



UTHUKELA
UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

Uthukela District Municipality
Consolidated Annual Financial Statements
for the year ended June 30, 2020

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

General Information

Legal form of entity	District Municipality
Nature of business and principal activities	The main business operations of the Municipality is to engage in Local Government activities, which includes planning and promotion of integrated development planning, economic, social and environmental development and supplying of the following services to the community: the supply of water and sanitation services, as well as infrastructure development. Water is obtained from (DWS) Department of Water and Sanitation and distributed to the consumers by the Municipality.
Municipal Demarcation Code	DC23
Executive Committee	
Mayor	Cllr. A.S. Mazibuko Cllr. N.W. Sibiyi (deputy Mayor) Cllr. S.B. Dlungwane Cllr. S.V. Shabalala Cllr. T.P. Shabalala Cllr. S.A. Mvelase
Councillors	Cllr. P.G. Strydom (Speaker) Cllr. G. Ndaba Cllr S.Z. Khumalo Cllr. G.S. Mdluli Cllr. Z. Msobomvu Cllr. N.M. Hadebe Cllr. N.K.P. Mbongwa Cllr. B.S. Dladla Cllr. E.S. Ndumo Cllr. S.E. Mbongwa Cllr. S.W Khumalo Cllr. K.L. Msibi Cllr. G.E. Mbhele Cllr. M.N. Mlotshwa Cllr. M.B. Mbhele Cllr. N.L. Zikalala Cllr. K.A. Vilakazi Cllr. S.Z.P. Msibi Cllr. T.B. Njapha Cllr. M.M. Khoza Cllr. T.P. Dlamini Cllr. X.F. Mhlongo Cllr. S.M. Buthelezi Cllr. P.A.M. Mfuphi Cllr. M.H. Msimanga
Grading of local authority	Grade 4 Medium capacity
Accounting Officer (MM)	M.M. Sithole Municipal Manager
Chief Financial Officer (CFO)	Ms. P.H.Z. Kubheka

Uthukela District Municipality

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General Information

Registered office

33 Forbes Street
Ladysmith
Tel: 036-6385100
Fax: 036-6385126
pa.mm@uthukela.gov.za

Business address

33 Forbes Street
Ladysmith
Kwazulu Natal
3370

Postal address

PO Box 116
Ladysmith
Kwazulu Natal
3370

Bankers

First National Bank

Auditors

Auditor General - South Africa

Attorneys

Ramkhelewan Incorporated
Shepstone & Wylie

Uthukela District Municipality

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COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
UEDA	Uthukela Economic Development Agency
DWS	Department of Water and Sanitation

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

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

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

The Accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error 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 consolidated annual 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 certifies that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with Remuneration of Public Office bearers Act and Minister of of Provincial and Local Government's determination in accordance with this act.

The Accounting officer has reviewed the Municipality's cash flow forecast for the year to June 30, 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.

The Municipality is wholly dependent on the Equity Share and water sales for continued funding of operations. The consolidated annual financial statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the Municipality, he is supported by the Municipality's Chief Financial Officer.

The consolidated annual financial statements set out on page 1 to 116, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 March 2021 and were signed on its behalf by:

M. Sithole
Accounting Officer

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Financial Position as at June 30, 2020

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
Assets					
Current Assets					
Inventories	10	7,890,183	6,930,386	7,890,183	6,930,386
Receivables from exchange transactions	11	26,744,114	47,210,334	26,744,114	47,210,334
Receivables from non-exchange transactions	12	125,796	345,752	125,796	345,752
Employee benefit asset	7	590,407	-	590,407	-
Consumer debtors	13	234,854,257	217,817,607	234,854,257	217,817,607
Bank reconciliation clearing control account	9	-	50,235,493	-	50,235,493
Cash and cash equivalents	14	57,079,384	46,769,550	55,284,392	43,906,015
		327,284,141	369,309,122	325,489,149	366,445,587
Non-Current Assets					
Property, plant and equipment	4	2,875,544,527	2,695,537,270	2,874,651,708	2,695,427,866
Intangible assets	5	473,253	500,050	473,253	500,050
Receivables from exchange transactions	11	1,658,406	1,658,406	1,658,406	1,658,406
Receivables from non-exchange transactions	12	-	4,592,424	-	4,592,424
Prepayments	8	3,027,080	2,721,902	3,027,080	2,721,902
		2,880,703,266	2,705,010,052	2,879,810,447	2,704,900,648
Total Assets		3,207,987,407	3,074,319,174	3,205,299,596	3,071,346,235
Liabilities					
Current Liabilities					
Operating lease liability	6	626,497	556,147	626,497	556,147
Payables from exchange transactions	20	296,926,725	344,339,313	296,907,773	344,141,262
Consumer deposits	21	19,561,713	30,307,020	19,561,713	30,307,020
Employee benefit obligation	7	-	584,467	-	584,467
Unspent conditional grants and receipts	15	7,517,615	13,190,661	5,722,623	10,538,731
Provisions	16	34,952,917	26,817,562	34,952,917	26,817,562
VAT payable	17	80,383,345	70,967,532	80,383,345	70,967,532
Other Liabilities - Consumer debtors with credit balances	18	12,024,307	15,841,482	12,024,307	15,841,482
Other liabilities - Salaries clearing control account	19	390,361	402,433	390,361	402,433
		452,383,480	503,006,617	450,569,536	500,156,636
Non-Current Liabilities					
Employee benefit obligation	7	30,956,407	30,569,020	30,956,407	30,569,020
		30,956,407	30,569,020	30,956,407	30,569,020
Total Liabilities		483,339,887	533,575,637	481,525,943	530,725,656
Net Assets		2,724,647,520	2,540,743,537	2,723,773,653	2,540,620,579

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	23	164,402,170	221,150,003	164,402,170	221,150,003
Interest received (trading)	22	59,908,929	56,209,768	59,908,929	56,209,768
Other income	24	2,402,600	10,512,304	2,402,600	10,512,304
Impairment reversal	24&4	2,740,513	-	2,740,513	-
Interest received - investment	25	6,564,929	7,104,034	6,512,027	7,090,300
Actuarial gains	7	3,342,941	5,934,317	3,342,941	5,934,317
Total revenue from exchange transactions		239,362,082	300,910,426	239,309,180	300,896,692
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	27	767,080,911	748,620,643	765,310,377	748,272,573
Public contributions and donations	28	10,145,379	4,489,006	10,145,379	4,489,006
Total revenue from non-exchange transactions		777,226,290	753,109,649	775,455,756	752,761,579
Total revenue		1,016,588,372	1,054,020,075	1,014,764,936	1,053,658,271
Expenditure					
Employee related costs	29	(332,101,614)	(294,085,088)	(330,767,203)	(292,813,895)
Remuneration of councillors	30	(6,486,438)	(6,485,619)	(6,486,438)	(6,485,619)
Depreciation and amortisation	31	(65,952,375)	(70,198,437)	(65,871,668)	(70,195,626)
Impairment loss	32	(33,764)	-	(33,764)	-
Interest incurred	33	(8,777,208)	(4,924,903)	(8,775,855)	(4,924,723)
Lease rentals on operating lease	39	(2,042,820)	(1,482,157)	(1,509,866)	(1,102,606)
Debt Impairment provision	34	(40,012,732)	(136,548,615)	(40,012,732)	(136,548,615)
Incentive discounts	51	(5,185,052)	(6,881,740)	(5,185,052)	(6,881,740)
Bad debt written off	50	(60,455,993)	(33,442)	(60,455,993)	(33,442)
Bulk purchases	35	(125,912,408)	(45,974,118)	(125,912,408)	(45,974,118)
Contracted services	36	(44,806,221)	(98,163,894)	(44,161,064)	(98,163,894)
Transfers and Subsidies	26	(853,925)	-	(2,514,233)	(1,608,414)
Loss on disposal of assets and liabilities	4	(512,127)	(943,319)	(512,127)	(943,319)
General Expenses	37	(119,886,250)	(183,829,272)	(119,870,958)	(183,635,747)
Total expenditure		(813,018,927)	(849,550,604)	(812,069,361)	(849,311,758)
Surplus for the year		203,569,445	204,469,471	202,695,575	204,346,513

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Balance at July 1, 2018	2,336,274,066	2,336,274,066
Changes in net assets		
Surplus for the year	204,469,471	204,469,471
Total changes	204,469,471	204,469,471
Restated* Balance at July 1, 2019	2,521,078,075	2,521,078,075
Changes in net assets		
Surplus for the year	203,569,445	203,569,445
Total changes	203,569,445	203,569,445
Balance at June 30, 2020	2,724,647,520	2,724,647,520
Controlling entity		
Balance at July 1, 2018	2,336,274,066	2,336,274,066
Changes in net assets		
Reversal of impairment losses on revalued capital assets	-	-
Net income (losses) recognised directly in net assets	-	-
Restated surplus for the year	204,346,513	204,346,513
Total recognised income and expenses for the year	204,346,513	204,346,513
Total changes	204,346,513	204,346,513
Opening balance restated	-	-
Restated* Balance at July 1, 2019 as restated*	2,540,620,579	2,540,620,579
Changes in net assets		
Surplus for the year	202,695,575	202,695,575
Movement in accumulated surplus account	(19,542,501)	(19,542,501)
Total changes	183,153,074	183,153,074
Balance at June 30, 2020	2,723,773,653	2,723,773,653

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Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
Cash flows from operating activities					
Receipts					
Service charges		115,181,044	133,734,851	115,181,044	133,734,851
Grants		767,080,911	748,620,643	765,310,377	748,272,573
interest income		6,564,929	7,104,034	6,512,027	7,090,300
Public donations		250,000	-	250,000	-
Other cash item		2,402,600	15,001,310	2,402,600	15,001,310
		<u>891,479,484</u>	<u>904,460,838</u>	<u>889,656,048</u>	<u>904,099,034</u>
Payments					
Employee and councillor costs		(338,583,162)	(300,570,707)	(337,248,751)	(299,299,514)
Suppliers and others		(274,278,041)	(279,387,709)	(273,585,947)	(283,273,028)
Finance costs		(8,777,208)	(4,924,903)	(8,775,855)	(4,924,723)
		<u>(621,638,411)</u>	<u>(584,883,319)</u>	<u>(619,610,553)</u>	<u>(587,497,265)</u>
Net cash flows from operating activities	40	<u>269,841,073</u>	<u>319,577,519</u>	<u>270,045,495</u>	<u>316,601,769</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(264,123,663)	(278,818,736)	(263,259,542)	(278,706,521)
Decrease in receivables from non-exchange transactions		4,592,424	-	4,592,424	-
Net cash flows from investing activities		<u>(259,531,239)</u>	<u>(278,818,736)</u>	<u>(258,667,118)</u>	<u>(278,706,521)</u>
Net increase in cash and cash equivalents		10,309,834	40,758,783	11,378,377	37,895,248
Cash and cash equivalents at the beginning of the year		46,769,550	6,010,767	43,906,015	6,010,767
Cash and cash equivalents at the end of the year	14	<u>57,079,384</u>	<u>46,769,550</u>	<u>55,284,392</u>	<u>43,906,015</u>

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	262,991,000	4,767,000	267,758,000	164,402,170	(103,355,830)	
Interest received (trading)	67,008,000	15,108,000	82,116,000	59,908,929	(22,207,071)	
Other income	3,708,000	34,747,000	38,455,000	2,402,600	(36,052,400)	
Impairment reversal	-	-	-	2,740,513	2,740,513	
Government grants - Transfers recognized (operational)	449,659,000	10,117,000	459,776,000	444,407,324	(15,368,676)	
Interest received - investment	6,283,000	(643,000)	5,640,000	6,564,929	924,929	
Total revenue from exchange transactions	789,649,000	64,096,000	853,745,000	680,426,465	(173,318,535)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies (capital)	296,937,000	16,977,000	313,914,000	322,673,587	8,759,587	
Public contributions and donations	-	-	-	10,145,379	10,145,379	
Total revenue from non-exchange transactions	296,937,000	16,977,000	313,914,000	332,818,966	18,904,966	
Total revenue	1,086,586,000	81,073,000	1,167,659,000	1,013,245,431	(154,413,569)	
Expenditure						
Personnel	(291,843,000)	(14,527,000)	(306,370,000)	(332,101,614)	(25,731,614)	
Remuneration of councillors	(7,956,000)	1,614,000	(6,342,000)	(6,486,438)	(144,438)	
Depreciation and amortisation	(58,644,000)	-	(58,644,000)	(65,952,375)	(7,308,375)	
Impairment loss/ Reversal of impairments	-	-	-	(33,764)	(33,764)	
Finance costs	-	-	-	(8,777,208)	(8,777,208)	
Lease rentals on operating lease	-	-	-	(2,042,820)	(2,042,820)	
Debt Impairment	(168,789,000)	-	(168,789,000)	(40,012,732)	128,776,268	
Bad debt written off	-	-	-	(65,641,045)	(65,641,045)	
Bulk purchases	(4,208,000)	(127,134,000)	(131,342,000)	(125,912,408)	5,429,592	
Contracted Services	(68,876,000)	(30,742,000)	(99,618,000)	(44,806,221)	54,811,779	
Transfers and Subsidies	-	-	-	(853,925)	(853,925)	
General Expenses	(75,026,000)	(20,648,000)	(95,674,000)	(119,886,250)	(24,212,250)	
Total expenditure	(675,342,000)	(191,437,000)	(866,779,000)	(812,506,800)	54,272,200	
Operating surplus	411,244,000	(110,364,000)	300,880,000	200,738,631	(100,141,369)	
Loss on disposal of assets and liabilities	-	-	-	(512,127)	(512,127)	
Actuarial gains/losses	-	-	-	3,342,941	3,342,941	
	-	-	-	2,830,814	2,830,814	
Surplus before taxation	411,244,000	(110,364,000)	300,880,000	203,569,445	(97,310,555)	

Uthukela District Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	411,244,000	(110,364,000)	300,880,000	203,569,445	(97,310,555)	

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	6,895,000	-	6,895,000	7,890,183	995,183	
Receivables from exchange transactions	4,143,000	-	4,143,000	26,744,114	22,601,114	
Receivables from non-exchange transactions	-	-	-	125,796	125,796	
Employee benefit asset	-	-	-	590,407	590,407	
Consumer debtors	349,574,000	(75,057,000)	274,517,000	234,854,257	(39,662,743)	
Cash and cash equivalents	145,803,000	(150,405,000)	(4,602,000)	57,079,384	61,681,384	
	506,415,000	(225,462,000)	280,953,000	327,284,141	46,331,141	
Non-Current Assets						
Property, plant and equipment	3,030,774,000	(141,213,000)	2,889,561,000	2,875,544,527	(14,016,473)	
Intangible assets	542,000	(42,000)	500,000	473,253	(26,747)	
Receivables from non-exchange transactions	6,251,000	-	6,251,000	-	(6,251,000)	
Prepayments	-	-	-	3,027,080	3,027,080	
	3,039,990,000	(141,255,000)	2,898,735,000	2,880,703,266	(18,031,734)	
Total Assets	3,546,405,000	(366,717,000)	3,179,688,000	3,207,987,407	28,299,407	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	626,497	626,497	
Payables from exchange transactions	171,162,000	86,404,000	257,566,000	296,926,725	39,360,725	
Consumer deposits	18,341,000	13,659,000	32,000,000	19,561,713	(12,438,287)	
Unspent conditional grants and receipts	-	-	-	7,517,615	7,517,615	
Provisions	22,420,000	-	22,420,000	34,952,917	12,532,917	
Other liability (VAT payable)	-	-	-	80,383,345	80,383,345	
Other liability - Consumer debtors	-	-	-	12,024,307	12,024,307	
Other liability	-	-	-	390,361	390,361	
	211,923,000	100,063,000	311,986,000	452,383,480	140,397,480	
Non-Current Liabilities						
Employee benefit obligation	36,824,000	-	36,824,000	30,956,407	(5,867,593)	
Total Liabilities	248,747,000	100,063,000	348,810,000	483,339,887	134,529,887	
Net Assets	3,297,658,000	(466,780,000)	2,830,878,000	2,724,647,520	(106,230,480)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	3,297,658,000	(466,780,000)	2,830,878,000	2,724,647,520	(106,230,480)	

