP 108	Statutory receivables	The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.
GRAP 109	Accounting principles and agents	The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.
GRAP 34	Separate Financial Statements	The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements
GRAP 35	Consolidated Financial Statements	The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
GRAP 36	Investments in Associates and Joint Ventures	The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures
GRAP 37	Joint Arrangements	The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet the objective in the preceding paragraph, this Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

GRAP 38		Disclosure of Interests in Other Entities	The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:
			(i) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
			(ii) the effects of those interests on its financial position, financial performance and cash flows.
GRAP 108	Statutory Receivables		The objective of this standard is to prescribe the accounting requirements for recognition, measurement, presentation and disclosure of statutory receivables
GRAP 109	Accounting by Principals and Agents		This standard outlines the to be used by the entity to assess whether it is party to a principal – agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such arrangements
GRAP 110	Living and Non-living Resources		The objective of this Standard is to prescribe the:
			(i) recognition, measurement, presentation and disclosure requirements for living resources; and
			(ii) disclosure requirements for non-living resources

### 3. Inventories

Land	240 740	240 740
Consumables	645 488	525 724
	<b>886 228</b>	<b>766 464</b>

### 4. Receivables from exchange transactions

Refuse Receivables	1 383 504	1 301 123
Sundry Receivables	220 188	570 649
Rental	930 555	623 183
Allowance for impairment - Refuse	(655 233)	(1 160 400)
Allowance for impairment - Rentals	(721 696)	(303 870)
	<b>1 157 318</b>	<b>1 030 685</b>

### 5. Receivables from non-exchange transactions

Customer Receivable- Interest	2 604 723	1 988 477
Customer Receivable- Rates	11 244 475	10 170 454
Customer Receivable - Traffic Fines	1 549 850	843 950
Staff Debtors	-	593 004
Allowance for impairment - Traffic Fines	(1 489 958)	(789 200)
Allowance for impairment - Rates	(10 187 225)	(10 025 439)
Allowance for impairment - Interest	(2 367 205)	(1 809 534)
	<b>1 354 660</b>	<b>971 712</b>

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>6. VAT receivable</b>		
VAT	4 790 192	6 360 882
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	26 810	89 392
Bank balances	299 971	1 739 098
Investment balances	1 268 148	7 432 507
	<b>1 594 929</b>	<b>9 260 997</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Main Account: Current account	357 038	1 739 098	8 881	299 971	1 739 098	8 881
Direct Deposit Clearing	-	-	3	-	-	3
FEB Account	971	1 003	1 003	971	1 003	1 003
Operations	1 000	1 003	-	1 000	1 003	-
VAT Call Account	1 000	6 282 916	601 000	1 000	6 282 916	601 000
Back to school	1 359	414 508	-	1 359	414 508	-
INEP- FNB Call Account	4 311	1 000	1 000	2 507	1 000	1 000
Municipal Support Institution	1 000	1 000	1 000	1 000	1 000	1 000
FMG	240	1 000	1 000	240	1 000	1 000
MIG	1 000	1 000	1 000	1 000	1 000	1 000
MSIG	1 050	1 000	1 000	1 050	1 000	1 000
DEDEAT	794 474	1 000	34 544	957 378	1 000	34 544
DSRAC	114 937	236 475	1 642	3 041	236 475	1 642
EPWP	1 000	1 000	1 000	8 863	1 000	1 000
Thina Sinako	191 158	486 602	84 151	191 158	486 602	84 151
Traffic Fines	1 834	1 000	1 102 884	1 834	1 000	1 102 884
Vukani Mangqamza	95 592	1 000	3 115	95 592	1 000	3 115
DBSA Loan	139	1 000	23 952	139	1 000	23 952
Cogta - Electrification	17	-	-	17	-	-
<b>Total</b>	<b>1 568 120</b>	<b>9 171 605</b>	<b>1 867 175</b>	<b>1 568 120</b>	<b>9 171 605</b>	<b>1 867 175</b>

## 8. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	22 262 725	-	22 262 725	20 003 331	-	20 003 331

### Reconciliation of investment property - June 2017

	Opening balance	Fair value adjustments	Total
Investment property	20 003 331	2 259 394	22 262 725

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

2017

2016

### 8. Investment property (continued)

#### Reconciliation of investment property - June 2016

	<b>Opening balance</b>	<b>Derecognition</b>	<b>Transfers received</b>	<b>Total</b>
Investment property	25 055 031	(7 097 800)	2 046 100	20 003 331

