

Ndwedwe Local Municipality
(Registration number KZN293)
Financial statements
for the year ended 30 June 2020

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

General Information

Councillors

Mayor and Councillors

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

Accounting Officer

Mr M.F Hadebe

Chief Financial Officer (CFO)

Mr S Majola

Grading of local authority

Grade 3

Auditors

The Auditor General of South Africa

Bankers

ABSA Bank Verulam Branch

Registered office

Ndwedwe Local Municipality

Business address

P100
Ndwedwe
4342

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

General Information

Postal address

Private Bag X503
Ndwedwe
4342

Ndwedwe Local Municipality

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

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Abbreviations

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial Management Grant
INEP	Integrated National Electrification Programme

Ndwedwe Local Municipality

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Accounting Officer's Responsibilities and Approval

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

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

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

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

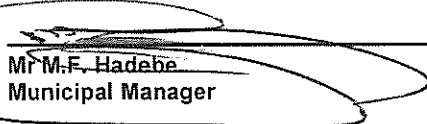
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial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

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

As an Accounting Officer I am responsible for the preparation of these annual financial statements, which are set out on pages 5 - 56, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 17 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The financial statements set out on pages 5 to 56, which have been prepared on the going concern basis, were approved by the accounting officer on 30 October 2020



Mr M.F. Hadebe
Municipal Manager

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	1 729 839	1 448 543
Consumer debtors	4	8 646 548	6 166 587
Cash and cash equivalents	5	110 076 060	99 082 414
		120 452 447	106 697 544
Non-Current Assets			
Property, plant and equipment	6	339 176 780	312 486 191
Intangible assets	7	226 231	416 789
Heritage assets	8	21 053	21 053
		339 424 064	312 924 033
Total Assets		459 876 511	419 621 577
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	18 019 864	16 193 370
VAT payable	10	1 869 564	3 489 197
Unspent conditional grants and receipts	11	124 600	168 123
Provisions	12	235 000	239 593
		20 249 028	20 090 283
Non-Current Liabilities			
Provisions	12	2 559 000	2 292 978
Other liability		324	324
		2 559 324	2 293 302
Total Liabilities		22 808 352	22 383 585
Net Assets		437 068 159	397 237 992
Accumulated surplus		437 068 159	397 237 992

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment		498 079	445 135
Other income	13	1 453 172	1 287 049
Interest received - investment		8 279 887	9 687 933
Total revenue from exchange transactions		10 231 138	11 420 117
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	14	17 308 097	13 056 877
Interest received (trading)		621 023	541 573
Transfer revenue			
Government grants & subsidies	15	185 404 523	171 342 844
Public contributions and donations		-	2 202 707
Total revenue from non-exchange transactions		203 333 643	187 144 001
Total revenue		213 564 781	198 564 118
Expenditure			
Employees related cost	16	(54 066 938)	(48 285 810)
Remuneration of councillors	17	(15 814 803)	(15 154 454)
Depreciation and amortisation	18	(20 964 117)	(17 405 876)
Impairment loss	19	(3 042 853)	(4 376 804)
Lease rentals on operating lease	20	(952 601)	(910 894)
Repairs and maintenance	21	(8 404 046)	(5 511 580)
Loss on disposal of assets and liabilities		(445 959)	(417 960)
Decrease / (Increase) in leave accrued		(1 631 826)	(1 533 241)
General expenses	22	(68 411 467)	(85 243 932)
Total expenditure		(173 734 610)	(178 840 551)
Surplus for the period		39 830 171	19 723 567

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand		Accumulated surplus	Total net assets
Balance at 01 July 2018		377 514 425	377 514 425
Changes in net assets			
Surplus for the year		19 723 567	19 723 567
Total changes		19 723 567	19 723 567
Opening balance as previously reported		399 343 426	399 343 426
Prior year adjustments	37	(2 105 438)	(2 105 438)
Restated* Balance at 01 July 2019 as restated*		397 237 988	397 237 988
Changes in net assets			
Surplus for the year		39 830 171	39 830 171
Total changes		39 830 171	39 830 171
Balance at 30 June 2020		437 068 159	437 068 159
Note(s)			

* See Note 37

Ndwedwe Local Municipality
 Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Grants		185 434 523	172 118 000
Interest income		8 279 887	8 870 009
Other receipts		16 000 328	9 461 221
		<u>209 714 738</u>	<u>190 449 230</u>
Payments			
Employee costs		(69 881 741)	(63 440 264)
Suppliers		(80 419 122)	(101 233 384)
		<u>(150 300 863)</u>	<u>(164 673 648)</u>
Net cash flows from operating activities	23	<u>59 413 875</u>	<u>25 775 582</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	<u>(48 420 229)</u>	<u>(48 976 090)</u>
Net increase/(decrease) in cash and cash equivalents		<u>10 993 646</u>	<u>(23 200 508)</u>
Cash and cash equivalents at the beginning of the year		99 082 414	122 282 922
Cash and cash equivalents at the end of the year	5	<u>110 076 060</u>	<u>99 082 414</u>

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage	Reference
Figures in Rand							
Statement of Financial Performance							
Revenue							
Revenue from exchange transactions							
Rental of facilities and equipment	600 000	(45 000)	555 000	498 079	(56 921)	(10.26)%	
Other income	501 000	843 000	1 344 000	1 453 172	109 172	8.12 %	1
Interest received - investment	11 000 000	(400 000)	10 600 000	8 279 887	(2 320 113)	(21.89)%	2.
Gains on disposal of assets	800 000	-	800 000	-	(800 000)	(800 000.00)	
Total revenue from exchange transactions	12 901 000	398 000	13 299 000	10 231 138	(3 867 886)	-	
Revenue from non-exchange transactions							
Taxation revenue							
Property rates	17 566 000	-	17 566 000	17 308 097	(257 903)	(1.47)%	3
Interest received (trading)	800 000	-	800 000	621 023	(178 977)	(22.37)%	4
Transfer revenue							
Government grants & subsidies (Includes operational & capital)	183 090 000	5 775 000	188 865 000	185 404 523	(3 460 477)	(1.83)%	5
Total revenue from non-exchange transactions	201 456 000	5 775 000	207 231 000	203 333 643	(3 897 383)	-	
Total revenue	214 357 000	6 173 000	220 530 000	213 564 781	(6 965 219)	(3.16)%	
Expenditure							
Personnel	(62 105 000)	3 265 000	(58 840 000)	(54 066 938)	4 773 062	8.11 %	7
Remuneration of councillors	(15 327 000)	-	(15 327 000)	(15 814 803)	(487 803)	(3.18)%	8
Depreciation and amortisation	(21 000 000)	-	(21 000 000)	(20 964 117)	35 883	0.17 %	9
Lease rentals on operating lease	(984 794)	-	(984 794)	(952 601)	32 193		10
Debt Impairment	(3 000 000)	-	(3 000 000)	(3 042 853)	(42 853)	(1.43)%	11
Repairs and maintenance	(6 922 000)	(1 290 000)	(8 212 000)	(8 404 046)	(192 046)	(2.34)%	12
Loss on disposal of assets	-	-	-	(445 959)	(445 959)	DIV/0 %	11
General Expenses	(75 099 000)	(3 191 000)	(78 290 000)	(68 445 612)	9 844 388	12.57 %	13
Decrease / (Increase) in leave accrued	-	-	-	(1 631 826)	(1 631 826)	- %	
Total expenditure	(184 437 794)	(1 216 000)	(185 653 794)	(173 768 755)	11 885 056	11 885 056	
Surplus before taxation	29 919 206	4 957 000	34 876 206	39 796 026	4 919 820	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	29 919 206	4 957 000	34 876 206	39 796 026	4 919 820		
Capital Budget							
Capital Expenditure	67 834 000	(11 457 000)	56 377 000	46 525 325	9 851 675	(17.47)%	14