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	262,991,000	4,767,000	267,758,000	164,402,170	(103,355,830)	PER 1
Interest received	67,008,000	15,108,000	82,116,000	59,908,929	(22,207,071)	PER 2
Other income	3,708,000	34,747,000	38,455,000	2,402,600	(36,052,400)	PER 3
Impairment reversal	-	-	-	2,740,513	2,740,513	PER 4
Government grants-Transfers recognised (operational)	449,659,000	10,117,000	459,776,000	442,636,790	(17,139,210)	PER 5
Interest received - investment	6,283,000	(643,000)	5,640,000	6,512,027	872,027	PER 6
Total revenue from exchange transactions	789,649,000	64,096,000	853,745,000	678,603,029	(175,141,971)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants-Transfers recognised (capital)	296,937,000	16,977,000	313,914,000	322,673,587	8,759,587	PER 7
Public contributions and donations	-	-	-	10,145,379	10,145,379	PER 8
Total revenue from non-exchange transactions	296,937,000	16,977,000	313,914,000	332,818,966	18,904,966	
Total revenue	1,086,586,000	81,073,000	1,167,659,000	1,011,421,995	(156,237,005)	
Expenditure						
Employee related costs	(291,843,000)	(14,527,000)	(306,370,000)	(330,767,203)	(24,397,203)	PER 9
Remuneration of councillors	(7,956,000)	1,614,000	(6,342,000)	(6,486,438)	(144,438)	PER 10
Depreciation and amortisation	(58,644,000)	-	(58,644,000)	(65,871,668)	(7,227,668)	PER 11
Reversal of impairments	-	-	-	(33,764)	(33,764)	PER 12
Finance costs	-	-	-	(8,775,855)	(8,775,855)	PER 13
Lease rentals on operating leases	-	-	-	(1,509,866)	(1,509,866)	PER 14
Bad debt provision	(168,789,000)	-	(168,789,000)	(40,012,732)	128,776,268	PER 15
Incentive discounts	-	-	-	(5,185,052)	(5,185,052)	PER 16
Bad debt written off	-	-	-	(60,455,993)	(60,455,993)	PER 17
Bulk purchases	(4,208,000)	(127,134,000)	(131,342,000)	(125,912,408)	5,429,592	PER 18
Contracted Services	(68,876,000)	(30,742,000)	(99,618,000)	(44,161,064)	55,456,936	PER 19
Transfers and Subsidies	-	-	-	(2,514,233)	(2,514,233)	PER 20
General Expenses	(75,026,000)	(20,648,000)	(95,674,000)	(119,870,958)	(24,196,958)	PER 21
Total expenditure	(675,342,000)	(191,437,000)	(866,779,000)	(811,557,234)	55,221,766	
Operating surplus	411,244,000	(110,364,000)	300,880,000	199,864,761	(101,015,239)	
Loss on disposal of assets and liabilities	-	-	-	(512,127)	(512,127)	PER 22
Actuarial gains/losses	-	-	-	3,342,941	3,342,941	PER 23
	-	-	-	2,830,814	2,830,814	
Surplus before taxation	411,244,000	(110,364,000)	300,880,000	202,695,575	(98,184,425)	

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	411,244,000	(110,364,000)	300,880,000	202,695,575	(98,184,425)	

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	6,895,000	-	6,895,000	7,890,183	995,183	POS 24
Receivables from exchange transactions	-	-	-	26,744,114	26,744,114	POS 25
Receivables from non-exchange transactions	4,143,000	-	4,143,000	125,796	(4,017,204)	POS 26
Employee benefit asset	-	-	-	590,407	590,407	POS 27
Consumer debtors from exchange transactions	349,574,000	(75,057,000)	274,517,000	234,854,257	(39,662,743)	POS 28
Cash and cash equivalents	145,803,000	(150,405,000)	(4,602,000)	55,284,392	59,886,392	POS 30
	506,415,000	(225,462,000)	280,953,000	325,489,149	44,536,149	
Non-Current Assets						
Property, plant and equipment	3,030,774,000	(141,213,000)	2,889,561,000	2,874,651,708	(14,909,292)	POS 31
Intangible assets	542,000	(42,000)	500,000	473,253	(26,747)	POS 32
Receivables from exchange transactions	2,423,000	-	2,423,000	1,658,406	(764,594)	POS 33
Receivables from non-exchange transactions	6,251,000	-	6,251,000	-	(6,251,000)	POS 34
Prepayments	-	-	-	3,027,080	3,027,080	POS 35
	3,039,990,000	(141,255,000)	2,898,735,000	2,879,810,447	(18,924,553)	
Total Assets	3,546,405,000	(366,717,000)	3,179,688,000	3,205,299,596	25,611,596	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	626,497	626,497	POS 36
Payables from exchange transactions	171,162,000	86,404,000	257,566,000	296,907,773	39,341,773	POS 37
Consumer deposits	18,341,000	13,659,000	32,000,000	19,561,713	(12,438,287)	POS 38
Unspent conditional grants and receipts	-	-	-	5,722,623	5,722,623	POS 39
Provisions	22,420,000	-	22,420,000	34,952,917	12,532,917	POS 40
Other liabilities (VAT payable)	-	-	-	80,383,345	80,383,345	POS 41
Other liabilities - Consumer debtors	-	-	-	12,024,307	12,024,307	POS 42
Other liability	-	-	-	390,361	390,361	POS 43
	211,923,000	100,063,000	311,986,000	450,569,536	138,583,536	
Non-Current Liabilities						
Provisions (Retirement benefit obligation)	36,824,000	-	36,824,000	30,956,407	(5,867,593)	POS 44
Total Liabilities	248,747,000	100,063,000	348,810,000	481,525,943	132,715,943	
Net Assets	3,297,658,000	(466,780,000)	2,830,878,000	2,723,773,653	(107,104,347)	

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Accumulated surplus	3,297,658,000	(466,780,000)	2,830,878,000	2,723,773,653	(107,104,347)	

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	105,737,000	27,008,000	132,745,000	115,181,044	(17,563,956)	
Grants	746,596,000	17,037,000	763,633,000	767,080,911	3,447,911	
Public donations	-	-	-	250,000	250,000	
Other receipts	3,708,000	24,852,000	28,560,000	2,402,600	(26,157,400)	
Interest income	6,283,000	(643,000)	5,640,000	6,564,929	924,929	
	862,324,000	68,254,000	930,578,000	891,479,484	(39,098,516)	
Payments						
Employee costs	(299,799,000)	(12,913,000)	(312,712,000)	(338,583,162)	(25,871,162)	
Suppliers and other	(148,110,000)	(179,524,000)	(327,634,000)	(274,278,041)	53,355,959	
Finance costs	-	-	-	(8,777,208)	(8,777,208)	
	(447,909,000)	(192,437,000)	(640,346,000)	(621,638,411)	18,707,589	
Net cash flows from operating activities	414,415,000	(124,183,000)	290,232,000	269,841,073	(20,390,927)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(296,937,000)	(17,000,000)	(313,937,000)	(264,123,663)	49,813,337	
Decrease in receivables from Exchange transactions	-	-	-	4,592,424	4,592,424	
Net cash flows from investing activities	(296,937,000)	(17,000,000)	(313,937,000)	(259,531,239)	54,405,761	
Cash flows from financing activities						
Movement in other liability (consumer deposits)	1,541,000	152,000	1,693,000	-	(1,693,000)	
Net increase/(decrease) in cash and cash equivalents	119,019,000	(141,031,000)	(22,012,000)	10,309,834	32,321,834	
Cash and cash equivalents at the beginning of the year	26,783,000	17,123,000	43,906,000	46,769,550	2,863,550	
Cash and cash equivalents at the end of the year	145,802,000	(123,908,000)	21,894,000	57,079,384	35,185,384	

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

References to statement of comparison of budget and actual amounts

Statement of financial performance.

PER 1 - Service charges - the Municipality has not achieved its targets with regards to the budget on collection of service charges as at 30 June 2020.

PER 2 - Interest received - interest on service charges has escalated due to the poor collection rate however the Municipality has not achieved its target with regards to the budget as at 30 June 2020.

PER 3 - Other income - the Municipality did not achieve its target with regards to the budget as at 30 June 2020 as the budget was based on prior years performances.

PER 4 - Impairment reversal - the Municipality recognized an impairment reversal during the asset verification process and the finalization of the asset register. This was not budgeted for.

PER 5 - Government grants (transfers recognized operational) - the Municipality did not receive all the grants in respect of the 2019/2020 financial year as per National Treasury payment schedule as the unspent portions of RBIG grant and the RRAM grant (2018/2019 roll over application was declined and it was recovered from the Equity share allocation for the current year.

PER 6 - Interest received on investments - the Municipality earned more interest on investments as was anticipated. Surplus cash was invested to attract interest.

PER 7 - Government grants (Transfer recognized capital) - the Municipality has achieved 100% spending on capital grants which includes roll over amounts from the 2018/2019 financial year, however the roll over application in respect of the unspent portion of the RBIG grant from the 2018/2019 financial year was disallowed and recovered from the equity share allocation for the 2019/2020 financial year.

PER 8 - Public contributions and donations - the Municipality received a cash donation from Umgeni Water for the procurement of school uniforms, shoes and laptops for the Nintams Primary School through the Corporate Social Investment program (CSI) as well as plant and equipment donated by COGTA.

PER 9 - Employee related costs - high overtime, standby and nightshift claims remain a challenge however Management has implemented controls to curb overtime claims.

PER 10 - Employee related costs - Remuneration of Councillors - provision was made in the original budget for Councillors to receive backpay during the financial year in terms of the Government Gazette for Councillors upper limits dated December 2019 however this was not approved due to the audit opinion received in respect of the 2018/2019 financial year and the budget was adjusted with the adjustment budget.

PER 11 - Depreciation and amortization - provision was made in the budget for the 2019/2020 financial year for additional assets the municipality capitalized during the year however it was not accurately provided for..

PER 12 - Reversal of impairment - during the asset verification process and the finalization of the asset register the Municipality recognized a reversal of impairment. This was not budgeted for.

PER 13 - Finance costs - this relates to interest charges with regards to the post retirement medical aid and long service awards as well as interest paid to suppliers. Was not budgeted for.

PER 14 - Lease rentals on operating leases - this relates to rental paid in respect of the satellite offices the Municipality occupies in Estcour, Colenso and Weenen.

PER 15 - Provision for bad debt - Collection of outstanding debt remains a challenge. COVID-19 also had an impact on debt collection as the Municipality could not apply the credit control policy to disconnect consumers for non-payment. This was over provided for in the budget.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

PER 16 - Incentive discounts - the Municipality offers incentive discounts to consumers in an effort to collect outstanding debt and decrease the debtors book. The Municipality offers a 1/3 and 50% discount to consumer in order to encourage them to pay outstanding debt.

PER 17 - Bad debt written off - the Municipality has implemented its indigent policy and indigent debt and irrecoverable debt has been written off. This was not anticipated when the budget was compiled and was not provided for.

PER 18 - Bulk purchases - this represents the bulk water purchases from the Department of Water and Sanitation (DWS). Umgeni Water has also invoiced the Municipality for purified water. This was under provided for in the budget.

PER 19 - Contracted services - the contracts with contracted water tanker service provider was cancelled as part of cost containment measures, therefore the saving against the budget. Maintenance and repairs is now also disclosed as contracted services.

PER 20 - Transfers and subsidies - This relates to expenditure incurred on behalf of the Uthukel Economic Development Agency.

PER 21 - General expenditure - the municipality did not manage to stay within the budget and over expenditure will be disclosed as unauthorized expenditure.

PER 22 - Loss on disposal of assets and liabilities - this was not budgeted for.

PER 23 - Actuarial gains / losses - relates to the post retirement benefit obligation. This was not budgeted for. Valuation certificates are issued by an external service provider (Actuarial Valuer).

Statement of financial position.

Pos 24 - Inventories - inventory items are kept at a centralized store, chemical is stored at the water and sewerage treatment plants. Inventory also includes water stock in the reservoirs and reticulation network as at year end. An Engineer was appointed to do the calculation of water stock.

POS 25 - Receivables from exchange transaction - Represents sundry debtors and deposits paid the Third party vendors.

POS 26 - Receivables from non-exchange transaction - represents unpaid cheques issued in favour of the Municipality and overpayment of contractors.

POS 27 - Employee benefit asset - Relates to long service and medical aid post retirement benefit.

POS 28 - Consumer debtors from exchange transactions - When the budget was prepared the poor collection rate was not accurately anticipated and the provision for bad debt was not accurately taken into account.

POS 28 - Consumer debtors from exchange transactions - When the budget was prepared the poor collection rate was not accurately anticipated and the provision for bad debt was not accurately taken into account.

POS 29 - Bank reconciliation clearing account - this is a suspense account which has been created to account for all unreconciled items on the bank recon. Once items are matched with the bank statement the account is cleared.

POS 30 - Cash and cash equivalents represents actual cash on hand and this was not accurately budgeted for.

POS 31 - Property, plant and equipment - the variance between the budget and actual amount is due to the capitalization and asset impairment which were not accurately budgeted for.

POS 32 - Intangible assets - The variance is due to impairment not accurately budgeted for.

POS 33 - Receivables from exchange transactions - represents deposits paid to third party vendors and was not budgeted for.

POS 34 - Receivables from non-exchange transaction - this was not accurately budgeted for.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

POS 35 - Prepayments - prepayments represents payments in advance. The SALGA annual membership fee in respect of the 2020/2021 financial year was paid in 2019/2020 to qualify for discount offered.

POS 36 - Operating lease liability - the liability is in respect of operating leases (rental of offices and office machines) - Consumer debtors from exchange transactions - When the budget was prepared the poor collection rate was not accurately anticipated and the provision for bad debt was not accurately taken into account.

POS 37 - Payables from exchange transactions - consists of trade payable, DWS accrual in respect of raw water purchased, trust funds, retention on capital project expenditure and sundry creditors not accurately budgeted for.

POS 38 - Consumer deposits - the variance is as a result of the decrease in deposits raised incorrectly during the 2018/2019 financial year.

POS 39 - Unspent conditional grants - represents the unspent liability as at 30 June 2020 not budgeted for. Application has been made for the approval of the roll over of the unspent grants.

POS 40 - Provisions - relates to the bonus and leave provision and was not accurately budgeted for.

POS 41 - VAT payables - represents VAT payable and was not budgeted for. The Municipality is registered with SARS on a payment bases and therefore VAT is only paid to SARS once it has been received from the consumers.

POS 42 - Other liabilities consumer debtors - represents consumer debtors with credit balance at financial year end.

POS 43 - Other liabilities - Relates to the salary clearing control account which will be cleared in the 2020/2021 financial year.