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

Investment property was revaluated during the year under review. The determination of fair value was supported by market evidence. Furthermore, the fair value of investment property (as measured or disclosed in the financial statements) was based on a valuation conducted by an independent valuer who is Registered as a Professional Associated Valuer in terms of section 19 of the Property Valuers Profession Act 2000, (Act 47 of 2000) and has recent experience in the location and category of the investment property being valued.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying Amount	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying Amount
Land	2 033 539	-	2 033 539	2 033 539	-	2 033 539
Buildings	110 077 015	(31 133 947)	78 943 068	111 829 073	(27 508 945)	84 320 128
Machinery	1 022 836	(108 980)	913 856	178 573	(17 005)	161 568
Furniture and fixtures	2 244 774	(1 603 979)	640 795	1 940 108	(1 441 042)	499 066
Motor vehicles	4 816 038	(3 021 359)	1 794 679	4 816 038	(2 165 734)	2 650 304
Office equipment	488 762	(230 243)	258 519	409 330	(177 116)	232 214
IT equipment	3 098 751	(2 355 796)	742 955	2 801 748	(1 749 463)	1 052 285
Infrastructure	141 373 613	(42 041 921)	99 331 692	143 237 595	(35 274 967)	107 962 628
Landfill site	7 130 493	(156 480)	6 974 013	7 130 493	(14 456)	7 116 037
Work-In-Progress	128 178 138	-	128 178 138	85 395 969	-	85 395 969
<b>Total</b>	<b>400 463 959</b>	<b>(80 652 705)</b>	<b>319 811 254</b>	<b>359 772 466</b>	<b>(68 348 728)</b>	<b>291 423 738</b>

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - June 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers Out	Depreciation	Accumulated Depreciation Disposals	Total
Land	2 033 539	-	-	-	-	-	-	2 033 539
Buildings	84 320 128	-	(3 848 752)	2 096 694	-	(4 656 197)	1 031 195	78 943 068
Machinery	161 568	844 263	-	-	-	(91 975)	-	913 856
Furniture	499 066	314 715	(10 289)	-	-	(170 956)	8 259	640 795
Motor vehicles	2 650 304	-	-	-	-	(855 625)	-	1 794 679
Office equipment	232 214	80 933	(1 500)	-	-	(53 593)	465	258 519
IT equipment	1 052 285	327 789	(30 786)	-	-	(618 417)	12 084	742 955
Infrastructure	107 962 628	-	(14 146 552)	12 282 570	-	(11 187 334)	4 420 380	99 331 692
Landfill site	7 116 037	-	-	-	-	(142 024)	-	6 974 013
Work-In-Progress	85 395 969	85 651 736	-	-	(42 869 567)	-	-	128 178 138
	<b>291 423 738</b>	<b>87 219 436</b>	<b>(18 037 879)</b>	<b>14 379 264</b>	<b>(42 869 567)</b>	<b>(17 776 121)</b>	<b>5 472 383</b>	<b>319 811 254</b>

#### Reconciliation of property, plant and equipment - June 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Transfer to 3rd Parties	Depreciation	Total
Land	2 033 539	-	-	-	-	-	-	2 033 539
Buildings	83 899 253	630 000	-	4 340 400	-	-	(4 549 525)	84 320 128
Machinery	-	178 573	-	-	-	-	(17 005)	161 568
Furniture	584 802	78 629	-	-	-	-	(164 365)	499 066
Motor vehicles	3 060 400	801 555	(355 738)	-	-	-	(855 913)	2 650 304
Office equipment	126 788	146 222	-	-	-	-	(40 796)	232 214
IT equipment	784 926	694 880	-	-	-	-	(427 521)	1 052 285
Infrastructure	103 957 137	-	-	13 502 122	-	-	(9 496 631)	107 962 628
Landfill site	-	7 130 493	-	-	-	-	(14 456)	7 116 037
Work-In-Progress	77 677 636	78 416 779	-	(25 454 480)	(2 046 098)	(43 197 868)	-	85 395 969
	<b>272 124 481</b>	<b>88 077 131</b>	<b>(355 738)</b>	<b>(7 611 958)</b>	<b>(2 046 098)</b>	<b>(43 197 868)</b>	<b>(15 566 212)</b>	<b>291 423 738</b>

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 9. Property, plant and equipment (continued)

Work in progress for Ntabankulu Local Municipality mostly represents electrifications projects that are constructed through utilising conditional grants as denoted in Note 23: Revenue from non-exchange transactions.

The useful lives of all the individual items of property, plant and equipment has been assessed and were deemed to equate their economic useful life. There were no assets that were pledged as security and capital contractual commitments are disclosed in the commitments disclosure note. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	288 787	(275 372)	13 415	288 787	(261 023)	27 764

#### Reconciliation of intangible assets - June 2017

	Opening balance	Amortisation	Total
Computer software, other	27 764	(14 349)	13 415

#### Reconciliation of intangible assets - June 2016

	Opening balance	Amortisation	Total
Computer software, other	59 561	(31 797)	27 764

#### Other information

Ntabankulu Local Municipality's intangible asset constitutes computer software. The useful life used in the calculation of amortisation of software is two years. Ntabankulu Local Municipality assesses, at each reporting date, whether there is any indication that the computer software may be impaired, or that the useful life is still appropriate. No such indication existed at the end of the current financial reporting period.