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Material variances

Revenue:

1. **Other Income** -The municipal collected more than anticipated in this revenue category due to the amount anticipated to be received for administration fee (Transport Department for school pupils road closing attendant personnel) being more than the budgeted amount. There was higher response from the service providers for tender documents sold by the municipality in 2019/2020 financial year, hence the municipality realised a positive variance of R109 thousands as at the end of 2019/2020 financial year.

2. **Interest received on investment** - The spending trend during the year remain the main contributing factor to this variance. The situation sometimes required the municipality to spend some of its money before it being invested which reduced the possibility of earning more interest on investments as a result the municipality ended up receiving less than anticipated interest on investments.

3. **Property Rates** -Property rates shows an under billing of R258 thousands as at the end of 2019/2020 financial year and this is due to anticipated growth in the property during the financial which was not achieved by the municipality hence the negative variance been realised.

4. **Interest received outstanding debtors** Interest received (trading) results from an under billing of R179 thousands for 2019/2020 financial year. This variance is due to the improvement in rates collection especial on the state-owned properties as a result the interest anticipated on those paid rates was not realised which has subsequently resulted to this low interest recognition.

5. **Government grants & subsidies** - The negative variance of R3.4 million in this revenue category is because of equitable share grant being withheld by the National Treasury due to 2018/2019 MIG and FMG grant not fully spent. However, it must be recorded that National Treasury did send the municipality a letter advising the municipality that it did not fully spend these grants. The municipality disputed this with the National Treasury with no success since no responses was received by the municipality on time prior to the finalisation of the 2019/2020 AFS hence this variance as at the end of 2019/2020 financial year.

6. Public Contribution - None .

Expenditure

7. **Personnel** -The variance in this expenditure line item arose because of budgeted posts were not filled on time. Some appointments were delayed due to the Covid19 pandemic

8. **Remuneration of councillors** - the variance between budget and actual expenditure in this expenditure line item is due to travelling claims and skills development levies for Councillors, which were budgeted under general expenditure item as per mSCOA requirement while the AFS disclosure requires those expenditure to be part of the total remuneration of the Councillors hence the variance of R477 thousands have been realised for 2019/2020 financial year in this expenditure category..

9. **Depreciation & amortisation** - Depreciation and amortisation has a negative variance of R35 thousands for 2019/2020 financial year. This negative variance is due to the delays in finishing some of the capital projects on time due to the lockdown imposed by the President in responding due to the Covid 19 pandemic.

10. **Lease rentals on operating lease** - Lease rentals on operating lease show a negative or savings of R32 thousands for 2019/2020 financial year. The budget included an amount as per lease agreement as well as the additional which was included in case there was a need,however it was not fully utilised in the current financial year.

11. **Debt impairment** - Debt Impairment increase was due to provision that was made for long outstanding debtors as well as assets, that were previously not impaired .

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

12. Repairs & maintenance Repairs and maintenance show an overspending of R192 thousands for 2019/2020 financial year. This variance is due to high demand for the repairing of the municipal grader to respond to the maintenance of the municipal road infrastructure to ensure easy access to Ndwedwe communities. However, it must be noted that this over expenditure does not cause any unauthorised expenditure in any vote due to the savings achieved by the municipal in other expenditure votes.

13 . General Expenses -The general expenses shows an under expenditure of R 9,8 million. This was due to effective cost cutting measures and lockdown due to Covid 19 which has resulted to most of the operational expenditure being delay or cancelled.

14. Capital expenditure -The under expenditure in Capital budget was caused by the delays in implementing some projects due to Covid 19.

15. Gains on disposal of PPE -Gains on disposal of PPE revenue category has shows that R800 thousands was not realised due to the unsuccessful disposal of the municipal assets due to Covid 19 pandemic. The municipality was planning to dispose-off some of its assets and anticipated to have a gain out of that sale of R800 thousands however, the implementation of lockdown by the president of South Africa due to Covid 19 pandemic resulted to that disposal process not taking place and hence we have this negative variance that were realised as at the end of June 2020.

The Loss on disposal of asset arose due to the assets being written off since they were in bad condition.

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Financial Statements

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

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

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

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

1.1 Presentation currency

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

1.2 Comparative figures

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

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

1.3 Going concern assumption

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If such indication exists, the municipality estimates the recoverable service amount of the asset. Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented municipality.

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

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

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

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

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

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

Useful life is either:

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

Non-cash generating assets are assets other than cash generating assets. Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation/amortisation. Recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of a non-cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. A reversal of an impairment loss for a non-cash generating asset is recognised immediately in surplus or deficit.

1.6 Intangible assets

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

Accounting Policies

1.6 Intangible assets (continued)

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

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

Item	Useful life
Computer software, other	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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1.7 Financial instruments

Initial Recognition and Measurement

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

Subsequent measurement of financial assets and financial liabilities

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

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

Cash and Cash Equivalents

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

Trade and Other Receivables

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

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

Debtors

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

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

Trade and Other Payables

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

Trade creditors and other payables are measured at fair value.

1.8 Statutory receivables

Identification

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Accounting Policies

1.8 Statutory receivables (continued)

Transitional provisions

GRAP 108: Statutory receivables became effective in the current financial year. The Standard defines statutory receivables as receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The municipality has one class of receivables that meet the criteria of statutory receivables, being property rates which are levied in terms of the Municipal Property Rates Act. Property rates are currently disclosed as part of consumer debtors in Note 14. These statutory receivables are initially and subsequently measured using the principles of GRAP 104: Financial instruments, which are consistent in all material respects with the measurement principles in GRAP 108.