POS 44 - Provision for retirement benefit obligation - is the medical aid and long service award obligation at year end.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Economic entity - 2020											
Financial Performance											
Service charges	262,991,000	4,767,000	267,758,000	-	-	267,758,000	164,402,170	-	(103,355,830)	61 %	63 %
Investment revenue	6,283,000	(643,000)	5,640,000	-	-	5,640,000	6,564,929	-	924,929	116 %	104 %
Transfers recognised - operational	449,659,000	10,117,000	459,776,000	-	-	459,776,000	444,407,324	-	(15,368,676)	97 %	99 %
Other own revenue	70,717,000	49,855,000	120,572,000	-	-	120,572,000	68,394,983	-	(52,177,017)	57 %	97 %
Total revenue (excluding capital transfers and contributions)	789,650,000	64,096,000	853,746,000	-	-	853,746,000	683,769,406	-	(169,976,594)	80 %	87 %
Employee costs	(291,843,000)	(14,527,000)	(306,370,000)	-	-	(306,370,000)	(332,101,614)	-	(25,731,614)	108 %	114 %
Remuneration of councillors	(7,956,000)	1,614,000	(6,342,000)	-	-	(6,342,000)	(6,486,438)	-	(144,438)	102 %	82 %
Debt impairment	(168,789,000)	-	(168,789,000)	-	-	(168,789,000)	(40,012,732)	-	128,776,268	24 %	24 %
Depreciation and asset impairment	(58,644,000)	-	(58,644,000)	-	-	(58,644,000)	(65,986,139)	-	(7,342,139)	113 %	113 %
Finance charges	-	-	-	-	-	-	(8,777,208)	-	(8,777,208)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(4,208,000)	(127,134,000)	(131,342,000)	-	-	(131,342,000)	(125,912,408)	-	5,429,592	96 %	2,992 %
Transfers and grants	-	-	-	-	-	-	(853,925)	-	(853,925)	DIV/0 %	DIV/0 %
Other expenditure	(143,881,000)	(51,411,000)	(195,292,000)	-	-	(195,292,000)	(232,888,463)	-	(37,596,463)	119 %	162 %
Total expenditure	(675,321,000)	(191,458,000)	(866,779,000)	-	-	(866,779,000)	(813,018,927)	-	53,760,073	94 %	120 %
Surplus/(Deficit)	114,329,000	(127,362,000)	(13,033,000)	-	-	(13,033,000)	(129,249,521)	-	(116,216,521)	992 %	992 %

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-	-	-	322,673,587	-	322,673,587	DIV/0 %	DIV/0 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	10,145,379	-	10,145,379	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	114,329,000	(127,362,000)	(13,033,000)	-	-	(13,033,000)	203,569,445	-	216,602,445	(1,562)%	178 %
Surplus/(Deficit) for the year	114,329,000	(127,362,000)	(13,033,000)	-	-	(13,033,000)	203,569,445	-	216,602,445	(1,562)%	178 %

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Economic entity - 2019				
Financial Performance				
Service charges				221,150,003
Investment revenue				7,104,034
Transfers recognised - operational				406,519,236
Other own revenue				72,656,389
Total revenue (excluding capital transfers and contributions)				707,429,662
Employee costs	-	-	-	(294,085,088)
Remuneration of councillors	-	-	-	(6,485,619)
Debt impairment	-	-	-	(136,548,615)
Depreciation and asset impairment	-	-	-	(70,198,437)
Finance charges	-	-	-	(4,924,903)
Materials and bulk purchases	-	-	-	(45,974,118)
Other expenditure	-	-	-	(291,333,824)
Total expenditure	-	-	-	(849,550,604)
Surplus/(Deficit)				(142,120,942)
Transfers recognised - capital				342,101,407
Contributions recognised - capital and contributed assets				4,489,006
Surplus (Deficit) after capital transfers and contributions				204,469,471
Surplus/(Deficit) for the year				204,469,471

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Controlling entity - 2020											
Financial Performance											
Service charges	262,991,000	4,767,000	267,758,000	-	-	267,758,000	164,402,170	-	(103,355,830)	61 %	63 %
Investment revenue	6,283,000	(643,000)	5,640,000	-	-	5,640,000	6,512,027	-	872,027	115 %	104 %
Transfers recognised - operational	449,659,000	10,117,000	459,776,000	-	-	459,776,000	442,636,790	-	(17,139,210)	96 %	98 %
Other own revenue	70,717,000	49,855,000	120,572,000	-	-	120,572,000	68,394,983	-	(52,177,017)	57 %	97 %
Total revenue (excluding capital transfers and contributions)	789,650,000	64,096,000	853,746,000	-	-	853,746,000	681,945,970	-	(171,800,030)	80 %	86 %
Employee costs	(291,843,000)	(14,527,000)	(306,370,000)	-	-	(306,370,000)	(330,767,203)	(24,392,313)	(24,397,203)	108 %	113 %
Remuneration of councillors	(7,956,000)	1,614,000	(6,342,000)	-	-	(6,342,000)	(6,486,438)	(144,438)	(144,438)	102 %	82 %
Debt impairment	(168,789,000)	-	(168,789,000)	-	-	(168,789,000)	(40,012,732)	-	128,776,268	24 %	24 %
Depreciation and asset impairment	(58,644,000)	-	(58,644,000)	-	-	(58,644,000)	(65,905,432)	-	(7,261,432)	112 %	112 %
Finance charges	-	-	-	-	-	-	(8,775,855)	(8,775,855)	(8,775,855)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(4,208,000)	(127,134,000)	(131,342,000)	-	-	(131,342,000)	(125,912,408)	-	5,429,592	96 %	2,992 %
Transfers and grants	-	-	-	-	-	-	(2,514,233)	(2,514,233)	(2,514,233)	DIV/0 %	DIV/0 %
General expenditure	(143,881,000)	(51,411,000)	(195,292,000)	-	-	(195,292,000)	(231,695,060)	(19,986,042)	(36,403,060)	119 %	161 %
Total expenditure	(675,321,000)	(191,458,000)	(866,779,000)	-	-	(866,779,000)	(812,069,361)	(55,812,881)	54,709,639	94 %	120 %
Surplus/(Deficit)	114,329,000	(127,362,000)	(13,033,000)	-	-	(13,033,000)	(130,123,391)	-	(117,090,391)	998 %	(114)%

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	296,937,000	16,977,000	313,914,000	-		313,914,000	322,673,587		8,759,587	103 %	109 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	10,145,379		10,145,379	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	411,266,000	(110,385,000)	300,881,000	-		300,881,000	202,695,575		(98,185,425)	67 %	49 %
Surplus/(Deficit) for the year	411,266,000	(110,385,000)	300,881,000	-		300,881,000	202,695,575		(98,185,425)	67 %	49 %

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Controlling entity - 2019				
Financial Performance				
Service charges				221,150,003
Investment revenue				7,090,300
Transfers recognised - operational				406,171,166
Other own revenue				72,656,389
Total revenue (excluding capital transfers and contributions)				707,067,858
Employee costs	-	-	-	(292,813,895)
Remuneration of councillors	-	-	-	(6,485,619)
Debt impairment	-	-	-	(136,548,615)
Depreciation and asset impairment	-	-	-	(70,195,626)
Finance charges	-	-	-	(4,924,723)
Materials and bulk purchases	-	-	-	(45,974,118)
Transfers and grants	-	-	-	(1,608,414)
Other expenditure	-	-	-	(290,760,748)
Total expenditure	-	-	-	(849,311,758)
Surplus/(Deficit)				(142,243,900)
Transfers recognised - capital				342,101,407
Contributions recognised - capital and contributed assets				4,489,006
Surplus (Deficit) after capital transfers and contributions				204,346,513
Surplus/(Deficit) for the year				204,346,513

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual 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 consolidated annual 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.

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

1.1 Presentation currency

These consolidated annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. "Significant judgement and sources of measurement uncertainty" on assumptions used

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 16 - Provisions.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the medical aid and long service obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related medical aid and long service liability.

Other key assumptions for medical aid and long service obligations are based on current market conditions. Additional information is disclosed in Note 7.

1.3 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 economic entity; and
- the cost of the item can be measured reliably.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.3 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	No depreciation	Infinite
Buildings	Straight line	30 Years
Plant and machinery	Straight line	5 Years
Furniture and fixtures	Straight line	7 years
Motor vehicles	Straight line	5 Years
Office equipment	Straight line	3-5 Years
IT equipment	Straight line	3 Years
Computer software	Straight line	3 years
Pumps	Straight line	15 Years
Reservoirs and tanks	Straight line	50 Years
Chemical tanks	Straight line	50 Years
Reinforced concrete clatifiers	Straight line	50 Years
Transformer high voltage	Straight line	50 Years
Transformer medium voltage	Straight line	45 Years
Laboratory equipment	Straight line	5 Years
Specialised vehicles	Straight line	5 Years
Water network	Straight line	20 Years

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.3 Property, plant and equipment (continued)

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

There is no depreciation on land.

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 economic entity. 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 economic entity assesses at each reporting date whether there is any indication that the economic entity 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 economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

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

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.4 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

The economic entity 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.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.4 Intangible assets (continued)

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Patents, trademarks and other rights	Straight line	30 Years
Computer software, other	Straight line	3 years

1.5 Financial instruments

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

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

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

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

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

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

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

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

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.5 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at fair value
Consumer debtors.	Financial asset measured at amortised cost
Cas and cash equivalents	Financial asset measured at fair value
Statutory receivables	Financial asset measured at transaction cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other accruals	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
VAT payables	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at fair value

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

Uthukela District Municipality

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Accounting Policies

1.5 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

The Municipality recognises statutory receivables in its statement of financial position or in the notes in terms of the water services bylaws and in line with GRAP108.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset (including statutory receivables) and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets (including statutory receivables) and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an economic entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

Statutory receivables (continued)

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.6 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.7 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.7 Inventories (continued)

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

1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.9 Impairment of non-cash-generating assets

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

Uthukela District Municipality

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Accounting Policies

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

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).

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

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

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

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

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

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

Useful life is either:

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

1.10 Share capital / contributed capital

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

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Uthukela District Municipality

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Accounting Policies

1.12 Provisions and contingencies

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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

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

The economic entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the economic entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the economic entity considers that an outflow of economic resources is probable, an economic entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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Accounting Policies

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

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

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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 economic entity;
- 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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends 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.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

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

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

1.18 Comparative figures

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

Comparative figures in the Statement of Financial Position has been reclassified in respect of prior year adjustments

Comparative figures in the Statement of Financial Performance has been reclassified in respect of prior year adjustmentst

1.19 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.

1.20 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.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.21 Irregular expenditure (continued)

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 expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2019 to 6/30/2020.

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

The consolidated annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the consolidated annual financial statements as the recommended disclosure when the consolidated annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

Uthukela District Municipality

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Accounting Policies

1.23 Related parties (continued)

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 economic entity.

The economic entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the economic entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the economic entity is exempt from the disclosures in accordance with the above, the economic entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its consolidated annual financial statements.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Going concern assumption

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

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

2. Changes in accounting policy

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 104 (amended): Financial Instruments	April 1, 2018	The impact of the is not material.
<ul style="list-style-type: none">GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	April 1, 2019	The impact of the is not material.
<ul style="list-style-type: none">GRAP 12 (as amended 2016): Inventories	April 1, 2018	The impact of the is not material.
<ul style="list-style-type: none">GRAP 17 (as amended 2016): Property, Plant and Equipment	April 1, 2018	The impact of the is not material.
<ul style="list-style-type: none">GRAP 26 (as amended 2016): Impairment of cash-generating assets	April 1, 2018	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

3.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after July 1, 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial Statements	April 1, 2020	Unlikely there will be a material impact

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

Economic entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4,770,772	-	4,770,772	4,770,772	-	4,770,772
Buildings	39,580,178	(5,569,475)	34,010,703	39,580,178	(4,284,105)	35,296,073
Infrastructure	3,575,978,325	(759,628,098)	2,816,350,227	3,345,637,136	(706,177,271)	2,639,459,865
Other property, plant and equipment	82,734,421	(63,214,415)	19,520,006	72,005,750	(56,104,594)	15,901,156
UthukelaEconomic Development Agency	976,336	(83,517)	892,819	112,215	(2,811)	109,404
Total	3,704,040,032	(828,495,505)	2,875,544,527	3,462,106,051	(766,568,781)	2,695,537,270

Controlling entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4,770,772	-	4,770,772	4,770,772	-	4,770,772
Buildings	39,580,178	(5,569,475)	34,010,703	39,580,178	(4,284,105)	35,296,073
Infrastructure	3,575,978,325	(759,628,098)	2,816,350,227	3,345,637,136	(706,177,271)	2,639,459,865
Other property, plant and equipment (Movables)	82,734,421	(63,214,415)	19,520,006	72,005,750	(56,104,594)	15,901,156
Total	3,703,063,696	(828,411,988)	2,874,651,708	3,461,993,836	(766,565,970)	2,695,427,866

Reconciliation of property, plant and equipment - Economic entity - 2020

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

	Opening balance	Additions	Write offs	Transfers out	Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	4,770,772	-	-	-	-	-	-	-	4,770,772
Buildings	35,296,073	-	-	-	-	-	(1,285,370)	-	34,010,703
Infrastructure	2,639,459,865	27,248,657	(259,365)	(18,131,282)	225,814,476	(2,254,170)	(57,707,625)	2,740,512	2,816,911,068
Other property, plant and equipment	15,901,156	10,196,409	(252,762)	-	-	-	(6,851,873)	(33,764)	18,959,166
Other property plant and equipment - Uthukela Economic Development Agency	109,404	864,121	-	-	-	-	(80,707)	-	892,818
	2,695,537,270	38,309,187	(512,127)	(18,131,282)	225,814,476	(2,254,170)	(65,925,575)	2,706,748	2,875,544,527

Reconciliation of property, plant and equipment - Economic entity - 2019

	Opening balance	Additions	Write offs	Work in progress	Other changes, movements	Depreciation	Total
Land	4,770,772	-	-	-	-	-	4,770,772
Buildings	36,581,409	-	-	-	-	(1,285,336)	35,296,073
Infrastructure	2,468,840,668	4,688,658	-	270,722,942	(47,052,805)	(57,739,598)	2,639,459,865
Other property, plant and equipment	24,678,079	3,294,921	(943,316)	-	-	(11,128,528)	15,901,156
Other property plant and equipment - Uthukela Economic Development Agency	-	112,215	-	-	-	(2,811)	109,404
	2,534,870,928	8,095,794	(943,316)	270,722,942	(47,052,805)	(70,156,273)	2,695,537,270

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Additions	Write offs	Transfers out	Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	4,770,772	-	-	-	-	-	-	-	4,770,772
Buildings	35,296,073	-	-	-	-	-	(1,285,370)	-	34,010,703
Infrastructure	2,639,459,858	27,248,657	(259,365)	(18,131,282)	225,814,476	(2,254,170)	(57,707,625)	2,740,512	2,816,911,061
Other property, plant and equipment (movables)	15,901,156	10,196,409	(252,762)	-	-	-	(6,851,873)	(33,764)	18,959,166
	2,695,427,859	37,445,066	(512,127)	(18,131,282)	225,814,476	(2,254,170)	(65,844,868)	2,706,748	2,874,651,702

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2019

	Opening balance	Additions	Write offs	Work in progress	Other changes, movements	Depreciation	Total
Land	4,770,772	-	-	-	-	-	4,770,772
Buildings	36,581,409	-	-	-	-	(1,285,336)	35,296,073
Infrastructure	2,468,840,668	4,688,658	-	270,722,942	(47,052,805)	(57,739,598)	2,639,459,865
Other property, plant and equipment	24,678,079	3,294,921	(943,316)	-	-	(11,128,528)	15,901,156
	2,534,870,928	7,983,579	(943,316)	270,722,942	(47,052,805)	(70,153,462)	2,695,427,866

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
4. Property, plant and equipment (continued)				
Other information				
Impairment reversal Ekuvukeni Waste Water Treatment Works				
Cost price at 1 July	10,216,450	-	10,216,450	-
Accumulated depreciation as at 1 July	(4,586,612)	-	(4,586,612)	-
Accumulated impairment as at 1 July	(5,629,838)	-	(5,629,838)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Impairment reversal				
Reversal as at 16/01/2020	2,740,513	-	2,740,513	-
Current year depreciation	(110,648)	-	(110,648)	-
	<u>2,629,865</u>	<u>-</u>	<u>2,629,865</u>	<u>-</u>
Accumulated impairment				
Accumulated impairment as at 1 July	(5,629,838)	-	(5,629,838)	-
Impairment reversal as at 16/01/2020	2,740,513	-	2,740,513	-
	<u>(2,889,325)</u>	<u>-</u>	<u>(2,889,325)</u>	<u>-</u>

The Council has refurbished the Ekuvukeni Water Treatment Works after it was physically damaged during the community unrest at the Ekuvukeni Township located under the former Indaka Municipality.

There has been a favourable change in the estimates used to determine the recoverable amount of the Ekuvukeni Waste Water Treatment Works net assets since the last impairment loss was recognized. Therefore in accordance with paragraph 103 of GRAP 26 the Council recognizes a reversal of the impairment loss recognized in the 2017/2018 financial year.

In determining the recoverable amount, the depreciation replacement cost method was used to determine the fair value less cost to sell for the affected infrastructure asset. This valuation was done by the engineers whom is outsourced to assist with the infrastructure asset verification and updating of the fixed asset register.