### 11. DBSA Loan

#### At amortised cost

DBSA	-	20 609 992
Terms and conditions		

In the 2015-16 financial year the municipality obtained a loan from the Development Bank of South Africa at a rate of 9% per annum repayable in instalments linked to the receipt of the INEP grant by the municipality. The duration of the loan was 2 years. The repayments were funded by the Integrated Electrification Program (INEP) grant that the municipality receives from National Government. In terms of the contract all amount received was fully paid to DBSA in the 2016-17 financial year.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>12. Payables from exchange transactions</b>		
Trade payables	4 935 197	671 662
Audit Fees Provision	2 502 284	2 687 811
Retention Fee	2 196 104	2 132 347
Accrued leave pay	4 647 855	3 651 205
Accrued bonus	878 108	1 131 515
Accruals	4 212 105	6 965 930
	<b>19 371 653</b>	<b>17 240 470</b>

### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
EPWP	7 863	(1 755)
Finance Management Grant - FMG	-	-
IEC Grant	-	2 000 000
Municipal Infrastructure Grant - MIG	-	(1)
Precinct Plan Grant	66 149	270 433
DSRAC	2 041	-
DEDEAT	957 377	167 380
	<b>1 033 430</b>	<b>2 436 057</b>

This liability relates to conditional grants, which arise where the municipality has a conditional obligation to pay cash or another financial asset to the grantor, upon unsuccessful discharge of the grantor's conditions. The values disclosed above represents funds received for which the municipality has not yet satisfied the grant conditions. The nature and extent of the government grants is recognised in the annual financial statements

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

### 14. Payables from non-exchange transactions

	30 June 2017	30 June 2016
Salaries third party payments	2 041 527	1 915 605
Receivables with credit balance	449 320	339 490
	<b>2 490 847</b>	<b>2 255 095</b>

### 15. Long Service Awards

	30 June 2017	30 June 2016
Non - current portion	1 575 032	1 450 334
Current Portion	289 061	191 520
	<b>1 864 093</b>	<b>1 641 854</b>



# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	82 071	420 273
- in second to fifth year inclusive	-	332 885
	-	-
Non-current liabilities	-	332 885
Current liabilities	82 071	420 273
	-	-

## 17. Provisions

### Reconciliation of provisions - 30 June 2017

	Opening Balance	Movement	Total
Provision Landfill site	3 290 987	(2 509 433)	781 554

### Reconciliation of provisions - 30 June 2016

	Opening Balance	Utilised during the year	Reversed during the year	Total
Provision Landfill site	10 004 568	(7 611 958)	898 377	3 290 987

The Ntabankulu landfill site is situated some 900 meters north of the Ntabankulu CBD. It is located on Portion 87 of ERF 1966 in the Ntabankulu Commonage. This landfill is licensed in terms of National Environmental Management Act.

The investment return assumption used was determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds was consistent with the currency and estimated term/life of the landfill site. The discount rate was deduced from the GOVI long bond.

Key financial assumptions used are summarised as follows;

Assumptions	30 June 2017	30 June 2016
Discount rate	9.42%	9.83%
Consumer price index	6.12%	7.71%
Net discount	3.11%	1.93%

Changes to the assumptions had a dramatic impact on the life expectancy and cost of rehabilitation of the landfill. This resulted in the provision being materially reduced in several ways. These included improved availability of information and management practices at the landfill. Furthermore, compliance issues were, of course, taken into account

The valuation of the landfill site was conducted by One Pangaea Financial, who are independent valuer, registered with the Engineering Council of South Africa. The municipality ascertained itself that the company had extensive experience in the valuation of landfill sites.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>18. Revenue</b>		
<b>Revenue arising from exchange transactions</b>		
Service charges	354 687	302 885
Rental of facilities and equipment	1 089 991	1 364 319
Interest received	2 323 601	2 403 116
Licences and permits	1 077 226	1 395 094
Services Rendered	42 508	39 603
Sundry revenue	367 609	1 372 200
	<b>5 255 622</b>	<b>6 877 217</b>
<b>Revenue arising from non-exchange transactions</b>		
<b>Taxation revenue</b>		
Property rates	5 208 754	4 707 812
<b>Transfer revenue</b>		
Government grants & subsidies	208 811 355	195 599 252
Fines, Penalties	816 900	1 013 900
	<b>214 837 009</b>	<b>201 320 964</b>
<b>19. Service charges</b>		
Refuse removal	354 687	302 885
<p>The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the customers on a monthly basis. The tariffs are approved by council at the beginning of each financial year.</p>		
<b>20. Rental of facilities and equipment</b>		
Rental Revenue from amenities	1 074 415	1 344 902
Rental Revenue from Halls	15 576	19 417
	<b>1 089 991</b>	<b>1 364 319</b>
	-	-
	-	-
	-	-

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>21. Property rates</b>		
<b>Rates received</b>		
Property rates	5 208 754	4 707 812
<b>Valuations</b>		
Residential	408 198	372 375
Commercial	426 421	399 642
State	4 374 135	3 935 795
	<b>5 208 754</b>	<b>4 707 812</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions

The new general valuation was to be implemented by 01 July 2018, however as per directive from Co-operative Governance and Traditional Affairs it will be implemented on 01 July 2019.