The accounting policy on debtors has not been changed in respect of the classification and measurement of statutory receivables since the municipality has opted to apply the transitional provisions of Directive 3 in terms of not changing the classification and measurement of the debtors while the full implications of compliance with GRAP 108 is still under review.

There are currently no statutory receivables classified and measured in accordance with GRAP 108. The impact of complying with GRAP 108 will be on the classification of debtors since statutory receivables will be disclosed separately on the financial statements. The measurement basis is considered appropriate.

The municipality has developed an accounting policy for statutory receivables, which is subject to approval by Council and will be implemented during the 2020/21 financial year after having reviewed the impact of the classification, measurement and disclosure in terms of the information currently provided to the various stakeholders.

1.9 Taxation

Value Added Taxation

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

1.10 Leases

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

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

Municipality as Lessor

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

Accounting Policies

1.10 Leases (continued)

Municipality as Lessee

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

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

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

The lease is straight lined for the financial year.

1.11 Provisions and contingencies

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

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

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

1.12 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.

1.13 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.

1.14 Irregular expenditure

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

- (a) the Municipal Systems Act (Act No. 32 of 2000)
- (b) the Public Office Bearers Act (Act No. 20 of 1998) or

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Accounting Policies

1.14 Irregular expenditure (continued)

(c) is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure.

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

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

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

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

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

1.15 Commitments

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

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

1.16 Revenue from exchange transactions

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

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

The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably; and it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

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1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

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

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

Interest revenue is recognised on a time proportion basis.

Grant

A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.18 Budget information

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

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

Accounting Policies

1.18 Budget information (continued)

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

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Financial Statements for the year ended 30 June 2020

Accounting Policies

1.19 Employee benefits

Provident fund contribution

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

Other employee benefits

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

1.20 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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

1.21 Significant judgements and sources of estimation uncertainty

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

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Accounting Policies

1.21 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

Other key assumptions for provident fund obligations are based on current market conditions. Additional information is disclosed in Note 12.

Allowance for doubtful debts

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

1.22 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.22 Heritage assets (continued)

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

1.23 Borrowing costs

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

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

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2. New standards and interpretations

Standards not yet implemented are as follows:

The ASB has issued the following GRAP pronouncements, with effective dates as indicated: GRAP pronouncement	Effective date	
GRAP 34 - Separate Financial Statements	1 April 2020	
GRAP 35- Consolidated Financial statements	1 April 2020	
GRAP 36 - Investments in Associates and Joint Ventures	1 April 2020	
GRAP 37 - Joint Arrangements	1 April 2020	
GRAP 38 - Disclosure of Interest in Other Entities	1 April 2020	
GRAP 110 - Living and Non Living Resources	1 April 2020	
Directive 13 - Transitional Provision of the adoption of standards of Grap by Community Education and Training Colleges.	1 April 2020	
IGRAP 20 <i>Accounting for adjustments to revenue</i>	1 April 2020	
GRAP 18 - Segmented Reporting	1 April 2020	
Guideline <i>Accounting for landfill sites</i>	To be determined	
GRAP 104 on Financial instruments (revised)	To be determined	
Guideline on Application of materiality to financial statements	Voluntary	
<p>* The guideline was issued in April 2019. The guideline is available for immediate consideration to assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. Although the application of the guideline is voluntary, application is encouraged.</p>		

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

3. Receivables from exchange transactions

Other Debtors	1 209 420	1 143 213
Accrued revenue	520 419	305 330
	1 729 839	1 448 543

Other Debtors of R 1 209 420 (2019: R1 143 213), for rental debtors, and accrued revenue R 520 419 (2019:R 305 330) in respect of outstanding interest from investments.

4. Consumer debtors

Gross balances		
Rates	22 113 596	17 100 901
Less: Allowance for impairment		
Rates	(13 467 048)	(10 934 314)

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Notes to the Financial Statements

	2020	2019 Restated*
4. Consumer debtors (continued)		
Net balance		
Rates	8 646 548	6 166 587
Rates		
Current (0 -30 days)	344 461	232 316
31 - 60 days	334 748	153 181
61 - 90 days	310 566	158 847
91 - 120 days	318 764	158 457
121 - 365 days	313 650	105 640
> 365 days	20 404 048	16 271 253
	22 026 237	17 079 694
Reconciliation of allowance for impairment		
Balance at beginning of the year	(10 934 314)	(9 235 931)
Contributions to allowance	(2 532 734)	(1 698 383)
	(13 467 048)	(10 934 314)

Credit quality of consumer debtors

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

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	16 343	18 976
Bank balances	6 755 899	6 500 414
Short-term deposits	103 303 818	92 563 024
	110 076 060	99 082 414

* See Note 37

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	2020		2019 Restated*	
5. Cash and cash equivalents (continued)				
The municipality had the following bank accounts				
Account number / description	Bank statement balances		Cash book balances	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
ABSA CALL ACCOUNT -9123945833	7 815 062	2 898 539	7 815 062	2 898 539
ABSA CALL ACCOUNT -93445892694	3 274 972	3 093 948	3 274 972	3 093 948
ABSA FIXED DEPOSIT -2068130142	7 410 778	6 993 272	7 410 778	6 993 273
ABSA FIXED DEPOSIT -2073633680	7 766 499	7 328 953	7 766 499	7 328 953
ABSA FIXED DEPOSIT-2075383437	6 944 417	6 533 185	6 944 417	6 533 185
FIRST NATIONAL BANK -CALL ACCOUNT -62087920635	4 555 471	1 010 966	4 555 471	1 010 966
FIRST NATIONAL BANK - FIXED DEPOSIT -74305967356	-	-	-	6 449 913
STANDARD BANK- CALL ACCOUNT-058681019 001	3 896 150	1 834 991	3 896 150	1 834 991
STANDARD BANK-RETAIL CALL ACCOUNT-058681019-011	4 040 517	3 828 282	4 040 517	3 828 282
STANDARD BANK-FIXED DEPOSIT- 058681019 028	6 842 631	6 486 153	6 842 631	6 486 153
INVESTEC BANK-CALL ACCOUNT-1100 463139 502	2 410 293	7 016 700	2 410 293	7 016 700
INVESTEC BANK-FIXED DEPOSIT -1100 463139 451	14 082 118	13 102 623	14 082 118	13 102 623
INVESTEC BANK-FIXED DEPOSIT -1100 463139 452	13 373 891	12 443 657	13 373 891	12 443 657
INVESTEC BANK-FIXED DEPOSIT -1100 463139 455	-	8 300 784	-	8 300 784
NEDBANK-CALL ACCOUNT-37881149922001	5 430 199	5 159 938	5 430 199	5 159 938
NEDBANK-FIXED DEPOSIT-37881149922002	15 460 819	-	15 460 819	-
ABSA MAIN BANK-4079294191	14 774 402	11 963 695	3 208 942	6 580 509
FNB -MAIN BANK-62027922930	3 547 919	6 501 784	3 546 958	-
Cash on Hand	-	-	16 343	-
Total	121 626 138	104 517 471	110 076 060	99 082 414