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
4. Property, plant and equipment (continued)				
Property, plant and equipment in the process of being constructed or developed				
Cumulative expenditure recognised in the carrying value of property, plant and equipment				
Other property, plant and equipment (work in progress - infrastructure)	818,560,914	613,131,889	818,560,914	613,131,889
Buildings	1,961,337	1,961,337	1,961,337	1,961,337
	820,522,251	615,093,226	820,522,251	615,093,226
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected				
Ekuvukeni water supply - dredging of Oliphantskop Dam Start date 20/07/2017 and date 31/05/2019.	-	35,903,477	-	35,903,477
Fitty Park - Contract 100/2012 Start date 21/08/2015 end date 13/04/2016.	-	14,320,657	-	14,320,657
Emmaus emergency water supply Start date 15/08/2017 end date 31/03/2018.	-	2,706,847	-	2,706,847
Fitty Park CWSS phase 2 Start date 18/10/2016 end date 14/01/2018.	-	37,266,236	-	37,266,236
Kwanobamba Ezitendeni Sanitation Start date 18/10/2016 end date 23/05/2018.	-	25,919,332	-	25,919,332
Kwanobamba sanitation WWTW - mechanical electrical works Start date 01/04/2018 end date 30/06/2019.	-	2,906,874	-	2,906,874
Hobsland to Indaka stage 2 Start date 29/05/2017 end date 20/04/2018.	-	26,534,392	-	26,534,392
District Disaster Center Start date 01/02/2016 end date 25/07/2018.	-	1,961,337	-	1,961,337
Bergville boreholes Start date 07/08/2016 end date 30/06/2019.	-	2,253,894	-	2,253,894
Bhekuzulu phase 6 Start date 30/06/2014 end date 12/12/2018.	-	15,224,756	-	15,224,756
	-	164,997,802	-	164,997,802
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)				
Kwanobamba Ezitendeni WWTW Contract terminated.	-	10,202,265	-	10,202,265
Moyeni/Zwelisha WTW mechanical & electrical upgrade Work suspended due to non availability of funds.	-	2,714,591	-	2,714,591
	-	12,916,856	-	12,916,856

Reconciliation of Work-in-Progress Economic entity - 2020

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

4. Property, plant and equipment (continued)

	Included within Other PPE	Total
Opening balance	615,093,226	615,093,226
Additions/capital expenditure	225,814,477	225,814,477
Other movements	(2,254,170)	(2,254,170)
Transferred to completed items	(18,131,282)	(18,131,282)
	<u>820,522,251</u>	<u>820,522,251</u>

Reconciliation of Work-in-Progress Economic entity - 2019

	Included within Other PPE	Total
Opening balance	477,045,458	477,045,458
Additions/capital expenditure	270,722,942	270,722,942
Other movements	(47,052,805)	(47,052,805)
Transferred to completed items	(85,622,369)	(85,622,369)
	<u>615,093,226</u>	<u>615,093,226</u>

Reconciliation of Work-in-Progress Controlling entity - 2020

	Included within Other PPE	Total
Opening balance	615,093,226	615,093,226
Additions/capital expenditure	225,814,477	225,814,477
Other movements	(2,254,170)	(2,254,170)
Transferred to completed items	(18,131,282)	(18,131,282)
	<u>820,522,251</u>	<u>820,522,251</u>

Reconciliation of Work-in-Progress Controlling entity - 2019

	Included within Other PPE	Total
Opening balance	477,045,458	477,045,458
Additions/capital expenditure	270,722,942	270,722,942
Other movements	(47,052,805)	(47,052,805)
Transferred to completed items	(85,622,369)	(85,622,369)
	<u>615,093,226</u>	<u>615,093,226</u>

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Employee related costs	45,008,142	38,793,469	45,008,142	38,793,469
Maintenance of buildings and offices	1,473	352,704	1,473	352,704
Maintenance of vehicles	3,620,370	9,776,603	3,620,370	9,776,603
Maintenance of pipelines and reservoirs	10,967,332	12,436,533	10,967,332	12,436,533
Maintenance of plant and equipment - water and waste water	-	248,418	-	248,418
Maintenance of pumps	5,053,048	5,556,987	5,053,048	5,556,987
Maintenance of disinfection system - blue drop and green drop	-	438,974	-	438,974
Maintenance of electrical equipment	-	359,532	-	359,532
Maintenance of furniture and equipment	67,700	2,305	67,700	2,305
Maintenance buildings - Uthukela Economic Development Agency	645,157	-	-	-
	65,363,222	67,965,525	64,718,065	67,965,525

Expenditure incurred on maintenance and repairs on property, plant and equipment amounting to R29,172,056 (2018/2019) and R20,355,080 (2019/2020) is included in contracted services in the statement of financial performance.

Refer to note number 36 (contracted services).

Employee related costs (overtime, standby and nightshift allowances) of R38,793,469 (2018/2019) and R45,008,142 (2019/2020) is included in employee related cost in the statement of financial performance.

Refer to note number 29 (employee related costs).

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

5. Intangible assets

Economic entity	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Patents, trademarks and other rights	786,557	(313,304)	473,253	786,557	(286,507)	500,050
Controlling entity	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	786,557	(313,304)	473,253	786,557	(286,507)	500,050

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

5. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2020

	Opening balance	Amortisation	Total
Patents, trademarks and other rights	500,050	(26,797)	473,253

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Amortisation	Total
Patents, trademarks and other rights	542,209	(42,159)	500,050

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

5. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Amortisation	Total
Computer software	500,050	(26,797)	473,253

Reconciliation of intangible assets - Controlling entity - 2019

	Opening balance	Amortisation	Total
Computer software	542,209	(42,159)	500,050

6. Operating lease liability

Current liabilities	<u>(626,497)</u>	<u>(556,147)</u>	<u>(626,497)</u>	<u>(556,147)</u>
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The Municipality currently occupies satellite offices in Estcourt, Bergville, Colenso and Weenen.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
7. Employee benefit obligation				
Post retirement medical aid plan and long service awards				
The amounts recognised in the statement of financial position are as follows:				
Carrying value				
Medical aid post retirement obligation	(18,187,000)	(19,361,874)	(18,187,000)	(19,361,874)
Long service awards	(12,179,000)	(11,791,613)	(12,179,000)	(11,791,613)
	(30,366,000)	(31,153,487)	(30,366,000)	(31,153,487)
Current assets	590,407	-	590,407	-
Non-current liabilities	(30,956,407)	(30,569,020)	(30,956,407)	(30,569,020)
Current liabilities	-	(584,467)	-	(584,467)
	(30,366,000)	(31,153,487)	(30,366,000)	(31,153,487)
Changes in the present value of the post retirement medical aid plan obligation are as follows:				
Opening balance	19,361,874	18,324,275	19,361,874	18,324,275
Net expense recognised in the statement of financial performance	(1,174,874)	1,037,599	(1,174,874)	1,037,599
	18,187,000	19,361,874	18,187,000	19,361,874
Net expense recognised in the statement of financial performance				
Current service cost	1,180,373	1,315,346	1,180,373	1,315,346
Interest cost	1,802,704	1,737,073	1,802,704	1,737,073
Actuarial (gains) losses	(3,573,484)	(1,467,480)	(3,573,484)	(1,467,480)
Expected return on plan assets	(584,467)	(547,340)	(584,467)	(547,340)
	(1,174,874)	1,037,599	(1,174,874)	1,037,599
Calculation of actuarial gains and losses				
Increase in net discount rate	(3,978,000)	(862,835)	(3,978,000)	(862,835)
Decrease in assumed average retirement age	-	4,175,715	-	4,175,715
Decrease in assumed membership continuation rate at retirement	-	(3,438,403)	-	(3,438,403)
Decrease in assumed dependant proportion at retirement	-	(1,176,150)	-	(1,176,150)
Application of revised withdrawal rates	-	(236,204)	-	(236,204)
Application of post-employment mortality improvement	-	967,627	-	967,627
Subsidy increase higher than assumed	215,000	122,462	215,000	122,462
Changes in membership profile different from assumed	189,516	111,308	189,516	111,308
	(3,573,484)	(336,480)	(3,573,484)	(336,480)

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

7. Employee benefit obligation (continued)

Movement in the retirement medical aid obligation are as follows:

Opening balance	19,361,874	18,324,275	19,361,874	18,324,275
Current service cost	1,180,373	1,315,346	1,180,373	1,315,346
Interest cost	1,802,704	1,737,073	1,802,704	1,737,073
Expected contributions (benefits paid)	(584,467)	(547,340)	(584,467)	(547,340)
Actuarial Loss / (Gain)	(3,573,484)	(1,467,480)	(3,573,484)	(1,467,480)
	<u>18,187,000</u>	<u>19,361,874</u>	<u>18,187,000</u>	<u>19,361,874</u>

The economic entity expects to contribute R584,467 - to its defined benefit plans in the 2019/2020 financial year and R602,000 in the 2020/2021 financial year.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

7. Employee benefit obligation (continued)

Key assumptions used

The principal actuarial assumptions were as follows;

Discount rates used	10.59 %	9.45 %	10.59 %	9.45 %
Health care cost inflation rate	6.64 %	6.91 %	6.64 %	6.91 %
Net-of-health-care-cost-inflation discount rate	3.70 %	2.38 %	3.70 %	2.38 %
Maximum subsidy inflation rate	4.61 %	4.81 %	4.61 %	4.81 %
Net-of-maximum-subsidy-inflation discount rate	5.72 %	4.43 %	5.72 %	4.43 %

Examples of mortality rates used were as follows;

Retirement age and Mortality.

Average retirement age	62 years	62 Years
Continuation of membership at retirement	75%	75%
Proportion assumed married at retirement age	60%	60%
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA (90)-1	PA (90)-2

Members withdrawn from service: (average for males and females).

Averages for males and females	Males	Females
Age 20	9%	9%
Age 25	8%	8%
Age 30	6%	6%
Age 35	5%	5%
Age 40	5%	5%
Age 45	4%	4%
Age 50	3%	3%
Age 55+	0%	0%

Long service awards.

The Municipality offers employees long service awards for every 5 years of service completed, from 10 years of service to 45 years of service.

Changes in present value of long service awards are as follows

Value at the beginning of the year	11,791,613	14,035,883	11,791,613	14,035,883
Decrease in value of obligation	387,387	(2,244,270)	387,387	(2,244,270)
	12,179,000	11,791,613	12,179,000	11,791,613

Calculation of actuarial gains and losses

Increase in net discount rate	(692,000)	(88,491)	(692,000)	(88,491)
Decrease in assumed average retirement age	-	(1,583,837)	-	(1,583,837)
Application of revised withdrawal rates	-	(2,647,459)	-	(2,647,459)
Earning higher than assumed	354,000	739,398	354,000	739,398
Changes in employee profile different from assumed	568,543	(886,448)	568,543	(886,448)
	230,543	(4,466,837)	230,543	(4,466,837)

Independent valuers ARCH Actuarial Consulting carried out the valuations for the 2019/2020 financial year.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

7. Employee benefit obligation (continued)

The total liability has decreased by 3% or (R387,387) during the 2019/2020 financial year due to the increase in salaries and more eligible employees.

The Principal actuarial assumptions were as follows;

Rates	2020	2019
Discount rates	7.51%	8.17%
General salary inflation (long term)	4.02%	5.57%
Net discount rate	3.36%	2.46%

The valuation was performed at the end of June 2020 and the next valuation will be at the end of June 2021.

Examples of mortality rates	2020	2019
Average retirement age	62	62
Pre-retirement mortality	SA 85-90	SA 85-90

Members withdrawn from services: (average for males and females).

Age groups	Males	Females
Age 20	9%	9%
Age 25	8%	8%
Age 30	6%	6%
Age 35	5%	5%
Age 40	5%	5%
Age 45	4%	4%
Age 50	3%	3%
Age 55+	0%	0%

The amounts recognized in the statement of financial position were determined as follows;

Value of the liability in the statement of financial position

Present value of funded obligation	12,179,000	11,791,613	12,179,000	11,791,613
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Movement in the long service obligation

Balance at the beginning of the year	11,791,613	14,035,883	11,791,613	14,035,883
Current service costs	1,265,392	1,693,920	1,265,392	1,693,920
Interest cost	883,593	1,199,409	883,593	1,199,409
Expected employee benefit payments	(1,992,141)	(670,762)	(1,992,141)	(670,762)
Actuarial loss / gain	230,543	(4,466,837)	230,543	(4,466,837)
Balance at the end of the year	12,179,000	11,791,613	12,179,000	11,791,613

The amounts recognized in the statement of financial position and the statement of financial performance are as follows;

Statement of financial position obligation

Long service awards	12,179,000	11,791,613	12,179,000	11,791,613
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Statement of financial performance obligation loss / gain

Long service awards	230,543	(4,466,837)	230,543	(4,466,837)
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Reasons for the movement in the liability is as follows;

The average liability has decreased by 6% since the last valuation due to an increase in the net discount rate.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
7. Employee benefit obligation (continued)				
These impacts were partially offset by the following factor;				
An increase in the average earnings.				
8. Prepayments				
Prepayments represents SALGA annual membership fees paid in advance.				
Prepayments made				
SALGA membership fees - paid in the 2019/2020 financial year in respect of the 2020/2021 financial year	3,027,080	2,721,902	3,027,080	2,721,902
9. Bank reconciliation clearing account				
Clearing account balance				
Unallocated amount	-	50,235,493	-	50,235,493
10. Inventories				
Chemicals	432,451	591,653	432,451	591,653
Purified water stock	1,383,972	1,296,155	1,383,972	1,296,155
Stores	6,073,760	5,042,578	6,073,760	5,042,578
	7,890,183	6,930,386	7,890,183	6,930,386

The Municipality procured the services of an engineer from Joat Group to perform the water stock calculations for the (2018/2019) and (2019/2020) financial years utilising the accepted International Water Association (IWA) WB methodology.

Done in conjunction with the guidelines stipulated by the Department of Human Settlement, Water and Sanitation (DHDWS).

The total water stock value for the Municipality as at 30 June 2019 was calculated as 177,39 mega liters or R1,296,155.

The total water stock value for the Municipality as at 30 June 2020 was calculated as 177,39 mega liters or R1,383,972.

11. Receivables from exchange transactions

Trade debtors	346,491	93,696	346,491	93,696
Deposits	1,658,406	1,658,406	1,658,406	1,658,406
Recoverable fruitless and wasteful expenditure	2,386,407	-	2,386,407	-
Sundry debtors	24,011,216	47,116,638	24,011,216	47,116,638
	28,402,520	48,868,740	28,402,520	48,868,740
Non-current assets	1,658,406	1,658,406	1,658,406	1,658,406
Current assets	26,744,114	47,210,334	26,744,114	47,210,334
	28,402,520	48,868,740	28,402,520	48,868,740

The amount of R1,658,406 is the total amount of deposits paid to third party vendors.

The amount of R2,386,407 (2019/2020) is in respect of Netstar debit orders which were not cancelled.

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
12. Receivables from non-exchange transactions				
Receivables from non exchange transactions	29,354	4,621,778	29,354	4,621,778
Other receivables from non exchange transaction	96,442	316,398	96,442	316,398
	125,796	4,938,176	125,796	4,938,176
Non-current assets	-	4,592,424	-	4,592,424
Current assets	125,796	345,752	125,796	345,752
	125,796	4,938,176	125,796	4,938,176

Receivables from non-exchange transactions (R29,354) is in respect of unpaid stale cheques issued in favour of the Municipality.

Other receivables from non-exchange transactions (R96,442) is in respect of overpayments made to contractors.