In accordance with section 17(h) of the Municipal Properties Rates Act the first R15 000 of the market value of residential properties are exempted from assessment rates.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>22. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	93 327 000	98 512 000
Expanded Public Works Programme	1 221 382	1 031 000
DEDEAT	210 003	255 526
DSRAC	347 959	484 968
Precinct Plan Grant	204 284	192 684
Finance Management Grant	1 824 999	1 800 000
MSIG	-	930 000
Spatial Planning (ANDM)	-	100 000
	<b>97 135 627</b>	<b>103 306 178</b>
<b>Capital grants</b>		
Electrification Grant - INEP	41 999 999	39 400 000
Provincial Treasury Internal Streets	18 715 729	26 498 073
Municipal Infrastructure Grant	35 960 000	26 395 001
Cogta - Electrification	13 000 000	-
IEC Grant	2 000 000	-
	<b>111 675 728</b>	<b>92 293 074</b>
	97 135 627	103 306 178
	111 675 728	92 293 074
	<b>208 811 355</b>	<b>195 599 252</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	115 280 071	97 523 932
Unconditional grants received	93 327 000	98 512 000
	<b>208 607 071</b>	<b>196 035 932</b>

### MSIG

Balance unspent at beginning of the period	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and mobilise municipal systems. There was no receipt in respect to the grant received in the 2016-17 financial year.

### DEDEAT

Balance unspent at beginning of the period	167 380	422 906
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(210 003)	(255 526)
	<b>957 377</b>	<b>167 380</b>

Conditions still to be met - remain liabilities (see note 13).

This grant was received to assist in economic development within the Ntabankulu jurisdiction .

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>22. Government grants and subsidies (continued)</b>		
<b>Extended Public Works Program</b>		
Balance unspent at beginning of the period	(1 755)	779 245
Current-year receipts	1 231 000	250 000
Conditions met - transferred to revenue	(1 221 382)	(1 031 000)
Other	-	-
	<b>7 863</b>	<b>(1 755)</b>

Conditions still to be met - remain liabilities (see note 13).

The grant is utilised for creation of job opportunities to the community in Ntabankulu jurisdiction in an effort to eradicate poverty and building capacity through skills program. No funds had been withheld.

### Finance Management Grant - FMG

Balance unspent at beginning of the period	-	-
Current-year receipts	1 825 000	1 800 000
Conditions met - transferred to revenue	(1 825 000)	(1 800 000)
Other	-	-
	-	-

Conditions still to be met - remain liabilities (see note 13).

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 had been withheld.

### Free Basic Services Electricity

Balance unspent at beginning of the period	-	-
Current-year receipts	41 999 999	39 400 000
Conditions met - transferred to revenue	(41 999 999)	(39 400 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

The Electrification Grant is paid by National Treasury to municipalities to help in the development of electricity to the rural areas which do not electricity. No funds had been withheld

### IEC Grant

Balance unspent at beginning of year	2 000 000	-
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	(2 000 000)	-
	-	<b>2 000 000</b>

Conditions still to be met - remain liabilities (see note 13).

The municipality received an amount of R2 000 000 from Independent Electoral Commission for the assistance in upgrading of rural roads in Ntabankulu jurisdiction

### Municipal Infrastructure Grant - MIG

Balance unspent at beginning of the period	(1)	(1)
Current-year receipts	35 960 000	26 395 000
Conditions met - transferred to revenue	(35 959 999)	(26 395 000)

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 22. Government grants and subsidies (continued)

- (1)

Conditions still to be met - remain liabilities (see note 13).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and other infrastructure as part of upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

#### Precinct Plan Grant

Balance unspent at beginning of the period	270 433	463 117
Current-year receipts	(204 284)	-
Conditions met - transferred to revenue	-	(192 684)
	<b>66 149</b>	<b>270 433</b>

Conditions still to be met - remain liabilities (see note 13).

The Municipality received an amount from Alfred Nzo District Municipality for assistance in the data collection of community needs to be used as basis for future planning. No funds were withheld.

#### Department of Cooperative Governance & Traditional Affairs (COGTA)

Current-year receipts	13 000 000	-
Conditions met - transferred to revenue	(13 000 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 13).

The Municipality received an assistance from the Department of Cooperative Governance and Traditional Affairs to speed up in electrification program within Ntabankulu jurisdiction.

#### Department of Sport Recreational Arts and Culture (DSRAC)

Current-year receipts	350 000	484 968
Conditions met - transferred to revenue	(347 959)	(484 968)
	<b>2 041</b>	-

Conditions still to be met - remain liabilities (see note 13).

The Municipality do receive funds from the Department of Sport & Recreation for the assistance in library services. No funds were withheld.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>23. Employee related costs</b>		
Basic	30 706 050	29 413 580
Bonus	2 874 509	2 415 938
Medical aid - company contributions	2 373 818	2 318 817
Standby allowance	268 703	232 338
Car allowance	3 803 620	3 306 295
Housing benefits and allowances	2 621 126	2 301 851
Contribution to Bargaining Council	14 838	14 034
Telephone Allowance	86 846	67 369
SDL	422 051	398 084
Defined Contribution Plans	4 155 396	3 340 738
UIF	266 040	260 102
Long Service Awards Paid	68 323	66 940
	<b>47 661 320</b>	<b>44 136 086</b>
<b>Remuneration of municipal manager</b>		
<b>Remuneration of executive directors</b>		
<b>24. Remuneration of councillors</b>		
Salaries and other Allowances	7 760 887	7 375 904
Motor Vehicle Allowance	2 045 749	2 065 127
	<b>9 806 636</b>	<b>9 441 031</b>
<b>25. Depreciation and amortisation</b>		
Property, plant and equipment	17 776 120	15 566 216
Intangible assets	14 349	31 797
	<b>17 790 469</b>	<b>15 598 013</b>
<b>26. Impairment of inventory</b>		
	-	2 840
	-	-
<b>27. Finance costs</b>		
Interest paid	306 634	2 145 027
<b>28. Debt impairment</b>		
Contributions to debt impairment provision	1 332 874	3 301 491