* See Note 37

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6. Property, plant and equipment

	2020		2019	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
			Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	26 926 177	(6 829 792)	20 096 385	17 657 678
Motor vehicles	16 375 987	(6 835 319)	9 540 668	13 656 941
Infrastructure	210 510 303	(82 478 739)	128 031 564	179 451 311
Community	123 346 104	(37 270 049)	86 076 055	102 392 953
Other property, plant and equipment	27 412 260	(12 413 978)	14 998 282	25 260 393
Work in Progress	80 433 826	-	80 433 826	99 825 743
Total	485 004 657	(145 827 877)	339 176 780	438 245 019
			(125 758 828)	312 486 191

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6. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land and Buildings	11 757 394	-	-	-	9 268 499	(929 289)	(219)	20 096 385
Motor vehicles	8 483 917	3 076 220	(99 344)	-	-	(1 920 125)	-	9 540 668
Infrastructure	108 415 051	168 789	(13 275)	30 958 600	20 953 180	(11 112 027)	(385 574)	128 031 564
Community	69 515 141	-	-	-	20 953 180	(4 288 590)	(103 676)	86 076 055
Other property, plant and equipment	14 488 945	2 704 355	(320 398)	-	682 500	(2 536 470)	(20 650)	14 998 282
Work in Progress	99 825 743	42 470 865	-	-	(61 862 782)	-	-	80 433 826
	312 486 191	48 420 229	(433 017)	(3)	(3)	(20 786 501)	(510 119)	339 176 780

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Donations	Disposals	Transfers received	Prior period adjustments	Reclassification	Depreciation	Total
Land and Buildings	8 695 549	-	1 601 946	(143 310)	-	-	2 050 828	(590 929)	11 757 394
Motor vehicles	9 700 224	472 529	-	-	-	-	-	(1 545 526)	8 483 917
Infrastructure	96 238 542	-	-	(81 997)	17 290 791	635	4 285 690	(9 400 607)	108 415 051
Community	63 421 782	-	-	(192 654)	15 410 402	965 690	(6 336 518)	(3 864 218)	69 515 141
Other property, plant and equipment	11 103 072	4 816 588	600 761	-	8 015	-	(11 575)	(1 835 262)	14 488 945
Work in Progress	88 431 903	43 686 973	1 382 400	-	(32 709 208)	(966 325)	-	-	99 825 743
	277 591 072	48 976 090	3 585 107	(417 961)	-	-	(11 575)	(17 236 542)	312 486 191

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	64 221 822	27 097 130	8 506 792	99 825 744
Additions/capital expenditure	21 360 306	15 294 146	5 816 412	42 470 864
Transferred to completed items	(25 544 712)	(21 994 864)	(14 323 204)	(61 862 780)
	60 037 416	20 396 412	-	80 433 828

Ndwedwe Local Municipality
Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*
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6. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	74 084 316	12 515 592	1 832 000	88 431 908
Additions/capital expenditure	7 428 931	29 575 236	6 682 806	43 686 973
Donated Assets	-	1 382 400	-	1 382 400
Transferred to completed items	(17 291 425)	(16 376 098)	(8 015)	(33 675 538)
	64 221 822	27 097 130	8 506 791	99 825 743

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

7. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	989 113	(762 882)	226 231	1 079 225	(662 436)	416 789

Reconciliation of intangible assets - 2020

	Opening balance	Assets written off	Amortisation	Total
Computer software	416 789	(12 941)	(177 617)	226 231

Reconciliation of intangible assets - 2019

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

8. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	21 053	-	21 053	21 053	-	21 053

Reconciliation of heritage assets 2020

	Opening balance	Total
Mayoral Chain	21 053	21 053

Reconciliation of heritage assets 2019

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*		
8. Heritage assets (continued)				
	Opening balance	Total		
Art Collections, antiquities and exhibits	21 053	21 053		
9. Payables from exchange transactions				
Trade payables	4 142 684	2 418 523		
Retentions	5 353 119	6 820 344		
Other payables	2 094 328	2 037 510		
Accrued leave	4 976 392	3 794 821		
Salary (13th Cheque)	1 453 341	1 122 172		
	18 019 864	16 193 370		
10. VAT receivable / (payable)				
VAT	(1 869 564)	(3 489 197)		
<p>VAT is accounted for on cash basis. VAT is paid to SARS only once payment is received from debtors. The payable arose in the prior year due to the municipality (agent) which claimed VAT on electrification.</p>				
11. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Kwaloshe Tourism Project grant	97 097	97 097		
KZN Sports & Recreation grant	-	43 523		
Nedbank Grant	-	-		
Small Town Rehabilitation Grant	27 503	27 503		
	124 600	168 123		
Movement during the year				
Balance at the beginning of the year	168 123	1 006 967		
Additions during the year	41 051 000	40 649 000		
Income recognition during the year	(41 094 523)	(41 487 844)		
	124 600	168 123		
Grant register 2020/ 2019	Opening Balance	Received	Expenditure	Balance
Local Government Financial Management Grant (FMG)	-	2 435 000	(2 435 000)	-
KZN Sports & Recreation	43 523	-	(43 523)	-
Library Computer Assistant	-	1 714 000	(1 714 000)	-
KwaLoshe Tourism	97 097	-	-	97 097
Municipal Infrastructure Grant (MIG)	-	34 809 000	(34 809 000)	-
Small Town Rehabilitation	27 503	-	-	27 503
Expanded Public Works Programme Integrated Grant	-	1 348 000	(1 348 000)	-
Disaster Grant	-	745 000	(745 000)	-
Nedbank Grant	-	30 000	(30 000)	-
	168 123	41 081 000	(41 124 523)	124 600

* See Note 37

Ndwedwe Local Municipality
Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*		
12. Provisions				
Reconciliation of provisions - 2020				
	Opening Balance	Additions	Utilised during the year	Total
Long-service awards	2 292 978	266 022	-	2 559 000
Long-service awards (short-term)	239 593	-	(4 593)	235 000
	2 532 571	266 022	(4 593)	2 794 000
Refer to note .				
Reconciliation of provisions - 2019				
	Opening Balance	Additions	Utilised during the year	Total
Long service awards	1 396 538	896 440	-	2 292 978
Long-service awards (short-term)	19 252	448 744	(228 403)	239 593
	1 415 790	1 345 184	(228 403)	2 532 571
Non-current liabilities			2 559 000	2 292 978
Current liabilities			235 000	239 593
			2 794 000	2 532 571

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

2020

2019
Restated*

Defined benefit plan

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

Kwazulu-Natal Joint Municipality Provident Fund

Actuarial valuation as at 30 June 2020.