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
13. Consumer debtors				
Gross balances				
Water and sanitation	1,064,774,060	1,006,884,521	1,064,774,060	1,006,884,521
Consumer debtors agreements on arrears	3,721,971	4,562,128	3,721,971	4,562,128
	<u>1,068,496,031</u>	<u>1,011,446,649</u>	<u>1,068,496,031</u>	<u>1,011,446,649</u>
Less: Allowance for impairment				
Water and sanitation	(833,641,774)	(793,629,042)	(833,641,774)	(793,629,042)
	<u>(833,641,774)</u>	<u>(793,629,042)</u>	<u>(833,641,774)</u>	<u>(793,629,042)</u>
Net balance				
Water and sanitation	231,132,286	213,255,479	231,132,286	213,255,479
Consumer debtors agreements on arrears	3,721,971	4,562,128	3,721,971	4,562,128
	<u>234,854,257</u>	<u>217,817,607</u>	<u>234,854,257</u>	<u>217,817,607</u>
Water				
Current (0 -30 days)	7,054,166	14,951,925	7,054,166	14,951,925
31 - 60 days	4,669,794	4,054,673	4,669,794	4,054,673
61 - 90 days	3,805,958	3,719,084	3,805,958	3,719,084
91 - 120 days	3,623,625	3,646,821	3,623,625	3,646,821
121 - 365 days	211,978,743	186,882,976	211,978,743	186,882,976
	<u>231,132,286</u>	<u>213,255,479</u>	<u>231,132,286</u>	<u>213,255,479</u>
Consumer debtors agreements on arrears				
> 365 days	3,721,971	4,562,128	3,721,971	4,562,128
	<u>3,721,971</u>	<u>4,562,128</u>	<u>3,721,971</u>	<u>4,562,128</u>

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
13. Consumer debtors (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	19,829,197	18,901,171	19,829,197	18,901,171
31 - 60 days	17,382,458	16,468,555	17,382,458	16,468,555
61 - 90 days	14,530,633	15,634,528	14,530,633	15,634,528
91 - 120 days	14,046,449	14,984,085	14,046,449	14,984,085
121 - 365 days	907,725,591	851,338,995	907,725,591	851,338,995
> 365 days	3,721,971	4,562,128	3,721,971	4,562,128
	<u>977,236,299</u>	<u>921,889,462</u>	<u>977,236,299</u>	<u>921,889,462</u>
Less: Allowance for impairment	(761,359,932)	(726,176,880)	(761,359,932)	(726,176,880)
	<u>215,876,367</u>	<u>195,712,582</u>	<u>215,876,367</u>	<u>195,712,582</u>
Industrial/ commercial				
Current (0 -30 days)	3,203,782	3,151,810	3,203,782	3,151,810
31 - 60 days	1,241,717	1,562,383	1,241,717	1,562,383
61 - 90 days	1,283,366	1,136,245	1,283,366	1,136,245
91 - 120 days	1,151,362	936,921	1,151,362	936,921
121 - 365 days	21,459,261	22,337,571	21,459,261	22,337,571
	<u>28,339,488</u>	<u>29,124,930</u>	<u>28,339,488</u>	<u>29,124,930</u>
Less: Allowance for impairment	(22,446,158)	(20,295,009)	(22,446,158)	(20,295,009)
	<u>5,893,330</u>	<u>8,829,921</u>	<u>5,893,330</u>	<u>8,829,921</u>
National and provincial government				
Current (0 -30 days)	2,619,920	3,290,007	2,619,920	3,290,007
31 - 60 days	2,529,734	2,026,524	2,529,734	2,026,524
61 - 90 days	2,155,834	1,442,182	2,155,834	1,442,182
91 - 120 days	1,448,082	2,065,451	1,448,082	2,065,451
121 - 365 days	54,166,674	51,608,093	54,166,674	51,608,093
	<u>62,920,244</u>	<u>60,432,257</u>	<u>62,920,244</u>	<u>60,432,257</u>
Less: Allowance for impairment	(49,835,684)	(47,157,153)	(49,835,684)	(47,157,153)
	<u>13,084,560</u>	<u>13,275,104</u>	<u>13,084,560</u>	<u>13,275,104</u>
Total				
Current (0 -30 days)	25,994,721	30,831,364	25,994,721	30,831,364
31 - 60 days	20,899,262	19,618,555	20,899,262	19,618,555
61 - 90 days	18,087,232	17,569,974	18,087,232	17,569,974
91 - 120 days	16,701,957	17,781,396	16,701,957	17,781,396
121 - 365 days	983,090,888	921,083,232	983,090,888	921,083,232
> 365 days	3,721,971	4,562,128	3,721,971	4,562,128
	<u>1,068,496,031</u>	<u>1,011,446,649</u>	<u>1,068,496,031</u>	<u>1,011,446,649</u>
Less: Allowance for impairment	(833,641,774)	(793,629,042)	(833,641,774)	(793,629,042)
	<u>234,854,257</u>	<u>217,817,607</u>	<u>234,854,257</u>	<u>217,817,607</u>
Less: Allowance for impairment				
Current (0 -30 days)	(18,598,733)	(19,931,732)	(18,598,733)	(19,931,732)
31 - 60 days	(16,484,115)	(15,710,574)	(16,484,115)	(15,710,574)
61 - 90 days	(14,163,874)	(14,070,066)	(14,163,874)	(14,070,066)
91 - 120 days	(13,022,269)	(14,239,374)	(13,022,269)	(14,239,374)
121 - 365 days	(771,372,783)	(729,677,296)	(771,372,783)	(729,677,296)
	<u>(833,641,774)</u>	<u>(793,629,042)</u>	<u>(833,641,774)</u>	<u>(793,629,042)</u>

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
13. Consumer debtors (continued)				
Reconciliation of allowance for impairment				
Balance at beginning of the year	(793,629,042)	(657,080,428)	(793,629,042)	(657,080,428)
Contributions to allowance	(40,012,732)	(136,548,614)	(40,012,732)	(136,548,614)
	<u>(833,641,774)</u>	<u>(793,629,042)</u>	<u>(833,641,774)</u>	<u>(793,629,042)</u>

At the end of June 2019 (2018/2019 financial year) consumer debtors amounted to R1,011,446,649 and a provision for impairment was made to the amount of R793,629,042 with net debtors being R217,817,607 at year end.

At the end of June 2020 (2019/2020 financial year) consumer debtors amounted to R1,068,496,301 and a provision for impairment was made to the amount of R833,641,774 with net debtors being R234,854,527 at year end.

Fair value of consumer debtors

Consumer debtors	<u>234,854,257</u>	<u>217,817,607</u>	<u>234,854,257</u>	<u>217,817,607</u>
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The Municipality performed its own exercise in terms of GRAP 104 to establish;

1. How much of the debt is recoverable.
2. When will the amount be recovered.
3. And the present value of the debt that is to be recovered.

By using the above measures the impairment provision calculated is R793,629,042 (2018/2019) and R833,641,774 (2019/2020).

A 10% collection rate is anticipated in the subsequent year after billing..

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cashier float and petty cash	11,800	11,800	11,800	11,800
Bank balances Uthukela DM	1,406,597	5,511,359	1,406,597	5,511,359
Short-term deposits	54,466,966	38,382,856	53,865,995	38,382,856
Bank balances - Uthukela Economic Development Agency	1,194,021	2,863,535	-	-
	<u>57,079,384</u>	<u>46,769,550</u>	<u>55,284,392</u>	<u>43,906,015</u>

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2020	June 30, 2019	June 30, 2018
FNB - Main account 62252306280	1,406,597	5,511,359	5,611,190	-	5,511,358	5,611,190
FNB - Uthukela Economic Development Agency 62804453025	1,194,021	2,863,535	-	-	2,863,535	-
FNB - Uthukela Economic Development Agency FNB short term investment 62857029063	600,971	-	-	-	-	-
FNB business money account 62283176644	365,984	355,671	338,213	-	-	-
FNB short term deposit account 62600579679	2,545,799	313,982	1,245	-	-	-
FNB short term deposit account 62600812102	9,162,966	5,334,365	48,319	-	-	-
Nedbank call deposit account 7881006110	20,511,542	183,042	-	-	-	-
Investec call deposit account 1100433766501	21,147,448	20,784,392	-	-	-	-
ABSA 7 day notice account 9341705144	-	11,262,642	-	-	-	-
ABSA liquidity plus account 9349109796	132,256	148,762	-	-	-	-
Total	57,067,584	46,757,750	5,998,967	-	8,374,893	5,611,190

Investments were done in terms of the MFMA, Chapter 3, Part 2, Section 13 "Cash Management and Investments".

Interest was earned at an average interest rate of 3.82% for the period ending 30 June 2020.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2020	2019	2020	2019
RASET Grant - Uthukela Economic Development Agency	1,794,992	2,651,930	-	-
Regional Bulk Infrastructure Grant	3,887	3,588,191	3,887	3,588,191
Nodal Plan Grant	700,642	396,167	700,642	396,167
Massification Grant	2,312,220	4,554,542	2,312,220	4,554,542
Disaster Management Grant	2,000,000	-	2,000,000	-
District Growth and Development	-	2,580	-	2,580
NODAL Plan Grant	705,875	1,000,000	705,875	1,000,000
Rural Road asset Management Grant	-	997,251	-	997,251
	7,517,616	13,190,661	5,722,624	10,538,731

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
15. Unspent conditional grants and receipts (continued)				
Movement during the year				
Balance at the beginning of the year	13,190,661	48,157,406	10,538,731	48,157,406
Additions during the year	333,466,713	365,551,726	332,553,117	362,551,726
Income recognition during the year	(334,554,316)	(354,138,673)	(332,783,782)	(353,790,603)
Application for roll over declined (recovered from equity share)	(4,585,443)	(46,379,798)	(4,585,443)	(46,379,798)
	<u>7,517,615</u>	<u>13,190,661</u>	<u>5,722,623</u>	<u>10,538,731</u>

The nature and extent of government grants recognised in the consolidated annual financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

16. Provisions

Reconciliation of provisions - Economic entity - 2020

	Opening Balance	Additions	Total
Bonus provision	7,256,417	1,352,589	8,609,006
Leave provision	19,561,145	6,782,766	26,343,911
	26,817,562	8,135,355	34,952,917

Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Additions	Total
Bonus provision	6,457,437	798,980	7,256,417
Leave provision	15,962,686	3,598,459	19,561,145
	22,420,123	4,397,439	26,817,562

Reconciliation of provisions - Controlling entity - 2020

	Opening Balance	Additions	Total
Bonus provision	7,256,417	1,352,589	8,609,006
Leave provision	19,561,145	6,782,766	26,343,911
	26,817,562	8,135,355	34,952,917

Reconciliation of provisions - Controlling entity - 2019

	Opening Balance	Additions	Total
Bonus provision	6,457,437	798,980	7,256,417
Leave provision	15,962,686	3,598,459	19,561,145
	22,420,123	4,397,439	26,817,562

Non-current liabilities	-	-	-	-
Current liabilities	34,952,917	26,817,562	34,952,917	26,817,562
	34,952,917	26,817,562	34,952,917	26,817,562

17. Vat Payable

The Municipality is registered as a payment bases for VAT purposes with SARS. The VAT payable is as a result of the unpaid debt due by Municipal consumers. Payment is made to SARS on collection from consumers.

Monthly VAT returns are up to date.

The Municipality has received VAT refunds to the amount of R42,398,210 (2018/2019) and R59,429,717 (2019/2020) financial years.

VAT payable to SARS	80,383,345	70,967,532	80,383,345	70,967,532
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18. Other liabilities - Consumer debtors with credit balances

The tables below represents consumer debtors with credit balances as at financial year end.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

18. Other liabilities - Consumer debtors with credit balances (continued)

Consumers with credit balances

Consumer debtors with credit balances at year end	12,024,307	15,841,482	12,024,307	15,841,482
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Ageing of consumer debtors with credit balance

Current (0 - 30 days)	2,170,993	453,269	2,170,993	453,269
31 - 60 days	341,823	438,908	341,823	438,908
61 - 90 days	87,175	642,981	87,175	642,981
91 - 120 days	204,575	205,060	204,575	205,060
121 days and above	9,219,741	14,101,264	9,219,741	14,101,264
	12,024,307	15,841,482	12,024,307	15,841,482

19. Other liability - Salaries clearing control account

Other liabilities at year end is as follows.

Other liabilities

Salary clearing control account	390,361	402,433	390,361	402,433
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The amount of R390,361 relates to the salary clearing control account which will be cleared by the end of the 2020/2021 financial year.

20. Payables from exchange transactions

Trade payables	233,386,430	302,413,214	233,367,478	302,215,163
Department of Water Affairs (DWS) Accrual	24,677,247	8,660,145	24,677,247	8,660,145
Trust funds- late estates	5,748,037	5,536,541	5,748,037	5,536,541
Retentions	31,069,314	25,849,666	31,069,314	25,849,666
Sundry creditors	2,045,697	1,879,747	2,045,697	1,879,747
	296,926,725	344,339,313	296,907,773	344,141,262

Fair value of Trust funds

Total value	5,748,037	5,536,541	5,748,037	5,536,541
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Council employees previously had life cover under a Group Life Scheme which was cancelled, however employees now have accidental life cover under Councils insurance portfolio.

The trust fund represent monies which were received from the Group Life Scheme or Councils insurers in respect of employees who passed away while in service of the Municipality.

Employees complete a beneficiary nomination form when they join the Municipality as an employee.

These trust funds represent monies held in trust by the Municipality which have not yet been claimed by the nominated beneficiaries.

The trusts held by the Municipality earn interest on an annual basis. Interest is calculated at the average interest rate the Municipality earns on investments made.

21. Consumer deposits

Water	19,561,713	30,307,020	19,561,713	30,307,020
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Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

21. Consumer deposits (continued)

Consumer deposits represents refundable deposits held (R30,307,020 - 2018/2019) and (R19,561,713 - 2019/2020) in respect of water debtor accounts.

22. Revenue

Service charges	164,402,170	221,150,003	164,402,170	221,150,003
Interest received - trading services	59,908,929	56,209,768	59,908,929	56,209,768
Other income	2,402,600	10,512,304	2,402,600	10,512,304
Impairment reversal	2,740,513	-	2,740,513	-
Interest received - investment	6,564,929	7,104,034	6,512,027	7,090,300
Government grants & subsidies	767,080,911	748,620,643	765,310,377	748,272,573
Public contributions and donations	10,145,379	4,489,006	10,145,379	4,489,006
	1,013,245,431	1,048,085,758	1,011,421,995	1,047,723,954

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

Service charges	164,402,170	221,150,003	164,402,170	221,150,003
Interest received - trading services	59,908,929	56,209,768	59,908,929	56,209,768
Other income	2,402,600	10,512,304	2,402,600	10,512,304
Impairment reversal	2,740,513	-	2,740,513	-
Interest received - investment	6,564,929	7,104,034	6,512,027	7,090,300
	236,019,141	294,976,109	235,966,239	294,962,375

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

Taxation revenue

Transfer revenue

Government grants & subsidies	767,080,911	748,620,643	765,310,377	748,272,573
Public contributions and donations	10,145,379	4,489,006	10,145,379	4,489,006
	777,226,290	753,109,649	775,455,756	752,761,579

23. Service charges

Sale of water	149,321,753	191,811,645	149,321,753	191,811,645
Sewerage and sanitation charges	13,249,240	26,026,793	13,249,240	26,026,793
Other service charges	1,831,177	3,311,565	1,831,177	3,311,565
	164,402,170	221,150,003	164,402,170	221,150,003

Other service charges (R3,311,565 2018/2019) relates to R1,979,627 in respect of water connections, R44,991 in respect of sewer connections and R1,287,027 in respect of trade effluent charges.

Other service charges (1,831,177 2019/2020) relates to R71,596 in respect of sewer connections, R1,059,541 in respect of trade effluent charges, R679,406 in respect of water connections and R20,634 in respect of disconnection penalty fees.

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
24. Other revenue				
Other income	2,402,600	10,512,304	2,402,600	10,512,304
Impairment reversal	2,740,513	-	2,740,513	-
	5,143,113	10,512,304	5,143,113	10,512,304

Oteh income (R10,512,304 2018/2019) includes and amount of R8,255,725 received from Shepstone And Wylie - Contingent asset recovered from Namandla Roads and Civils.

Refer to note 4 (PPE) for impairment reversal.

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

Clearance certificates	326,522	247,676	326,522	247,676
Copies of building plans	273,969	1,020,258	273,969	1,020,258
Sundry income	1,452,134	12,168	1,452,134	12,168
Insurance claims received	236,019	842,669	236,019	842,669
Tender documents	113,956	115,308	113,956	115,308
	2,402,600	2,238,079	2,402,600	2,238,079

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

Taxation revenue

Fines - illegal connections and tampering	-	18,500	-	18,500
Contingent asset recovery- Namandla Roads and Civils - Shepstone And Wylie	-	8,255,725	-	8,255,725
Impairment reversal	2,740,513	-	2,740,513	-
	2,740,513	8,274,225	2,740,513	8,274,225

Transfers

Received from Uthukela DM	913,596	-	-	-
	3,654,109	8,274,225	2,740,513	8,274,225

25. Investment revenue

Interest revenue

Interest earned on investment accounts	6,512,027	6,321,399	6,512,027	6,321,399
Interest earned other	52,902	782,635	-	768,901
	6,564,929	7,104,034	6,512,027	7,090,300

26. Grants and subsidies paid

Grants paid to ME's

Uthukela Economic Development Agency	-	-	2,514,233	1,608,414
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Other subsidies

Advance payment to Uthukela Economic Development Agency	853,925	-	-	-
	853,925	-	2,514,233	1,608,414

Grants paid to ME's - relates to expenditure incurred by the Municipality on behalf of the Development Agency.

Uthukela District Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

26. Grants and subsidies paid (continued)

Other subsidies - relates to monies claimed by the Development Agency in respect of office rent, electricity and water in advance.