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>29. General expenses</b>		
Advertising	916 516	728 031
Agriculture LED	358 960	140 679
Arts & Culture Strategic	274 218	-
Asset Valuation	1 061 482	449 659
Asset Write off	12 543 730	-
Audit Committee Expenses	393 403	145 507
Back to School	587 264	445 056
Bank charges	83 022	109 326
Business Support Strategic	-	233 843
Capacity Building	695 561	763 628
Community Halls	164 390	-
Completed Electrification write off	26 973 684	43 197 868
Consulting and professional fees	3 054 272	2 271 452
Council Support Administration	191 458	425 649
DEDEA Strategic	210 003	99 435
DSRAC Community	274 750	506 488
EPWP Community	2 811 177	1 866 384
Electricity expenses	749 837	662 498
Employee Wellness Program	593 004	-
Entertainment	277 781	88 308
Expanded Public Works	1 203 695	1 067 782
Financial Management Grant Expenditure	1 646 375	1 408 007
Financial Management fees	3 706 428	989 042
General Valuation Roll	109 763	361 213
Hygenic Services Administration	754 682	231 786
IEC Grant Expenditure	49 653	-
IT expenses	921 128	306 606
Indigent Support	4 762 355	6 728 757
Insurance	1 156 947	525 218
Intergrated Development Plan	1 877 746	2 505 721
Internal Audit Expense	534 553	2 234 151
Land Use Management	-	106 574
Legal fees	790 499	966 129
Licence Fees	312 168	72 306
Living the dream	487 121	-
Marketing and Communication	809 778	949 823
Movement leave and bonus accruals	(1 129 840)	1 640 965
Municipal Systems Improvement	-	1 078 031
Occupational Health & Safety	526 519	406 994
Other expenses	355 058	677 906
Performance Management System expense	272 838	75 927
Post & Telecommunication expenses	3 807 055	2 787 643
Precinct Plan Expenses	204 284	169 021
Printing and stationery	1 091 296	371 885
Project Management	1 390 389	1 298 970
Public Amenities	96 404	245 268
Public Participation	287 943	39 895
Refuse	147 945	193 000
SALGA Levy	611 643	552 220
Security (Guarding of municipal property)	1 654 417	1 981 451
Solid Waste Management	780 507	154 819
Spatial Development expenses	122 965	404 648
Special Programs	391 136	1 058 369
Sports & Recreation	85 454	369 825
Tourism	110 240	276 062
Town Planning	107 032	-
Traffic Road & Safety	-	120 371
Travelling & Subsistence	6 293 621	4 605 786
Vehicle Fuel & Oil	1 039 575	887 546



# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>29. General expenses (continued)</b>		
Ward Committee Sitting	2 364 389	1 946 551
	<b>91 948 273</b>	<b>91 930 079</b>
<b>30. Auditors' remuneration</b>		
Fees	3 728 411	3 427 281
<b>31. Net Cash flow from operating activities</b>		
Surplus	44 629 111	35 467 887
<b>Adjustments for:</b>		
Depreciation and amortisation	17 790 469	15 598 013
Loss on disposal of assets	22 009	362 350
Completed Electrification project expensed	26 973 684	43 197 868
Actuarial Gain/Loss	19 525	77 083
Fair value adjustments	(2 259 394)	-
Finance costs	306 634	2 145 027
Asset write off	12 543 730	-
Impairment RDP Land	-	2 840
Allowance impairment	1 332 874	3 301 491
Movements in provisions- Leave and bonus	(1 129 840)	1 640 965
<b>Changes in working capital:</b>		
Inventories	(125 889)	(274 064)
Receivables from exchange and non exchange transactions	(126 633)	(52 705)
Other receivables from non-exchange transactions	(382 948)	-
Post Retirement Medical Benefits	-	(2 318 817)
Staff Leave pay	-	(320 951)
Long Service Awards	-	(2 301 851)
Post Retirement Medical Benefits	-	(3 600 840)
Long Service Awards	-	(66 940)
Bonus	-	(2 415 938)
Payables from exchange transactions	1 573 468	5 937 088
VAT	1 570 690	649 724
Payables from non exchange transactions	665 054	6 665 986
Unspent conditional grants and receipts	(1 402 627)	(1 316 868)
Movement in Lease Liability	-	(87 220)
	<b>101 999 917</b>	<b>102 290 128</b>

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>32. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Authorised and contracted for</b>		
• Property, plant and equipment	38 278 304	63 389 376
• Prior Year adjustment	-	(4 438 777)
	<b>38 278 304</b>	<b>58 950 599</b>
<b>Total capital commitments</b>		
Authorised and contracted for	38 278 304	58 950 599
<b>Authorised operational expenditure</b>		
<b>Authorised and Contracted for</b>		
• Operational Expenditure	3 155 125	5 165 524
• Prior Year adjustment	-	(100)
	<b>3 155 125</b>	<b>5 165 424</b>
<b>Total operational commitments</b>		
Authorised and contracted for	3 155 125	5 165 424
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	38 278 304	58 950 599
Authorised operational expenditure	3 155 125	5 165 424
	<b>41 433 429</b>	<b>64 116 023</b>