Results of the valuation

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

Benefits

Pension age	65 years
Earliest retirement age	58 years

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

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

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

Benefit on retirement because of ill health - Full benefit.

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

Contributions

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

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

Of the contribution by the Employer, 3.75% of pensionable emoluments is applied to meeting cost of the risk benefits and expenses

Long Service Award Liability

Definition

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

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

* See Note 37

Ndwedwe Local Municipality
Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

2020 2019
Restated*

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

The key financial and demographic assumptions are summarised below.

Key financial assumptions

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

Assumptions	Value p.a.
Discount rate	7.77%
General Salary Inflation (long-term)	4.24%
Net effective discount rate	3.39%

The salaries used in the valuation include an assumed increase on 1 July 2020 of 6.25% as per the SALGBC Circular No.: 02/2020. The next salary increase was assumed to take place on 1 July 2021.

Key demographic assumptions

The summary of the key demographic assumptions used.

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

Result

Introduction

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

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*
Accrued Liability		
The summary of the Unfunded Accrued Liability as at 30 June 2020.		
Unfunded Accrued Liability		
Unfunded Accrued Liability		
Unfunded accrued liability	2 794 000	2 532 571
	-	-
Reconciliation of unfunded Accrued Liability		
Opening balance	2 532 571	1 415 790
Current - service cost	343 478	158 014
Interest cost	200 217	123 057
Actuarial (Gain)/ Loss	(42 673)	674 172
Past service cost	-	389 941
Employer Benefit vesting	(239 593)	(228 403)
	2 794 000	2 532 571

Current-Service, Interest Costs and Actuarial Loss/(Gains)

The summary of the Current-service Cost and the Interest Cost for the current and next financial years, is reflected below. The actuarial loss/(gains) arise from three components: the effects of changes in net discount rates, membership and salaries.

Current-Service, Interest Costs and Actuarial Loss/(Gains)

Current service cost	343 478	158 014
Interest cost	200 217	123 057
Actuarial gain/loss	(42 673)	674 172
Past - service cost	-	389 941

Reconciliation of liability - Balance Sheet

Opening balance	2 532 571	1 415 790
Current - service cost	343 478	158 014
Interest cost	200 217	123 057
Actuarial (Gain)/ loss Recognised in Profit & loss	(42 673)	674 172
Past service cost recognised	-	389 941
Subtotal	3 033 593	2 760 974
Employer Benefits Vesting	(239 593)	(228 403)
Closing balance	2 794 000	2 532 571
Less: Current Portion of liability	(235 000)	(239 593)
Non - current portion of liability	2 559 000	2 292 978

Notes:

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

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

History of liabilities and assets	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Accrued liability	1 202 134	1 401 936	1 415 790	2 532 571	2 794 000
Fair value of plan asset	-	-	-	-	-
Surplus deficit	1 202 134	1 401 936	1 415 790	2 532 571	2 794 000

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020				2019
					Restated*
History of experience adjustments: (Gains) and Losses	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Liabilities : (Gains) / Loss	89 636	80 719	92 623	322 562	131 327
Asset: Gain /(Loss)	-	-	-	-	-
	89 636	80 719	92 623	322 562	131 327
Past year and future projected liability				30/06/2020	30/06/2021
Opening Accrued liability				2 532 571	2 836 673
Current - service cost				343 478	371 952
Interest cost				200 217	225 926
Benefits vesting				(239 593)	(227 292)
Total Annual Expense				304 102	370 586
Closing Accrued Liability				2 836 673	3 207 259

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

				2020	2019 Restated*
Sensitivity Analysis on current Service and Interest costs for the year	change	current service cost	interest cost	total	% change
Central assumptions		347 000	208 000	555 000	- %
General Inflation	+1%	377 000	224 000	601 000	8 %
	-1%	319 000	194 000	513 000	(8)%
Discount rate	+1%	321 000	218 000	539 000	(3)%
	-1%	375 000	196 000	571 000	3 %
Average retirement age	+2 yrs	358 000	216 000	574 000	3 %
	-2 yrs	334 000	200 000	534 000	(4)%
Withdrawal rates	*2	258 000	166 000	424 000	(24)%
	*0.5	411 000	236 000	647 000	17 %
13. Other Revenue					
Other Revenue (Insurance refund)				802 749	588 229
Other Revenue (Administrative and handling fee)				281 064	119 938
Other Revenue (Sale of Tender Documents)				241 102	457 918
Other Revenue (Skills Development Levy Refund)				118 057	102 884
Other Revenue (Clearance Certificates)				7 321	4 250
TLB Fees				1 739	5 739
Business Licensing				1 140	3 789
Library Income				-	3 022
Other Revenue (Building Plan Approval)				-	1 280
				1 453 172	1 287 049

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*				
14. Property rates						
Rates received						
Residential	287 068	226 294				
Commercial	2 101 119	1 050 712				
State	14 050 523	12 820 552				
Municipal	-	44 591				
Small holdings and farms	1 884 117	847 870				
Less: Income forgone	(1 014 730)	(1 933 142)				
	17 308 097	13 056 877				
Valuations						
Residential	42 669 000	18 598 000				
Commercial	51 750 000	23 345 000				
Public Service Purpose	695 600 000	642 692 000				
Agriculture	1 150 058 000	645 845 000				
Institutional	-	440 000				
Public Benefit Organisation	3 000 000	2 265 000				
Agriculture (Residential/Commercial)	-	8 944 000				
Industrial	1 000 000	1 875 000				
Land Reform Beneficiary Communal Trust	315 659 000	52 178 000				
Place of worship	2 380 000	2 835 000				
Municipal	28 737 000	20 951 000				
Public Service Infrastructure	214 000	123 000				
	2 291 067 000	1 420 091 000				
Rates reconciliation:						
Billing	22 056 237	17 100 901				
Rates received	(13 428 054)	(10 934 314)				
	8 628 183	6 166 587				
Rate Reconciliation	Market value	Exempt	After Exemption	Tariff	Amount	Income forgone
Residential	42 669 000	(6 520 000)	36 149 000	0.01016000	367 274	(56 083)
Commercial	51 750 000	-	51 750 000	0.03800000	1 966 500	-
Public Service Purpose	695 600 000	-	695 600 000	0.02025000	14 085 900	-
Agriculture	1 150 058 000	(863 964 914)	286 093 086	0.00254000	726 676	(733 897)
Public Benefit Organisation	3 000 000	-	3 000 000	0.02025000	60 750	-
Place of Worship	2 380 000	(2 380 000)	-	0.02025000	-	(48 195)
Municipal	28 737 000	(25 750 000)	2 987 000	0.02025000	60 487	(176 012)
Industrial	1 000 000	-	1 000 000	0.04051000	40 510	(544)
Public Service Infrastructure	214 000	(214 000)	-	0.00254000	-	-
Land Reform Beneficiary Communal Trust	315 659 000	(315 659 000)	-	-	-	-
	2 291 067 000	(1 214 487 914)	1 076 579 086	-	17 308 097	(1 014 731)