Uthukela District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
27. Government grants and subsidies				
Operating grants				
Equitable share	432,409,443	397,481,970	432,409,443	397,481,970
Finance Management Grant	2,010,000	1,545,000	2,010,000	1,545,000
EPWP Integrated Grant	7,054,000	6,206,000	7,054,000	6,206,000
LGSETA	316,642	427,501	316,642	427,501
RASET Grant - Uthukela Economic Development Agency	1,770,534	348,070	-	-
District Growth and Development	2,580	-	2,580	-
NODAL Plan Grant	294,125	-	294,125	-
DPSS (Development planning)	550,000	510,695	550,000	510,695
	444,407,324	406,519,236	442,636,790	406,171,166
Capital grants				
Regional Bulk Infrastructure Grant	9,996,113	41,411,809	9,996,113	41,411,809
Municipal Infrastructure Grant	183,937,000	180,033,000	183,937,000	180,033,000
Municipal Water Infrastructure grant	108,000,000	108,493,000	108,000,000	108,493,000
Disaster Management	745,000	-	745,000	-
Rural Transport Services Plan	2,636,000	2,718,140	2,636,000	2,718,140
Massification Grant	17,359,474	9,445,458	17,359,474	9,445,458
	322,673,587	342,101,407	322,673,587	342,101,407
	767,080,911	748,620,643	765,310,377	748,272,573

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	334,671,468	351,138,673	332,900,934	350,790,603
Unconditional grants received	432,409,443	397,481,970	432,409,443	397,481,970
	767,080,911	748,620,643	765,310,377	748,272,573

Equitable Share

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

All registered indigents receive a monthly subsidy of - (2020: R 69,72), which is funded from the grant.

The 6 kiloliter free basic subsidy - in respect of indigent consumer for the 2018/2019 financial year amounted to R4,818,726 and R227,691 in respect of the 2019/2020 financial year.

The cost of free basic services - water supplied by water tankers for the 2018/2019 financial year amounted to R38,760,511 and R2,296,565 in respect of the 2019/2020 financial year.

RASET Grant - Uthukela Economic Development Agency

Balance unspent at beginning of year	2,651,930	-	-	-
Current-year receipts	913,596	3,000,000	-	-
Conditions met - transferred to revenue	(1,770,534)	(348,070)	-	-
	1,794,992	2,651,930	-	-

Conditions still to be met - remain liabilities (see note 15).

Uthukela District Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

27. Government grants and subsidies (continued)

As part of Government's efforts to break down barriers in the food value chain and ensure that there is transformation in the Agriculture sector, ECOD approved the Radical Agrarian Socio-Economic Transformation (RASET) program. This is a Government programme aimed at creating an alternative value chain to deal with structural barriers to economic transformation in the agriculture sector.

Municipal Infrastructure Grant

Current-year receipts	183,937,000	180,033,000	183,937,000	180,033,000
Conditions met - transferred to revenue	(183,937,000)	(180,033,000)	(183,937,000)	(180,033,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Municipal Infrastructure Grant program is aimed at providing all South Africans with at least a basic level of service through the provision of grant funding aimed at covering the capital cost of basic infrastructure for the poor. The MIG Programme is a key part of Government's overall drive to alleviate poverty in the Country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

The MIG is the major funding mechanism for all Municipal infrastructure for basic services to the poor such as roads, electricity, recreational facilities and water and sanitation. The MIG funding is provided to Municipalities with certain conditions attached.

Municipal Water Infrastructure

Current-year receipts	108,000,000	108,493,000	108,000,000	108,493,000
Conditions met - transferred to revenue	(108,000,000)	(108,493,000)	(108,000,000)	(108,493,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Municipal Water Infrastructure Grant is to assist Water Service Authorities (WSA'S) to provide water supply services to consumers currently without services, particular those in rural areas.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

Access to water supply enabled through the development of new infrastructure and/or refurbishment and/or upgrading of existing infrastructure to communities identified as not having a basic water supply.

It is also aimed at the reduction of water losses and non-revenue water.

Regional Bulk Infrastructure

Balance unspent at beginning of year	3,588,191	46,379,798	3,588,191	46,379,798
Current-year receipts	10,000,000	45,000,000	10,000,000	45,000,000
Conditions met - transferred to revenue	(9,996,113)	(41,411,809)	(9,996,113)	(41,411,809)
Application for roll over declined (recovered from equity share)	(3,588,191)	(46,379,798)	(3,588,191)	(46,379,798)
	<u>3,887</u>	<u>3,588,191</u>	<u>3,887</u>	<u>3,588,191</u>

Conditions still to be met - remain liabilities (see note 15).

RBIG is a specific purpose grant with the object to supplement the financing of the social component of regional bulk water supply and sanitation infrastructure.

The application of these funds is specifically for "water supply" and "sanitation" regional bulk infrastructure, with the focus on "regional" characteristics and "infrastructure" element.

This includes all aspects relating to the implementation of the infrastructure, planning, design, procurement, construction as well as setting up institutional arrangement for sustainable operation and management.

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27. Government grants and subsidies (continued)

The rollover application for the unspent amount of R46,379,798 (2017/2018) was declined and recovered from the allocation received in January 2019 and R3,588,191 (2018/2019) was declined and recovered from the the equity share allocation in 2019/2020.

LGSETA Grant - Training

Balance unspent at beginning of year	396,167	336,942	396,167	336,942
Current-year receipts	621,117	486,726	621,117	486,726
Conditions met - transferred to revenue	(316,642)	(427,501)	(316,642)	(427,501)
	<u>700,642</u>	<u>396,167</u>	<u>700,642</u>	<u>396,167</u>

Conditions still to be met - remain liabilities (see note 15).

LGSETA is a discretionary grant which assists the Local Government sector to adapt to changes in the economy and needs of the Country and ensuring that the skills levy is effectively targeted to meet the skills needs of employers and employees in the Local Government sector.

The strategic objective of the LGSETA grant is for the development of a skilled and capable workforce supporting a responsive, accountable, efficient and effective Local Government system, through a range of learning programmes that focus on scarce and critical skills.

The training programmes focuses on employment equity, provision of opportunities for young people, support enterprise development and improving the skills profile of those from poorer social-economic backgrounds and assisting in career-pathing from lower graded to higher graded jobs within the organization.

Massification Grant

Balance unspent at beginning of year	4,554,542	-	4,554,542	-
Current-year receipts	15,000,000	14,000,000	15,000,000	14,000,000
Conditions met - transferred to revenue	(17,242,322)	(9,445,458)	(17,242,322)	(9,445,458)
	<u>2,312,220</u>	<u>4,554,542</u>	<u>2,312,220</u>	<u>4,554,542</u>

Conditions still to be met - remain liabilities (see note 15).

The Massification Grant is for the upgrade, maintenance and repairs of water service infrastructure.

Disaster Management

Current-year receipts	2,745,000	-	2,745,000	-
Conditions met - transferred to revenue	(745,000)	-	(745,000)	-
	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 15).

The finding of R2,000,000 was provided for the procurement of a disaster management vehicle.

The funding of R745,000 was provided for COVID-19 response intervention measures.

KZN District Growth and Development

Balance unspent at beginning of year	2,580	-	2,580	-
Current-year receipts	-	300,000	-	300,000
Conditions met - transferred to revenue	(2,580)	(297,420)	(2,580)	(297,420)
	<u>-</u>	<u>2,580</u>	<u>-</u>	<u>2,580</u>

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27. Government grants and subsidies (continued)

The purpose of the District Growth and Development grant is to mobilise and synchronise strategic plans and investment priorities in all spheres of Government, State owned entities, businesses, Higher education institutions, labour, civil society and all other social partners in order to achieve the desired growth and development goals, objectives and outcomes.

Spatial contextualise and prioritise intervention so as to achieve greater spatial equity.

Develop clearly defined institutional arrangements that ensure decisive leadership, robust management, through implementation and ongoing review of the growth and development plan.

RASET Program Grant

Current-year receipts	-	3,000,000	-	3,000,000
Conditions met - transferred to revenue	-	(3,000,000)	-	(3,000,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The purpose of the grant is for social transformation of emerging farmers which will provide food to Government schools and hospitals.

NODAL Plan Grant

Balance unspent at beginning of year	1,000,000	-	1,000,000	-
Current-year receipts	-	1,000,000	-	1,000,000
Conditions met - transferred to revenue	(294,125)	-	(294,125)	-
	<u>705,875</u>	<u>1,000,000</u>	<u>705,875</u>	<u>1,000,000</u>

Conditions still to be met - remain liabilities (see note 15).

The NODAL plan grant is in respect of a development strategy for the economic upliftment of Estcourt, Weenen and Muden.

DPSS (Development planning)

Balance unspent at beginning of year	-	210,695	-	210,695
Current-year receipts	550,000	300,000	550,000	300,000
Conditions met - transferred to revenue	(550,000)	(510,695)	(550,000)	(510,695)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Shared services are the joint provision, performance or delivery of a service, facility, or a activity by two or more Local Government entities that each may be separate.

Local Government may determine that delivery of services on a regional basis is the most cost-effective method of providing services. To accomplish this, Local Government entities may either enter into joint agreements or transfer services to another entity.

Activities that will provide significant long-term savings to one or more Municipalities. Including training for programs and services that cross jurisdictional boundaries.

Rural Road Asset Management

Balance unspent at beginning of year	997,251	1,227,391	997,251	1,227,391
Current-year receipts	2,636,000	2,488,000	2,636,000	2,488,000
Conditions met - transferred to revenue	(2,636,000)	(2,718,140)	(2,636,000)	(2,718,140)
Application for roll over declined (recovered from equity share)	(997,251)	-	(997,251)	-
	<u>-</u>	<u>997,251</u>	<u>-</u>	<u>997,251</u>

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27. Government grants and subsidies (continued)

The main purpose of the RRAM grant is to assist District Municipalities in setting up their road asset management system, and collect road and traffic data with the Road Infrastructure Strategic Framework for South Africa (RISFSA) as well as to improve the road sector to being more efficient and internally competitive.

This program is aimed at building road sector management capacity at local level.

The rollover application for the amount of R1,227,390 (2017/2018), which was declined, was not offset against the equity share allocation for the 2018/2019 financial year as National Treasury requested a refund.

Finance Management Grant

Current-year receipts	2,010,000	1,545,000	2,010,000	1,545,000
Conditions met - transferred to revenue	(2,010,000)	(1,545,000)	(2,010,000)	(1,545,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The purpose of the grant is for capacity building which must be seen as an attempt to build individual, organizational, institutional and environmental processes to strengthen the service delivery mandate of Municipalities.

Proper systems and processes are the cornerstone to the translation of public funding into service delivery support by competent officials.

The Municipal Finance Management Internship Program (MFMIIP) is a further attempt to build capacity to deliver on their financial management responsibilities and thus their constitutional obligation.

EPWP Integrated Grant

Current-year receipts	7,054,000	6,206,000	7,054,000	6,206,000
Conditions met - transferred to revenue	(7,054,000)	(6,206,000)	(7,054,000)	(6,206,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Expanded Public Works Program (EPWP) is one of an array of Government strategies aimed at addressing unemployment.

The intention of the EPWP incentive grant is to increase job creation efforts by Provinces and Municipalities by providing a financial performance reward.

The incentive is structured to reward Provinces and Municipalities that create EPWP work by reimbursing them a portion of their wage costs. The more employment created, the higher the incentive that will be paid.

28. Public contributions and donations

Public contributions and donations - Umgeni Water	250,000	-	250,000	-
Public contributions and donations - COGTA	9,895,379	4,489,006	9,895,379	4,489,006
	<u>10,145,379</u>	<u>4,489,006</u>	<u>10,145,379</u>	<u>4,489,006</u>

The public contribution of R250,000 (2019/2020) was a donation from Umgeni Water for the purchase of school shoes, school uniforms and computers to assist learners of the MIMTAMS Primary School through the Corporate Social Investment Program (CSI).

The public contribution R4,489,006 (2018/2019) was for bore holes and water storage donated by COGTA.

The public contribution R9,895,379 (2019/2020) was for yellow plant donated by COGTA.

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	2020	2019	2020	2019
29. Employee related costs				
Basic	205,038,621	182,613,317	204,155,016	181,909,356
Bonus	15,521,075	13,458,722	15,521,075	13,458,722
Medical aid - employers contribution	7,980,100	6,768,773	7,980,100	6,768,773
UIF	1,354,401	1,322,340	1,352,616	1,321,002
SDL	2,276,582	2,504,643	2,266,595	2,494,886
Bargaining Council	81,049	72,932	81,049	72,932
Leave pay accrual	-	3,598,459	-	3,598,459
Leave pay	8,722,060	1,372,346	8,722,060	1,372,346
Standby allowances	15,239,836	11,547,416	15,239,836	11,547,416
Defined contribution plans	(130,843)	1,791,164	(130,843)	1,791,164
Travel, motor car, accommodation, subsistence and other allowances	4,397,500	3,751,442	4,289,205	3,458,795
Overtime payments	29,055,778	26,620,146	29,055,778	26,620,146
Acting allowances	1,035,572	1,903,281	1,035,572	1,903,281
Car allowance	12,124,573	11,564,518	11,911,188	11,394,518
Housing benefits and allowances	2,021,012	2,112,349	1,903,658	2,018,859
Surcharge Pension Fund	26,671,770	22,457,333	26,671,770	22,457,333
Night shift	712,528	625,907	712,528	625,907
	332,101,614	294,085,088	330,767,203	292,813,895
Remuneration of Municipal Manager				
Annual Remuneration	623,703	1,471,323	623,703	1,471,323
Backpay (upper limit increase)	17,464	25,564	17,464	25,564
Contributions to UIF	1,041	1,785	1,041	1,785
SDL	7,060	12,981	7,060	12,981
Leave paid out	174,336	-	174,336	-
Travelling and subsistence	3,592	37,109	3,592	37,109
	827,196	1,548,762	827,196	1,548,762
The Municipal Manager resigned with effect from 30 November 2019.				
Remuneration of Chief Finance Officer				
Annual Remuneration	664,265	651,397	664,265	651,397
Car Allowance	325,039	316,187	325,039	316,187
Backpay (upper limit increase)	17,010	11,322	17,010	11,322
Contributions to UIF	1,785	1,785	1,785	1,785
SDL	9,845	11,843	9,845	11,843
Housing subsidy	251,579	244,726	251,579	244,726
Leave paid out	-	63,096	-	63,096
Travelling and subsistence	47,551	-	47,551	-
	1,317,074	1,300,356	1,317,074	1,300,356
Remuneration of Manager Technical Services				
Annual Remuneration	920,573	-	920,573	-
Contributions to UIF	1,338	-	1,338	-
Acting allowance	-	83,811	-	83,811
SDL	7,138	-	7,138	-
Backpay (upper limit increase)	22,847	10,707	22,847	10,707
Overtime	-	77,346	-	77,346
Standby	-	323,493	-	323,493
	951,896	495,357	951,896	495,357

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
29. Employee related costs (continued)				
Remuneration of Manager Health, Environmental Services and WSA				
Annual Remuneration	715,410	651,397	715,410	651,397
Car Allowance	260,007	316,187	260,007	316,187
Travelling and subsistence	43,302	63,096	43,302	63,096
Backpay (upper limit increase)	18,319	11,322	18,319	11,322
Contributions to UIF	1,785	1,785	1,785	1,785
Housing subsidy	264,158	244,726	264,158	244,726
SDL	9,904	11,843	9,904	11,843
	1,312,885	1,300,356	1,312,885	1,300,356

Remuneration of Manager Social and Economic Services

Annual Remuneration	751,101	736,548	751,101	736,548
Car Allowance	260,007	252,925	260,007	252,925
Backpay (upper limit increase)	81,100	12,804	81,100	12,804
Contributions to UIF	1,785	1,785	1,785	1,785
Housing subsidy	227,553	221,355	227,553	221,355
Acting allowance	86,161	-	86,161	-
Travelling and subsistence	28,067	24,126	28,067	24,126
SDL	10,158	11,632	10,158	11,632
	1,445,932	1,261,175	1,445,932	1,261,175

Remuneration of Manager Corporate Services

Annual Remuneration	947,584	929,232	947,584	929,232
Car Allowance	155,979	151,730	155,979	151,730
Contributions to UIF	1,785	1,785	1,785	1,785
SDL	9,357	11,424	9,357	11,424
Housing subsidy	130,066	126,524	130,066	126,524
Travelling and subsistence	16,099	6,133	16,099	6,133
Backpay (upper limit increase)	24,265	16,146	24,265	16,146
	1,285,135	1,242,974	1,285,135	1,242,974

The upper limit of the total remuneration package to Municipal Managers and Managers directly accountable to the Municipal Manager are regulated by the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

30. Remuneration of councillors

Mayor	870,815	849,898	870,815	849,898
Deputy Mayor	209,682	205,982	209,682	205,982
EXCO	495,847	503,247	495,847	503,247
Speaker	705,529	683,971	705,529	683,971
Councillors	4,204,565	4,242,521	4,204,565	4,242,521
	6,486,438	6,485,619	6,486,438	6,485,619

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

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

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	2020	2019	2020	2019
31. Depreciation and amortisation				
Property, plant and equipment	65,925,578	70,142,158	65,844,871	70,139,347
Intangible assets	26,797	56,279	26,797	56,279
	<u>65,952,375</u>	<u>70,198,437</u>	<u>65,871,668</u>	<u>70,195,626</u>
32. Impairment of assets				
Impairments				
Property, plant and equipment	33,764	-	33,764	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]				
33. Interest incurred				
Other interest paid	<u>8,777,208</u>	<u>4,924,903</u>	<u>8,775,855</u>	<u>4,924,723</u>
34. Debt impairment				
Debt impairment - Consumer debtors	<u>40,012,732</u>	<u>136,548,615</u>	<u>40,012,732</u>	<u>136,548,615</u>
35. Bulk purchases				
Water	<u>125,912,408</u>	<u>45,974,118</u>	<u>125,912,408</u>	<u>45,974,118</u>
Bulk purchases represents raw water purchased from DWS (Department of Water and Sanitation) for purification and distribution through the reticulation network to consumers in the district.				
A contract has been entered into between the Municipality and Umgeni Water to take over and manage the bulk water function. Thus far they have taken over the Ezakheni, Oliphantskop and Tugela Estate water purification plants.				
The increase in bulk purchases is as a result of Umgeni Water billing the Municipality for bulk purified water provided.				
36. Contracted services				
Outsourced Services				
Burial Services	-	15,000	-	15,000
Security Services	19,115,044	26,174,582	19,115,044	26,174,582
Water Takers	2,285,101	38,760,511	2,285,101	38,760,511
Consultants and Professional Services				
Legal Cost	2,858,440	4,040,558	2,858,440	4,040,558
Contractors				
Maintenance of Buildings and Facilities	646,630	960,654	1,473	960,654
Maintenance of Equipment	8,852,614	15,335,895	8,852,614	15,335,895
Maintenance of Unspecified Assets	11,048,392	12,875,507	11,048,392	12,875,507
Stage and Sound Crew	-	1,187	-	1,187
	<u>44,806,221</u>	<u>98,163,894</u>	<u>44,161,064</u>	<u>98,163,894</u>

The Municipality spent R38,760,511 (2018/2019) and R2,285,101 (2019/2020) on water tanking to provide water to rural areas where there is no piped water (reticulation system).