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.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

2017

2016

### 33. Contingencies

Plaintiff/Applicant	Reference	Case Number	2017	2016
Droder Trading CC	(i)	627/12	625 000	685 000
Droder Trading CC	(ii)	628/12	525 000	585 000
Phumzile Ntintili	(iii)	968/12	175 000	220 000
Four Municipal Traffic Officers	(iv)	N/A	5 500	56 000
Somdaka Funeral Palour	(v)	N/A	70 000	315 000
SAMWU	(vi)	457/2015	3 696 278	3 816 278
Siphokazi Cekwana	(vii)	513/2015	6 950 000	7 150 000
Hlaliso Investments	(viii)	N/A	602 600	647 600
Avuyile Mnyangwana	(ix)	41/03/2016	-	25 000
Lindokuhle Khumalo and Sipehelele Khumalo	(x)	06/2016	240 000	285 000
Lindokuhle Khumalo and Sipehelele Khumalo	(xi)	B315/2015	240 000	265 000
Ingenious Information Systems	(xii)	N/A	274 833	294 833
Geo-Spatial Technologies	(xiii)	N/A	956 000	-
Mnikelo Maphuca	(xiv)	24/2017	-	-
Buyiselo Somacala	(xv)	38/2017	-	-
Mncedisi Ndoko	(xvi)	N/A	-	-
Lwandlolumvu Community	(xvii)	852/2016	20 000	-
Fortymen Sigcawu	(xviii)	851/2016	200 000	-
South African Revenue Authority	(xix)	N/A	-	3 922 801
IMATU	(xx)	N/A	-	35 000
WildCoast Debt Collectors	(xxi)	4323/12	-	104 500
Brainwave Projects 848 CC	(xxii)	1019/13	-	665 000
Phumzile Ntintili	(xxiii)	883/12	-	270 000
			<b>14 580 211</b>	<b>19 342 012</b>

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

2017

2016

### 33. Contingencies (continued)

#### i. Drodar Trading CC vs NLM (Case number 627/12)

An Applicant entered in to an agreement with the first and the second Respondents, the agreement was that the Applicant will supply the second Respondent with the building material and the first Respondent will effect payment within 60 days or alternatively within a reasonable time upon presentation of the invoice. The Applicant complied with its obligations however, the first Respondent failed to effect payment within the agreed period.

#### ii. Drodar Trading CC vs NLM (Case number 628/12)

An Applicant entered in to an agreement with the first and the second Respondents, the agreement was that the Applicant will supply the second Respondent with the building material and the first Respondent will effect payment within 60 days or alternatively within a reasonable time upon presentation of the invoice. The Applicant complied with its obligations however, the first Respondent failed to effect payment within the agreed period..

#### iii. Phumzile Ntintili Vs NLM (Case number 968/12)

The plaintiff (P.Ntintili) entered into an alleged contract of employment with the defendant, wherein the defendant failed to perform as required by the contract

#### iv. Four Municipal Traffic Officers vs NLM (Case number: Not yet available)

Charges of assault were charged against four municipal officers by the driver who was driving without a valid driver's licence.

#### v. Somdaka Funeral Parlour vs NLM (Case number: Not yet available)

NLM had entered into a lease agreement with Somdaka funeral parlour and eventually an offer to purchase the property was made between the parties. Mr Somdaka failed to pay the purchase price as per the agreement, as well as the rent.

#### vi. SAMWU vs NLM (Case number 457/2015)

Non-payment of the Provident fund

#### vii. Siphokazi Cekwana vs NLM (Case number: 513/2015)

The Municipality hosted an event on the 26<sup>th</sup> of March 2015 at Ntabankulu Sportsfield where Miss Siphokazi Cekwana was attending. It is alleged that at about 15h30 on that day a storm hit the area at which the event took place as a result of which the tent collapsed injuring Siphokazi Cekwana on the right foot.

#### viii. Hlalis Investments vs NLM (Case number: Not yet available)

NLM entered into an agreement with Hlalis Investments for the provision of Material for the building of the Hawker Stalls and Hlalis claims payment of the costs incurred as a result of installing Roller Shutter doors and the related material. Letter of Demand was sent to us and we responded.

#### ix. Avuyile Mnyangwana vs NLM (Case number 41/03/2016)

Mr Mnyangwana was awarded Municipal premises for business purposes. The unlawfully Sublette the premises to one Miss Ndesi who paid him a monthly rental amount of R3700 and when he was advised of his unlawful acts, he fraudulently wrote a letter evicting Miss Ndesi and the letter was as if it was written by the Municipality.