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

Valuations on land and buildings are valid for four years.

The supplementary valuation roll was implemented on 10 June 2019.

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*
14. Property rates (continued)		
<p>Interim valuations are processed on a quarterly basis to take into account changes on individual property values due to alterations, consolidations, subdivisions and new township development. Various rates in the Rand were applied in accordance with categories determined in terms of the Municipal Property Rates Act.</p> <p>Rebates applicable were applied in line with the municipal property rates policy. Rebates are levied on a monthly basis in terms of municipal rates policy and interest is charged on outstanding amounts as determined by the municipality in terms of rates policy and approved tariffs.</p>		
15. Government grants and subsidies		
Operating grants		
Equitable share	144 310 000	129 855 000
Indigent Register	-	3 000 000
Sport & recreation	43 523	15 150
Ilembe Grant	-	50 000
EPWP	1 348 000	1 195 000
Financial Management Grant (FMG)	2 435 000	1 970 000
Library Computer Assistant	1 714 000	1 617 000
Disaster Grant	745 000	-
	<u>150 595 523</u>	<u>137 702 150</u>
Capital grants		
Small Town Rehabilitation Grant	-	872 169
Municipal Infrastructure Grant (MIG)	34 809 000	32 768 525
	<u>34 809 000</u>	<u>33 640 694</u>
	<u>185 404 523</u>	<u>171 342 844</u>

Equitable Share

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

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*
16. Employee related costs		
Basic	35 675 390	31 668 734
Bonus	2 536 631	1 855 631
Medical aid - company contributions	2 408 390	2 006 436
UIF	231 942	218 086
Retirement Annuity	450 891	313 784
Pension Funds	5 513 483	4 851 302
Subsistence and travel	1 556 188	1 252 814
Overtime payments	369 233	652 436
Long-service awards	274 711	1 116 781
Housing benefits and allowances	220 391	181 634
Uniform allowances	561 000	399 454
	49 798 250	44 517 092
Remuneration of Key management personnel		
Remuneration of Municipal Manager -MF HADEBE		
Annual Remuneration	744 529	637 701
Car Allowance	248 176	212 567
Contributions to UIF, Medical and Pension Funds	1 784	1 487
SDL	9 432	7 363
	1 003 921	859 118
Remuneration of Chief Finance Officer - S Majola		
Annual Remuneration	586 095	341 889
Car Allowance	203 766	113 963
Contribution to UIF, Medical and Pension Funds	1 785	1 036
Backpay	25 202	-
SDL	7 744	4 430
	824 592	461 318

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*
16. Employee related costs (continued)		
Remuneration of Director Technical Services - DH Mzolo		
Annual Remuneration	533 832	527 147
Car Allowance	203 766	195 365
Contributions to UIF, Medical and Pension Funds	54 565	48 221
Backpay	25 202	12 512
SDL	7 749	7 398
	825 114	790 643
Remuneration of Director Corporate Services - MG Ntuli		
Annual Remuneration	539 165	529 627
Car Allowance	203 766	195 365
Contributions to UIF, Medical and Pension Funds	48 714	1 785
Backpay	25 202	18 329
SDL	7 749	7 649
	824 596	752 755
Remuneration of Director Economic Development and Planning - SDG Khuzwayo		
Annual Remuneration	566 000	563 899
Car Allowance	203 766	195 365
Contributions to UIF, Medical and Pension Funds	21 880	11 469
Back pay	25 202	12 512
SDL	7 744	7 424
	824 592	790 669

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*
17. Remuneration of councillors		
Mayor: NV Chili		
Salary	795 932	774 056
Telephone allowance	40 800	40 800
Back pay	27 592	17 382
Medical Aid	37 336	35 140
	901 660	867 378
Deputy mayor: EN Blöse		
Salary	564 104	548 645
Telephone allowance	40 800	40 800
Back pay	22 073	14 076
Pension	84 616	82 297
Medical Aid	17 896	16 402
	729 489	702 220
Speaker: GK Ngidi		
Salary	614 352	597 662
Telephone allowance	40 800	40 800
Back pay	22 073	13 764
Medical Aid	52 781	49 681
	730 006	701 907
Executive Committee Members and Other Councillors		
Salaries	9 766 112	11 324 215
Travel	1 409 531	1 288 420
Telephone allowance	1 380 400	1 509 600
Pension	553 573	616 757
Medical aid	238 899	289 797
SDL	105 135	125 665
	13 453 650	15 154 454
In-kind benefits		
The Mayor, Deputy Mayor, Speaker and Chairpersons of the portfolio Committee Members are full-time. Each is provided with an office. The Mayor and Speaker are provided with secretarial support at the cost of the Council.		
The Mayor, Speaker and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.		
The Mayor has four full-time bodyguards, Deputy Mayor has two full time bodyguards and Speaker have four full-time bodyguards.		
18. Depreciation and amortisation		
Property, plant and equipment	20 786 500	17 233 523
Intangible assets	177 617	172 353
	20 964 117	17 405 876

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*
19. Impairment loss		
Impairment on property, plant and equipment	510 119	-
Contributions to debt impairment provision	2 532 734	4 376 804
	3 042 853	4 376 804
20. Rentals on operating lease		
Plant and equipment - Contractual amounts	952 601	910 894
21. Repairs and maintenance		
Designated at fair value		
Community assets	3 802 295	1 564 479
Buildings	126 496	133 282
Vehicles	1 995 629	1 395 401
Roads	2 335 215	2 346 040
Other Assets	144 410	72 378
	8 404 045	5 511 580