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36. Contracted services (continued)

R29,174,121 (2018/2019) and R19,707,858 (2018/2020) was spent on maintenance and repairs of Municipal assets - refer to note number 4 (PPE).

Contracted services is classified as follows.

2019/2020	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	1,473	-	-	1,473
Vehicles	-	-	3,620,370	-	3,620,370
Pipelines and reservoirs	-	-	-	10,967,332	10,967,332
Pumps	-	-	5,053,048	-	5,053,048
Furniture and equipment	-	-	67,700	-	67,700
Security services	19,115,044	-	-	-	19,115,044
Water tankering	2,285,101	-	-	-	2,285,101
Legal costs	2,849,941	-	-	-	2,849,941
Buildings - Uthukela Economic Development Agency	-	645,157	-	-	645,157
	24,250,086	646,630	8,741,118	10,967,332	44,605,166
2018/2019	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	352,704	-	-	352,704
Vehicle	-	-	9,776,603	-	9,776,603
Pipelines and reservoirs	-	-	-	12,436,533	12,436,533
Buildings plant and pump stations	-	248,418	-	-	248,418
Pumps	-	-	5,556,987	-	5,556,987
Blue drop	-	-	-	438,974	438,974
Electrical	-	359,532	-	-	359,532
Specialized equipment	-	-	2,305	-	2,305
Burial services	15,000	-	-	-	15,000
Stage and sound crew	1,187	-	-	-	1,187
Security services	26,174,582	-	-	-	26,174,582
Water tankering	38,760,511	-	-	-	38,760,511
Legal costs	4,040,558	-	-	-	4,040,558
	68,991,838	960,654	15,335,895	12,875,507	98,163,894

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	2020	2019	2020	2019
37. General expenses				
Advertising	258,128	599,979	240,253	449,960
Auditors remuneration	3,800,000	3,038,637	3,800,000	3,038,637
Bank charges	3,050,025	679,213	3,050,025	679,213
Cleaning	31,940	818,157	31,940	796,817
Commission paid	3,328,580	1,175,605	3,328,580	1,175,605
Computer expenses	2,452,626	3,230,500	2,452,626	3,230,500
Consulting and professional fees	1,215,038	4,380,154	1,215,038	4,373,817
Consumables	4,609,371	1,321,261	4,609,371	1,321,261
Entertainment	-	15,570	-	15,570
Hire	5,920,623	5,521,289	5,920,623	5,521,289
Insurance	2,695,546	4,563,139	2,695,546	4,563,139
Conferences and seminars	630,684	932,253	630,684	932,253
Medical expenses	373,030	376,600	373,030	376,600
Motor vehicle expenses	907,809	1,072,491	907,809	1,072,491
Fuel and oil	11,372,340	13,758,713	11,372,340	13,758,713
Postage and courier	-	86,901	-	86,901
Printing and stationery	339,901	1,634,459	339,901	1,634,459
Protective clothing	733,035	2,183,264	733,035	2,183,264
Subscriptions and membership fees	2,730,702	3,015,133	2,730,702	3,015,133
Telephone and fax	2,138,068	3,223,379	2,091,097	3,207,550
Training	152,915	961,504	152,915	961,504
Assets expensed	19,107,874	60,912,190	19,107,874	60,912,190
Electricity	39,844,620	62,016,214	39,894,174	62,016,214
Water - internal use	463,884	135,767	463,884	135,767
Audit committee	317,397	218,952	317,397	218,952
Government grant expenditure	6,192,302	2,403,179	6,192,302	2,403,179
Covid-19 expences	2,706,041	-	2,706,041	-
Chemicals	3,978,402	5,281,849	3,978,402	5,281,849
Other expenses	535,369	272,920	535,369	272,920
	119,886,250	183,829,272	119,870,958	183,635,747

Government grant expenditure represents project expenditure funded by grants which are not of a capital nature and not capitalized and is therefore not reflected as PPE in the fixed asset register.

Assets expences relates to expenditure incurred against a capital budget however these items are not aof a capital nature and have therefore not being capitalized and are not included in PPE in the fixed asset register,

Printing and stationery include amounts paid to Inside Data for the printing of consumer debtors accounts.

Maintenance and repairs is now disclosed under note 4 "PPE" - GRAP 1 - Presentation of financial statements and note 36 "contracted services".

Consulting and professional fees

GIS programs	-	216,869	-	216,869
Consultants - Uthukela District Municipality	1,215,038	2,940,302	1,215,038	2,940,302
Asset verification	-	1,029,776	-	1,029,776
VAT audit	-	186,870	-	186,870
Lindelani Assessment Services - Uthukela Economic Development Agency	-	6,337	-	-
	1,215,038	4,380,154	1,215,038	4,373,817

Consulting and professional fees are included in general expenditure above.

Grant expenditure

NODAL Development Plan	294,125	-	294,125	-
District wide VIP toilets	3,304,351	-	3,304,351	-

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	2020	2019	2020	2019
37. General expenses (continued)				
Project management (RRAM)	2,292,351	-	2,292,351	-
MIG top slice (sdmin fee in respect of the Municipal Infrastructure Grant)	301,475	2,403,179	301,475	2,403,179
	6,192,302	2,403,179	6,192,302	2,403,179

Grant expenditure is included in general expenditure above.

COVID-19 expenditure

Funded by the Municipality	2,706,041	-	2,706,041	-
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The Municipality made a budget provision of R3,000,000 for the 2019/2020 financial year and spent R2,706,041.

National Treasury provided Municipal Disaster Relief grant funding for COVID-19 response and intervention measures. The grant for the 2019/2020 financial year was R745,000 and was spent in full during the year. (refer Government grants and subsidies).

COVID-19 expenditure is included in general expenditure above.

38. Auditors' remuneration

Fees	3,800,000	3,038,637	3,800,000	3,038,637
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Auditors remuneration is included in general expenditure.

39. Lease rentals on operating leases

Agreement of leases - Lessor

Dedekind Real Estate - rental of parking space in Ladysmith	-	66,000	-	66,000
Dedekind Real Estate (Sarosma Trust IT) - office rental in respect of Development Agency - Heron House - 131 Murchison Street, Ladysmith	-	241,700	-	60,200
V.R. Sarjoo - Rental of satellite office in Weenen	-	25,898	-	25,898
Afrirent - Vehicle tracking rental fees	502,320	-	502,320	-
October Morne Investments CC	-	240,000	-	240,000
Moon Magic Investments- rental of satellite office in Estcourt	64,648	123,005	64,648	123,005
A. Good - Rental of satellite office in Colenso	28,008	32,517	28,008	32,517
Konika Minolta - rental of office machines	68,153	554,986	68,153	554,986
Laytam Investments - rental of worksop 35 Progress Road Ladysmith	529,600	-	529,600	-
	1,192,729	1,284,106	1,192,729	1,102,606

The lease agreement with Laytam Investments is for the rental of a workshop at 35 Progress Road Ladysmith and is for the period 1 July 2019 to 3 June 2022.

The lease agreement with Sarjoo VR is for the satellite office at Retief Street in Weenen which commenced in January 2005 on a month to month basis and was terminated in September 2015. A new contract was entered into for the period October 2015 to September 2018.

The lease agreement with Rashid Suleman Trust was for the satellite office at 127 Albert Street Estcourt and was for the period 1 December 2014 to 1 January 2015. Rashid Suleman Trust is now known as Moon Magic Investments (Pty) Ltd and the lease agreement was for the period February 2015 to January 2016, February 2016 to January 2017, February 2017 to January 2018, March 2018 to February 2019 and March 2019 to February 2020.

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	2020	2019	2020	2019

39. Lease rentals on operating leases (continued)

The lease agreement with October Morn Investments CC is on a month to month basis and is for parking space at 24/28 Murchison Street which commenced on the 1st of October 2015. A new lease agreement was entered into for the period March 2018 to February 2019.

The lease agreement with A Good is in respect of the satellite office at 63/69 Sir George Street in Colenso for the period September 2015 to August 2018.

The lease agreement with Dedekind Real Estate (Sarosma Trust) is for parking space which is on a month to month basis. A new lease agreement was entered into for the period June 2018 to May 2019.

The lease agreement with Dedekind Real Estate (Sarosma Trust) is for office space occupied by the Uthukela Economic Development Agency at 131 Murchison Street, Ladysmith for the period June 2018 to May 2019, thereafter on a month to month bases.

Additional office equipment (photo copiers) is leased from Konica Minolta for a period of 36 months which started in December 2015 and terminates in November 2018.

Operating lease liabilities

<u>626,497</u>	<u>556,147</u>	<u>626,497</u>	<u>556,147</u>
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40. Cash generated from operating activities				
Surplus	203,569,445	204,469,471	202,695,575	204,346,513
Adjustments for:				
Depreciation and amortisation	65,952,375	70,198,437	65,871,668	70,195,626
Loss on sale of assets	512,127	943,319	512,127	943,319
(Loss) gain on actuarial valuations	(387,387)	5,934,317	(387,387)	5,934,317
Interest income	(59,908,929)	-	(59,498,174)	-
Impairment deficit	33,764	-	33,764	-
Debt impairment	40,012,732	136,548,614	40,012,732	136,548,614
Bad debts written off	65,641,045	6,915,182	65,641,045	6,915,182
Movements in operating lease assets and accruals	(70,350)	396,620	(70,350)	396,620
Changes accumulated surplus	-	-	-	-
Changes in other accruals (provisions)	8,135,355	4,397,439	8,135,355	4,397,439
Other non-cash items	5,852,657	-	5,852,657	-
Other non-cash items (Impairment reversal)	(2,740,513)	(15,983,181)	(2,740,513)	(15,983,181)
Other non-cash items (Actuarial gain)	(2,591,376)	-	(2,591,376)	-
Changes in working capital:				
Increase in Inventories	(959,797)	(34,950)	(959,797)	(34,950)
Decrease in receivables from exchange transactions (current assets)	20,466,220	(93,790,680)	20,466,220	(93,790,680)
Increase in receivables from exchange transactions (Consumer debtors)	(17,036,650)	(135,176,121)	(17,036,650)	(135,176,121)
Increase in other receivables from non-exchange transactions	(219,956)	574,295	(142,440)	574,295
Increase in prepayments	(305,178)	(298,783)	(305,178)	(298,783)
Increase in employee benefit	(1,174,874)	-	(1,174,874)	-
Decrease in payables from exchange transactions	(46,909,675)	198,648,902	(47,233,487)	198,450,851
Increase in VAT	12,217,638	4,907,850	12,217,638	4,907,850
Decrease in unspent conditional grants and receipts	(5,673,046)	(34,966,745)	(4,816,108)	(37,618,675)
Decrease in consumer deposits	(10,745,307)	(5,080,320)	(10,607,705)	(5,080,320)
Decrease in other financial liabilities - consumer debtors	(3,817,175)	(6,057,924)	(3,817,175)	(6,057,924)
Decrease in other financial liabilities	(12,072)	(22,968,223)	(12,072)	(22,968,223)
	269,841,073	319,577,519	270,045,495	316,601,769

41. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity

Management has taken a decision to dispose of a significant group of assets as reflected in Appendix B "analysis of property, plant and equipment".

Description of the asset(s), group of assets and liabilities or, component

Carrying values

Carrying value of a group of assets (vehicles)	-	2,219,790	-	2,219,790
Carrying value of a group of assets (computer equipment)	-	26,677	-	26,677
Carrying value of a group of assets (furniture and fittings)	-	36,890	-	36,890
Carrying value of a group of assets (office equipment)	-	12,210	-	12,210
Carrying value of a group of assets (infrastructure)	-	6,914,580	-	6,914,580

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	2020	2019	2020	2019
42. Commitments				
Authorised capital expenditure				
Already contracted for but not yet completed (WIP)				
• Property, plant and equipment	248,704,696	321,241,183	248,704,696	321,241,183
Infrastructure Grants - MIG, MWIG, WSIG & RRAMS				
Bhekuzulu phase 1 - reticulation	-	1,856,037	-	1,856,037
Bhekuzulu phase 2 - reticulation	-	2,158,881	-	2,158,881
Bhekuzule phase 3 - water retic to Ephangweni Enndersdale	20,644,449	-	20,644,449	-
Bhekuzulu phase 4 - water retic to Ephangweni Enndersdale	13,346,136	-	13,346,136	-
Bhekuzulu - outstanding work	2,927,358	11,979,976	2,927,358	11,979,976
Kwanobamba / Ezitendeni sanitation	-	2,313,568	-	2,313,568
Kwanobamba / Ezitendeni WWTW- civil and building works	-	29,664,437	-	29,664,437
Kwanobamba / Ezitendeni WWTW - mechanical	-	13,961,074	-	13,961,074
Kwanobamba / Ezitendeni sanitation project - reticulation and pump station	-	37,096,690	-	37,096,690
Kwanombamba / Ezitendeni water project : Weenen reticulation	26,579,737	-	26,579,737	-
Kwanombamba / Ezitendeni sanitation project sewer reticulation and pump station phase 1B	19,177,039	-	19,177,039	-
Weenen / Ezitendeni sewer treatment works Umhlumayo project	11,878,302	-	11,878,302	-
Fitty park - phase 2	-	6,882,542	-	6,882,542
Estcourt Industrial pipeline	-	814,736	-	814,736
Construction of Estcourt industrial area water network upgrade	-	2,916,530	-	2,916,530
Construction of Wembezi water conservation and demand management - phase 1	3,633,426	20,524,123	3,633,426	20,524,123
Dreging of Oliphantskop dam	-	63,482,859	-	63,482,859
Ntabamhlophe phase 13 - reticulation	-	692,881	-	692,881
Kwajwili - borehole	-	2,862,150	-	2,862,150
Construction and upgrading of Ntabamhlophe community water supply	8,996,810	-	8,996,810	-
Bergville Phase 2 Sanitation	-	22,616,533	-	22,616,533
Weenen / Ezitendeni sanitation project	26,995,720	-	26,995,720	-
Boreholes for Okhahlamba Local Municipality	8,574,120	-	8,574,120	-
Bergville emergency sewer	-	19,254	-	19,254
Whembezi water conservation and demand management phase 1	43,987,347	-	43,987,347	-
Bergville sewer reticulation	8,291,419	-	8,291,419	-
Emmause emergency water supply	-	418,989	-	418,989
Ekuvukheni refurbishment of the Oliphantskop water treatment works	26,956,913	43,077,455	26,956,913	43,077,455
Ekuvukheni bulk rising mains and booster pump station to Zandbuild reservoir	22,276,597	51,499,789	22,276,597	51,499,789
Establishment of Rural Road Asset Management system	-	6,257,841	-	6,257,841
Hobsland to Indaka Phase 2	4,439,323	-	4,439,323	-
	248,704,696	321,241,183	248,704,696	321,241,183