#### x. Lindokuhle Khumalo and Sipehele Khumalo NLM (Case number: 06/2016)

The Khumalos are trading on the side walk next to Lewis Stores, they were informed of the unlawfulness of their actions but none the less continued to trade and as a result of that they were arrested and detained, they is now claim damages to the value of R200, 000.00

#### xi. Lindokuhle Khumalo and Sipehele Khumalo vs NLM (Case number B315/2015)

The Khumalos are trading on the side walk next to Lewis Stores, they were informed of the unlawfulness of their actions but

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

---

Figures in Rand

2017

2016

---

### 33. Contingencies (continued)

none the less continued to trade and as a result of that they were arrested and detained. On their release they went back to the same spot where they were advised that it was not open for business and continued to trade, when they were told once again that what they were doing was in contravention to our Municipal By-laws, they laid a charge they applied for a protection order against our Municipal Official for harassment.

#### xii. Ingenious Information Systems vs NLM (Case number : Not yet available)

We owed Ingenious Information Systems R254, 833.19 for their services rendered to us and upon negotiation with them; we agreed to pay them R99.000.00 which paid.

#### xiii. Geo-Spatial Technologies vs NLM (Case number: Not yet applicable)

The matter resulted from termination of the SLA between Geo-Spatial Technologies and NLM due to non-performance by Geo-Spatial Technologies. A letter inviting the Municipality to mediation was emailed on the 5th day of October 2016 from the Arbitration Foundation of South Africa.

#### xiv. Mnikelo Maphuca vs NLM (Case number: 24/2017)

The matter resulted from the impounding of the motor vehicle registered as CGL 157 EC which was used in the commission of a crime.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

---

Figures in Rand

2017

2016

---

### 34. Related parties

#### Relationships

Accounting Officer

Members of key management

Refer to accounting officer's report note

Ms S Mankahla

#### Remuneration of management

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 34. Related parties (continued)

#### Mayoral committee members

2017

	Basic salary	Contribution to UIF, Medical Aid and Pension Fund	Other Benefits	Total
<b>New Council</b>				
Mayor	444 405	80 148	209 125	733 678
Speaker	339 452	70 046	133 423	542 921
Executive Committee	1 026 598	268 763	457 124	1 752 485
Other Councillors	3 475 131	1 038 521	1 462 347	5 975 999
Old Council	-	-	-	-
Mayor	36 690	7 242	17 252	61 184
Speaker	30 859	6 367	12 129	49 355
Executive Council	93 327	24 433	41 556	159 316
Other Council	305 792	91 082	134 827	531 701
	<b>5 752 254</b>	<b>1 586 602</b>	<b>2 467 783</b>	<b>9 806 639</b>

2016

	Basic salary	Contribution to UIF, Medical Aid and Pension Fund	Other Benefits	Total
<b>Name</b>				
Mayor	441 965	90 358	201 909	734 232
Speaker	330 047	95 811	166 421	592 279
Executive Council	1 073 721	239 202	579 269	1 892 192
Other Councillors	3 863 340	780 462	1 578 526	6 222 328
	<b>5 709 073</b>	<b>1 205 833</b>	<b>2 526 125</b>	<b>9 441 031</b>

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 34. Related parties (continued)

In the 2016-17 the new council was elected and commenced their duties in the August 2016. This resulted in the disclosure for salaries to be split between the old council and the new council. The old council only served until 3 August 2016.

### 35. Executive Management Remuneration

#### June 2017

	<b>Basic Salary</b>	<b>Contribution to UIF, Medical Aid and Pension Fund</b>	<b>Other Benefits</b>	<b>Total</b>
S. Mankahla	708 467	152 017	276 877	1 137 361
Mr S Matiwane	539 828	1 785	459 675	1 001 288
Ms N Ndlaku	539 828	1 785	453 066	994 679
Mr S Nodo	466 265	75 348	439 120	980 733
	<b>2 254 388</b>	<b>230 935</b>	<b>1 628 738</b>	<b>4 114 061</b>

#### June 2016

	<b>Basic Salary</b>	<b>Other benefits*</b>	<b>Pension paid or receivable</b>	<b>Total</b>
S. Mankahla	746 481	160 509	163 071	1 070 061
Mr S Matiwane	570 501	336 250	2 022	908 773
Ms N Ndlaku	570 501	336 250	2 022	908 773
Mr S Nodo	492 324	336 250	80 209	908 783
	<b>2 379 807</b>	<b>1 169 259</b>	<b>247 324</b>	<b>3 796 390</b>

### 36. Prior period errors

Net prior year error adjusting the opening accumulated surplus is **R8 696 194** as reflected on Statement of Changes net assets refer to Statement of changes in net assets.



# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 36. Prior period errors (continued)

Statement of Financial Performance	As previously reported	Correction of error	Restated	Reference
General Expenses	88 993 933	3 167 596	91 930 077	2
Acturial gain/loss	-	77 083	77 083	-
Audit Committee Sitting Allowance	376 951	(376 951)	-	8
Allowance for impairment	3 822 766	(521 275)	3 301 491	5
Depreciation & Amortisation	15 446 142	151 871	15 598 013	6
Rental of facilities and equipment	(927 639)	(436 680)	(1 364 319)	7
Government grants & subsidies	(196 035 932)	436 680	(195 599 252)	7
Repairs & Maintenance	1 741 177	567 836	2 309 013	10
	-	<b>3 066 160</b>	-	-

  

Statement of financial position	As previously reported	Correction of error	Restated	Reference
Payables from non-exchange transactions	(2 230 110)	(24 986)	(2 255 095)	1
Vat Receivable	10 538 212	(4 177 383)	6 360 882	3
Cash & Cash Equivalents	9 261 827	(834)	9 260 997	4
Receivables from exchange transactions	461 039	569 646	1 030 685	5
Property, Plant & Equipment	292 440 829	(1 017 091)	291 423 738	6
Investment Property	27 101 131	(7 097 800)	20 003 331	9
Opening Accumulated Surplus or Deficit	(254 832 361)	8 682 288	253 338 670	-
	-	<b>(3 066 160)</b>	-	-

1. Payables from non exchange transactions was understated in the prior by R24 986 now corrected.

2. General Expenditure was understated in the prior year now corrected resulting in an increase in accumulated surplus by R2 867 719 and increased in general expenditure by the same amount. The acturial gain of R77 083,00 was disclosed seperately in compliance with disclosure requirements resulting in decrease in general expenditure by the same amount

3. Vat was adjusted due to vat assessment relating to prior years submissions which resulted in R4 177 333 disallowed and was recovered by SARS from the current receivable. This resulted in decrease in Vat receivable and increase in accumulated surplus.

4 The cash and cash equivalants was reduced by R834 resulting in decrease in accumulated surplus.

5 Sundry debtors which arose due to misallocations in the prior years was cleared.

6. Movables assets were adjusted resulting in increase in property, plant and equipment by R459 335 and increase in depreciation by R147 995.

7. Rental income from Public works was incorrectly classified under grants and a reclassification was done resulting in increase in rental income and decrease in Grant income by R436 680

8. Audit Committee allowance was disclosed seperately prior year and on the statement of financial performance and it was reclassified to general expenditure

9. The Investment property was adjusted by writing off non municipal properties incorrectly recognised as municipal asset. This resulted reduction in investment property.

10. Work in Progress was overstated in the prior year as it included repairs and maintenance expenditure (operational expenditure). This resulted in reduction in Property Plant & Equipment and increase in Repairs and Maintenance by R567 836 .

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

---

Figures in Rand

---

### 37. Risk management

#### Financial risk management

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.

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 increasing 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 Budget and Treasury 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.

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.

#### 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:

#### 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.

#### Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counter party to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

#### 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, with out 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 cashflow 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.

#### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management frame work for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cashflows and matching the maturity profiles of financial assets and liabilities.

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 37. Risk management (continued)

#### Credit risk

Credit Risk refers to the risk that a counter party 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 counter parties are monitored regularly.]

Potential concentrations of credit 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 counter party exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National 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 on going 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, water and electricity services rendered to them

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.

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

Financial instrument	30 June 2017	30 June 2016
Receivables from exchange transactions	979 694	1 030 685
Receivables from non-exchange transactions	1 709 939	971 712
Cash and cash equivalents	1 594 928	9 260 997

#### Market risk

### 38. Unauthorised expenditure

Unauthorised expenditure (opening balance)	21 708 980	55 125 150
Unauthorised expenditure (Current year)	14 646 524	36 823 144
Less: Prior Year error adjustment	-	(33 927 249)
Less: Amount written off	(21 708 981)	(36 312 065)
	<b>14 646 523</b>	<b>21 708 980</b>

### 39. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure (Opening balance)	1 025 355	7 347 061
Fruitless and wasteful expenditure (Current year)	95 636	1 025 355
Amount written off	(1 066 555)	(7 347 061)
	<b>54 436</b>	<b>1 025 355</b>

# Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 40. Irregular expenditure

Opening balance	33 769 558	258 795 169
Add: Irregular Expenditure - current year	24 376 268	30 001 061
Less: Amounts written off by council	(10 455 001)	(255 026 672)
	<b>47 690 825</b>	<b>33 769 558</b>

### 41. Additional disclosure in terms of Municipal Finance Management Act

#### VAT

VAT receivable	4 790 192	6 360 882
----------------	-----------	-----------

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

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

### 42. Deviation from supply chain management regulations

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

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

The following are deviations done during the 2016-17 financial year;

Supplier: Fundisile Diko

Description of goods; Hiring of backup refuse truck for refuse collection

Description of Deviation; This was an emergency as the waste around town should be collected timely, only one quotation could be obtained

Amount: R26 600

Supplier: Z.X.S Tunzi

Description of goods; Unblocking of municipal ablution facilities for refuse collection

Description of Deviation; This was an emergency as all ablution facilities were not working, however a service provider has been appointed for construction of ablution facilities and is currently on site

Amount: R3 500

Supplier: Alfred Nzo Community Radio

Description of goods; Interviews

Description of Deviation; Only one quotation could be sourced as there are two radio stations in the Alfred Nzo, the other one could not provide us with the quotation due to non-availability of space on air

Amount: R5 500

Supplier: Alfred Nzo Community Radio

Description of goods; 06 Live Reads for Announcement of SOMA

Description of Deviation; Only one quotation could not be sourced as there are two radio stations in the Alfred Nzo, the other one could not provide us with the quotation due to non-availability of space on air

Amount: R8 500