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*
22. General expenses		
Advertising	520 551	546 396
Small Tools	174 690	311 863
Auditors remuneration	1 883 628	1 574 327
Bank charges	206 826	196 645
Cleaning	609 171	837 500
Conditional Grant	29 650	-
Conferences and seminars	905 035	1 044 429
Consulting and professional fees	14 207 946	20 998 214
Consumables	-	1 145 890
Council Industrial/ Skills Development	208 432	97 113
Council committee	2 666 900	1 820 000
Disaster relief	745 000	-
Electricity	1 553 190	1 269 178
Entertainment	7 144 787	6 676 294
Fines and penalties	3 561	12 369
Fuel and oil	2 147 550	2 196 184
IT expenses	150 024	7 391
Indigent Burial	1 294 000	914 200
Insurance	916 661	850 448
LED Support	405 133	432 675
Marketing	2 113 185	1 032 492
Medical expenses	2 500	5 660
Motor vehicle expenses	340 923	359 169
Study Assistance	790 724	1 240 801
Postage and courier	2 761	5 224
Printing and stationery	1 237 712	1 042 897
Project: Electrification cost	8 027 184	17 793 922
Re-location costs	-	24 956
Refuse	1 360 781	1 079 635
Security (Guarding of municipal property)	5 899 086	4 625 775
Skills Development	116 172	421 003
Social Responsibility	2 185 379	626 842
Software expenses	1 271 197	3 425 595
Staff welfare	244 289	83 300
Subscriptions and membership fees	1 425 863	2 254 362
Telephone and fax	1 594 622	2 001 110
Tourism development	53 500	116 561
Travel - local	5 186 790	7 456 268
Uniforms	786 064	717 244
	68 411 467	85 243 932

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*
23. Cash generated from operations		
Surplus	39 830 171	19 723 567
Adjustments for:		
Depreciation and amortisation	20 964 117	17 405 876
Gain / Loss on sale of assets and liabilities	445 959	417 960
Increase /Decrease in Leave Accrual	1 631 826	1 533 241
Debt impairment	3 042 853	4 376 804
Movements in provisions	(261 429)	(1 116 781)
Other non- cash items	11 285	(884 514)
Donations non-cash items	-	(2 202 707)
Changes in working capital:		
Receivables from exchange transactions	(281 296)	(667 127)
Consumer debtors	(2 479 961)	(1 725 900)
Heritage Assets	-	21 053
Payables from exchange transactions	(1 826 494)	(8 321 494)
VAT	(1 619 633)	2 440 448
Payables from (non exchange)	-	(4 386 324)
Unspent conditional grants and receipts	(43 523)	(838 844)
Non current liabilities	-	324
	59 413 875	25 775 582
24. Commitments		
Authorised expenditure		
Already contracted for but not provided for		
• Capital Commitments	10 337 128	46 298 641
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	234 911	999 258
- in second to fifth year inclusive	-	343 495
	234 911	1 342 753

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

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*
25. Related parties		
Related party transactions		
Related party transactions		
K2016484930 (South Africa)	54 800	53 250
Amandla Ongabonwa Investments	52 250	145 232
Amavununundu General Trading	-	19 750
Eloyi Holdings (PTY)LTD	20 000	-

The Remuneration of Key management personnel is disclosed as part of note 16 on Employee related costs.

The above payments that occurred were single payments , with no outstanding balances , neither did they incur any commitments , for each of the transactions.

All transactions were at arms length.

26. Taxation

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

27. Going concern

We draw attention to the fact as at 30 June 2020, the municipality had accumulated surplus of R 437 068 159 and that the municipality's total assets exceed its liabilities by R 437 068 159.

The table below shows that the Municipality is liquid and will meet all its financial liabilities with the cash and cash equivalents on hand.

Total Current Liabilities	(20 017 444)	(18 077 523)
Total Non Current Liabilities	(2 559 324)	(2 293 302)
Total	(22 576 768)	(20 370 825)

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

* See Note 37

Ndwedwe Local Municipality

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28. Contingencies

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

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

Litigations	Nature of Litigation	2020	2019
PALISADE CONCRETE	rendering of fencing services	772 110	772 110
AFRICAN DIRECTORY SERVICES	bogus advertising company	83 784	83 784
MNTUNGAKHOHLWA MNGADI	relinquish of property	30 000	522 000
ILLOVO SUGAR (PTY) LTD	Eviction of tenant	-	-
NGONYAMA TRUST BOARD	Transfer or ownership of land	-	-
ESICONGWENI	Breach of contract	-	-
SAMWU	cof 10	1 200 000	-
		<u>2 085 894</u>	<u>1 377 894</u>

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

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

SAMWU obo Nomasonto Mthembu vs Ndwedwe Local Municipality regarding a labour matter.

29. Investigations

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

* See Note 37

Ndwedwe Local Municipality

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30. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 729 839	1 729 839
Consumer debtors	8 646 548	8 646 548
Cash and cash equivalents	110 076 060	110 076 060
	120 452 447	120 452 447

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

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	18 019 864	18 019 864
VAT payable	1 869 564	1 869 564
	19 889 428	19 889 428

2019

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 448 543	1 448 543
Consumer debtors	6 166 587	6 166 587
Cash and cash equivalents	99 082 414	99 082 414
	106 697 544	106 697 544

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	16 193 370	16 193 370
Vat Payable	3 489 197	3 489 197
	19 682 567	19 682 567

31. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

* See Note 37

Ndwedwe Local Municipality

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31. Risk management (continued)

Liquidity risk

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

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

Credit risk

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

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

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

Financial instrument	2020	2019
Consumer Debtors	8 646 548	6 166 587
Cash and cash equivalent	110 076 060	99 082 414
Trade and other receivables from exchange transactions	1 729 839	1 448 543

Interest rate risk

The municipality's exposure to interest rate risk results from changes in investments as a result of changes in interest rates.

* See Note 37

Ndwedwe Local Municipality

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32. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	621 050	550 000
Amount paid - current year	(621 050)	(550 000)
	<u>-</u>	<u>-</u>

Audit fees

Current year subscription / fee	2 151 866	1 402 789
Amount paid - current year	(2 151 866)	(1 402 789)
	<u>-</u>	<u>-</u>

PAYE and UIF

Current year subscription / fee	10 516 402	9 360 741
Amount paid - current year	(10 516 402)	(9 360 741)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year subscription / fee	13 756 702	11 299 344
Amount paid - current year	(13 756 702)	(11 299 344)
	<u>-</u>	<u>-</u>

VAT

VAT payable	(1 869 564)	3 489 197
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VAT output payables and VAT input receivables are shown in note 10.

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

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

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33. Irregular expenditure

Opening balance	86 707 341	55 074 479
Add: Irregular Expenditure - current year	2 335 775	31 632 862
Less: Amounts written off by council	(18 283 472)	-
	<u>70 759 644</u>	<u>86 707 341</u>

IRREGULAR EXPENDITURE	Nature of Irregular expenditure	Payment	Amount
Ayanda Mbanga Communication	Non-compliance with section 116 subsection 3 of the MFMA		408 844
Khanyile Funeral	Non-compliance with section 116 subsection 3 of the MFMA		490 000
Amahle Funeral	Non-compliance with section 116 subsection 3 of the MFMA		370 000
Amachunu Funeral	Non-compliance with section 116 subsection 3 of the MFMA		52 500
Dolphin Coast	Impractical or Impossible to follow the official SCM processes as per regulation 36 (i)		1 014 431
			<u>2 335 775</u>

34. Unauthorised expenditure

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

Ndwedwe Local Municipality
Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

	2020	2019 Restated*
35. Fruitless and wasteful expenditure		
Opening Balance	5 229 866	5 222 897
Add: Current year	3 561	6 969
Less: Written off	(336 528)	-
	4 896 899	5 229 866

* See Note 37

Ndwedwe Local Municipality

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Notes to the Financial Statements

	2020	2019 Restated*	
36. Deviation from supply chain management regulations			
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.			
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements. Deviations totalled R2 022 474 period ended 30 June 2020.			
SUPPLIER NAME	NATURE FOR DEVIATION	DESCRIPTION	AMOUNT
INDAYI MANAGEMENT SERVICES	This was an emergency due to disaster and was awarded as per regulation 36 (1) a(i)	Supply and Delivery of 10 * temporary shelters (Wendy houses)	97 000
NZIMANQOBILE	This was an emergency due to disaster and was awarded as per regulation 36 (1) a(i)	Supply and delivery of PPE items for COVID 19	184 999
MLM95 TRADING	Impractical or Impossible to follow the official SCM processes as per regulation 36 (1) a(i)	Supply and delivery of tablets for NDW bursary holders	199 500
KS SOUND & EVENTS	Impractical or Impossible to follow the official SCM processes as per regulation 36 (1) a(i)	Co-ordinating and organising a joint media conference for amakhosi, mayor and municipal senior officials to clarify and deal with the water issue and what municipality has done regarding the matter as means of preventing planned violent protests in ndwedwe area	166 000
KS SOUND & EVENTS	Impractical or Impossible to follow the official SCM processes as per regulation 36 (1) a(i)	Co-ordinating and organising a joint media conference for mayor disaster relief program follwing heavy rains and storm that destroyed ndwedwe residents houses and left them homeless and without any food	230 000

* See Note 37

Ndwedwe Local Municipality

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Notes to the Financial Statements

		2020	2019 Restated*
36. Deviation from supply chain management regulations (continued)			
KS SOUND & EVENTS	Impractical or Impossible to follow the official SCM processes as per regulation 36 (1) a(i)	Two -day media conference : 19 and 21 february 2020 co-ordinating and organising a joint media conference for disaster relief program follwing heavy rains and storm that destroyed ndwedwe residents houses and left them homeless and without any food	290 375
SHWELE PROJECTS & CONSULTING (PTY) LTD	Impractical or Impossible to follow the official SCM processes as per regulation 36 (1) a(i)	covid 19 printed material & media services	377 600
SKHWELE PROJECTS & CONSULTING	Impractical or Impossible to follow the official SCM processes as per regulation 36 (1) a(i)	covid 19 printed material & media services	477 000
			2 022 474

37. Prior period errors

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

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

Statement of financial position

	Previously reported	Adjustment	Restated balance
Heritage Assets	-	21 052	21 052
Property, plant & equipment	312 512 158	(25 967)	312 486 191
VAT Payable	(1 388 669)	(2 100 528)	(3 489 197)
Accumulated surplus	399 343 430	(2 105 438)	397 237 992

Statement of financial performance

Reclassification	Previously reported	Adjustment	Restated balance
Depreciation	17 394 505	11 371	17 405 876

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

2020
2019
Restated*

37. VAT receivable / (payable) (continued)

The effect of the prior year adjustments arose as a result of a recalculation of depreciation, which was previously incurred on the heritage asset.

The heritage asset was reclassified from property plant and equipment to heritage asset, this asset was the mayoral chain.

The VAT control account(payment basis) were not accounted for as per VAT statement of account from SARS i.e. assessments, interest and penalties and as a result the Municipality's VAT Control account was not balancing with figures as submitted to SARS.

After accounting for the above mentioned transactions the Municipality's VAT control account(payment basis) balances with SARS SoA.

Notes to the financials	Previously reported	Adjustment	Total
Property Plant and Equipment			
Land and Buildings	9 706 565	2 050 829	11 757 394
Motor Vehicles	8 483 917	-	8 483 917
Infrastructure	104 128 727	4 286 324	108 415 051
Community Assets	74 900 355	(5 385 214)	69 515 141
Other PPE	14 500 521	(11 576)	14 488 945
Work In Progress	100 792 073	(966 330)	99 825 743
	312 512 158	(25 967)	312 486 191
	Previously reported	Adjustment	Total
Heritage Asset	-	21 053	21 053
	Previously reported	Adjustment	Total
VAT Payable	1 388 669	2 100 528	3 489 197
	Previously reported	Adjustment	Total
Reclassification			
Rates received (Note 14)			
Residential	226 294	-	226 294
Commercial	12 820 552	(11 769 840)	1 050 712
State	1 050 712	11 769 840	12 820 552
Municipal	-	44 591	44 591
Small Holdings	847 870	-	847 870
Property Rates	44 591	(44 591)	-
Less: Income forgone	(1 933 142)	-	(1 933 142)
	13 056 877	-	13 056 877

38. Events after the reporting date

The President of the Republic of South Africa put the country under lockdown alert level 5 in March 2020 due to COVID 19 pandemic. The municipality has put measures in place to deal with the impact of COVID 19 pandemic.

Financial Implications

* See Note 37

Ndwedwe Local Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

2020

2019
Restated*

38. Events after the reporting date (continued)

Covid 19 pandemic resulted in municipal projects and programmes be halted and this resulted in a saving of R 9 ,8 million in general expenses the revenue side investment income was affected as the interest rate have reduced by the Reserve Bank ever since the country went into lockdown in March 2020.

Going Concern

This was assessed in detail in note 27 and the users of the financial statements are invited to visit this note for more information.

* See Note 37