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42. Commitments (continued)				
The increase in the commitment in respect of the Kwanobamba Ezitendeni WWWT mechanical and electrical project is due to an extension of scope on contact 01/2017MEU - Klomac Engineering.				
The increase in the commitment in respect of the Kwanobamba Ezitendeni WWWT civil and building is due to a contact price adjustment on contract 15/2015 CON - Njengamanje Trading.				
Not yet contracted for and authorised by accounting officer				
• Property, plant and equipment	-	2,689,386	-	2,689,386
Total capital commitments				
Already contracted for but not provided for	248,704,696	321,241,183	248,704,696	321,241,183
Not yet contracted for and authorised by accounting officer	-	2,689,386	-	2,689,386
	248,704,696	323,930,569	248,704,696	323,930,569
Authorised operational expenditure				
Already contracted for but not provided for				
• Rental Offices	-	61,832	-	61,832
• Rental office machines	-	341,920	-	341,920
• Vehicle fleet tracking system	1,371,192	2,058,634	1,371,192	2,058,634
• Financial support	1,716,664	-	1,716,664	-
• Provision of insurance broker services	1,497,165	-	1,497,165	-
• Lease of premises	103,092	-	103,092	-
• Provision of ISD services	1,094,270	-	1,094,270	-
	5,782,383	2,462,386	5,782,383	2,462,386
Not yet contracted for and authorised by accounting officer				
• Creditors orders as at 30 June 2019	-	3,961,161	-	3,961,161
• Creditors orders as at 30 June 2020	323,104	-	323,104	-
	323,104	3,961,161	323,104	3,961,161
Total operational commitments				
Already contracted for but not provided for	5,782,383	2,462,386	5,782,383	2,462,386
Not yet contracted for and authorised by accounting officer	323,104	3,961,161	323,104	3,961,161
	6,105,487	6,423,547	6,105,487	6,423,547
Total commitments				
Total commitments				
Authorised capital expenditure	248,704,696	323,930,569	248,704,696	323,930,569
Authorised operational expenditure	6,105,487	6,423,547	6,105,487	6,423,547
	254,810,183	330,354,116	254,810,183	330,354,116

This committed expenditure relates to plant and equipment as well as operational expenditure and will be financed by grant funding, retained surpluses, existing cash resources, funds internally generated, etc.

All amounts are inclusive of VAT.

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42. Commitments (continued)

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1,034,720	403,752	1,034,720	403,752
- in second to fifth year inclusive	783,560	-	783,560	-
	<u>1,818,280</u>	<u>403,752</u>	<u>1,818,280</u>	<u>403,752</u>

Operating lease payments represent rentals payable by the economic entity for certain of its office properties. Leases are negotiated for an average term of three years. No contingent rent is payable.

Parking space for Council vehicles is negotiated on a month to month basis.

Office machines rented from Konica Minolta are negotiated for a term of three years.

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43. Contingent Liabilities				
Contingent liabilities				
Ramkhelewan INC. - A.M.J. Hlongwane	-	174,261	-	174,261
Ramkhelewan INC. - Eurocon	-	378,607	-	378,607
Ramkhelewan INC. - J. Potgieter	-	4,534	-	4,534
Ramkhelewan INC. Feffares & Green	576,484	576,484	576,484	576,484
Ramkhelewan INC. - Nambithi Pumps	5,795,972	5,795,972	5,795,972	5,795,972
Shepstone & Wylie - Ubunzima Trading Enterprise CC	114,554	114,554	114,554	114,554
Shepstone & Wylie - RASP Consultants CC	65,857	65,857	65,857	65,857
Shepstone & Wylie - RASP Consumtants CC	63,400	63,400	63,400	63,400
Shepstone & Wylie - Ndlalabeyidida Trading (Pty) Ltd	90,000	90,000	90,000	90,000
	6,706,267	7,263,669	6,706,267	7,263,669

The above contingent liabilities are being attended to by the Municipalities legal representatives.

Details are as follows;

Jeffares and Green - Consultant fees in respect of Bergville water project - Claim amount R576,484 - the matter was set down for trial but removed from the roll as the plaintiff intends amending it's papers. The Municipality's legal representative will inform the Municipality once a new trial date has been set. As there has been no movement in this matter Council's legal representative do not believe that the claimant will pursue the matter any futher.

Nambithi Pumps - breach of contract - Amount claimed R5,795,972 - this is in respect of the cost of the contract and the loss of profit. The plaintiff issued summons based on a breach of contract. The matter is being defended and will proceed to trial.

Abajabuli Project Services CC - Thuk3974.3 - Claim amount R15,190,398 - this is a claim brought against the Municipality for breach of contract. Judgement in favour of the Municipality was delivered by the Court on the 20th of February 2017, but the plaintiff applied for and was granted an application to appeal against such judgement. The plaintiffs appeal was heard on the 21st of June 2019, and judgement in respect thereof was delivered on the 1st of July 2019 dismissing the plaintiffs appeal with costs.

Ubunzima Trading Enterprise CC - Thuk3974.14 - Claim amount R1,758,304 - summons was issued against the Municipality in respect of retention moneys which were not paid over to the plaintiff on completion of certain works as follow; claim no1 - R1,039,355 for laying of pipes in Inkanyezi community water supply scheme, claim no 2 - R604,395 for laying of pipes in the Bergville bulk water scheme, claim no 3 - R114,554 for the refurbishment and upgrade of the waste water treatment works at Khethani.

Judgment was granted against the Municipality in respect of Claims 1 and 2 above, and the Municipality has already made payment to the plaintiff in respect thereof, together with interest. It was subsequently brought to Shepstone & Wylies attention by the Municipality that the plaintiffs attorneys has calculated interest on the two claims at a wrong rate, Which resulted in the Municipality overpaying their client in the sum of Approximately R350,000.00. Shepstone & Wylie has since written to the plaintiffs attorneys demanding payment of the overpaid amount.

Shepstone & Wylie received no futher responce from the plaintiffs attorneys. They proceeded to brief Council to draft their application papers. Same have since been drafted and they are now awaiting futher instructions from the Municipality whether they may proceed to lodge the papers in Court for the repayment of the R350,000.

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43. Contingent Liabilities (continued)

RASP Consultants CC t/a Vivah Technologies - Thuk3974.13 - Claim amount R65,857 - Summons was issued against the Municipality for the sum of R65,857.23 for goods and services allegedly rendered by the plaintiff to the Municipality and not paid for. The matter has been defended and the pleadings have reached the discovery stage. The Municipality has filed their discovery and Shepstone & Wylie has been alled upon the plaintiffs attorneys to file their discovery. To date no futher steps have been taken by the plaintiffs attorneys to pursue the matter to its finality. Shepstone & Wylie wrote to the Municipality advising of same and seeking advice whether to close their file and render out final account statements. They were instructed to set the matter down for cost porposes. Shepstone & Wylie proceeded to instruct local agents to proceed with the necessary steps to obtain pre-trial and trial dates. They are currently awaiting allocation of the pre-trial and trial dates from Court. Pre-trial dates were allocated and the matter was certified ready for trial. The matter proceeded to trial on the 8th of March 2019 and had to be adjourned following witness availability. The trial continued on the 24th of June 2019 and became part heard trial due to time constraints, the trial was set to commence on the 26th of July 2019. Shepstone & Wylie recently obtained instructions to proceed to call out of town witnesses in preparation for the upcoming trial.

Shepstone & Wylie confirms that they attended the Ladysmith Magistrate's Court on th 26th of July 2019 for the part-heard trial. Upon arrival at Court, they were informed by the Chief Magistrate that the relevant Magistrate had sent a message advising that she was allededly ill. Accordingly, the matter could not proceed and it was adjourned to 18 October 2019, with costs in the cause.

After the matter was adjourned Shepstone & Wylie continued to consult with the witnesses from Bicacon, tha Department of Water Affairs and Mr. Chamane. It appears that before Bicacon got on site, there was only one of the two pumps on site, and that Vivah may have already removed the other pump from the Loskop plant before Bicacon got to site.

Mr. Charmane now appears to recollect that when Vivah first attended to remove the pump at the time, there were two pumps on site, including the one that Vivah was removing. Thabo from Bicacon futher confirmed that he would send the invoice to the Municipality for the new pump that was purchased and installed.

After receiving futher documentation from Bicacon that bolstered the case, Shepstone & Wylie filed a supplementary discovery affidavit, which included invoices from Vivah Technologies to Bicacon. The importance of the invoice indicated that the witness from Vivah Technologies has committed perjury. In responce thereto an application was lodged against the submission the submission of Shepstone & Wylie's futher supplementary discovery affidavit by those representing Vivah.

Shepstone & Wylie opposed the application and set it down for argument on the 18th of October 2019. After pointing out to the opposing attorney that their application was irregular the matter was removed from the roll. Shepstone & Wylie wrote to the opposing attorney on the 19th of October 2019 proposing that his client withdraw tha action against the Municipality and tender costs given that their client had committed an alledged perjury. No responce was forthcoming. Shepstone & Wylie prepared to re-enrol the matter for trial however they had to pend the file due to cost relating issues. They are in the process of obtaining instructions from the Municipality wheter they can proceed to set the matter down for finality, however doing so will require Council's fees to be paid in their reserve account for the continuation of trial.

RASP Consultants CC t/a Vivah Technologies - Thuk3974.15 - Claim amount R63,400 - Summons was issued against the Municipality for the recovery of R63,399.96 for goods and services allegedly rendered by the plaintiff to the Municipality and not paid for. The matter has been defended and the pleadings have reached the discovery stage.

The Municipality has filed their discovery and the paintiffs attorneys have filed their discovery. To date no futher steps have been taken by the plaintiffs attorneys to pursue the matter to its finality. Shepstone & Wylie wrote to the Municipality advising of same and seeking advise whether they should close their file and render out final account statements. They were instructed to set the matter down for cost purposes. Shepstone & Wylie proceeded to instruct local agents to proceed eith the necessary steps to obtain pre-trial and trial dates. They are currently awaiting allocation of the pre-trial and trial dates from Countr. The matter proceeded to pre-trial on the 1st of April 2019, following an adjournment. Shepstone & Wylie ontained instructions from the Municipality to settle the matter on the bases that the Municipality did not have a valid defence against the claim considering that RASP did in fact render the services to the Municipality. They negotiated settlement with RASP Consultants. A settlement agreement was reached between the parties in August 2019, the Municipality having paid R91,000, which was inclusive of legal costs and interest from August 2015, the matter has since been finalized.

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43. Contingent Liabilities (continued)

T.R. Keswa - Thuk3974.22 - Claim amount R1,853,170 - This is a matter in which the Municipality's erstwhile attorneys in a labour related matter had submitted to the Municipality their bill of costs for the sum of R1,853,170 in respect of the legal services they rendered in the matter. The municipality thought the amount claimed in the bill of costs was rather excessive, and instructed Shepstone & Wylie to submit the bill of costs to the Law Society for taxation. However the Municipality subsequently instructed to hold the matter in abeyance as an attempt was being made by the parties to settle the matter amicably. On Instruction from the Municipality Shepstone & Wylie have closed their file.

Ndlalabeyidida Trading (Pty) Ltd - Thuk3974.25 - Claim amount R90,000 - Summons were issued against the municipality for the payment of R90,000. The claim is in respect of an alleged verbal agreement where the plaintiff alleges that she contracted with the Municipality to supply meals at the Uthukela Winter Disaster Awareness, the plaintiff alleges that she honored the contract but the Municipality failed to make payment. The matter has been defended on behalf of the Municipality. Pleadings have closed but the plaintiff has done nothing to pursue the matter to its finality. Steps have been taken to have the matter set down for trial. Prior to the matter being set down for trial, the Court required the plaintiff to conduct a full joinder application to join a certain Vuyani Mthi to the proceedings, joining Vuyani Mthi would require the plaintiff to serve summons on the Mr. Mthi. Shepstone & Wylie wrote to the plaintiff's attorney requesting they do so, following that they receive a notice of withdrawal from the attorneys of record. Shepstone & Wylie wrote to the plaintiff and requested he withdraw the claim against the Municipality and tender costs however no further action has been taken by the plaintiff. Shepstone & Wylie are in the process of setting the matter down for finality.

Shepstone & Wylie therefore requested their agent to have this matter allocated a pre-trial date and finally a trial date for purposes of finality. Whilst they are waiting further advice from agents whether a date has been allocated for the pre-trial, they had to pend their file in January 2020.

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44. Related parties				
Controlling entity			Uthukela Economic Development Agency	
Related party transactions				
Revenue				
Grants and subsidies			1,770,534	348,070
Interest received			52,902	13,734
Employee related costs				
D.C.P. mazibuko (CEO)			1,315,461	1,114,271
Subsistence and travelling			18,950	156,922
Office rent				
Dedekind Real Estate (Sarosma Trust IT - Heron House - 131 Murchison Street, Ladysmith)			532,954	379,551
(PPE) Property plant & equipment				
Office furniture (Newtec Office solutions CC)			-	112,215
Motor vehicles			976,336	-
General Expenditure				
Sinendumiso Investments (cleaning material / consumables)			-	21,340
Landelahni Assessment Services (Pty) Ltd (assessment conducted - National Treasury Central Suppliers Database)			-	6,337
Telephone (Vodacom)			46,971	15,829
Advertising/promotions			17,875	150,019
Advance payment to UEDA (rent, electricity and water)			853,926	-
Electricity & water			67,629	-
Depreciation			80,707	2,811
Finance charges				
Bank charges			1,353	180
Contracted services				
Repairs and maintenance buildings			645,157	-
The above transactions relate to payments made by the Municipality on behalf of the Uthukela Economic Development Agency during the financial year.				
A service level agreement was signed on the 20th of March 2019 between the Municipality and the Uthukela Economic Development Agency (UEDA).				
The UEDA has been appointed to provide and support the implementation of the RASET program (Radical Agrarian Social Economic Transformation Program).				
Compensation to accounting officer and other key management				
Basic salary	873,892	633,565	873,892	633,565
Car allowance	213,385	170,000	213,385	170,000
Subsistence and travelling	89,345	135,725	89,345	135,725
Housing subsidy	117,354	93,490	117,354	93,490
Backpay	9,713	70,396	9,713	70,396
UIF	1,785	1,338	1,785	1,338
SDL	9,987	9,757	9,987	9,757
	1,315,461	1,114,271	1,315,461	1,114,271

Key management information

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44. Related parties (continued)

Board members	Executive Committee	8
D.C.P. Mazibuko	Accounting Officer	1
S. Shabalala	Chairperson	1
P.A. Stockhill	non-executive board member	1
M. Asmal	non-executive board member	1
O.D. Amla	non-executive board member	1
K.D. Nduli	non-executive board member	1
J.M. Mosia	Non-executive board member	1
A.M. Msomi	Non-executive board member	1
S.N. Kunene	Non-executive board member	1

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45. Prior period errors and restatements

Prior period errors relates to corrections done in the 2019/2020 financial year which relates to the 2018/2019 financial year. The 2018/2019 financial year has therefore been restated.

Restatements relates to expenditure which has been moved from one expenditure line item to another to restate the disclosure in the statement of financial position and the statement of financial performance for the 2018/2019 financial year.

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

Statement of financial position

Inventories	-	374,460	-	374,460
Property, plant and equipment	-	7,316,150	-	7,316,150
Payables from exchange transactions	-	(68,740,955)	-	(68,740,955)
Vat payable	-	1,112,445	-	1,112,445

Statement of financial performance

Other income - donations	-	4,489,006	-	4,489,006
Employee related costs	-	(19,709)	-	(19,709)
Lease rentals on operating leases	-	(293,086)	-	(293,086)
Bulk purchases	-	(24,970,992)	-	(24,970,992)
Contracted services	-	(11,068,944)	-	(11,068,944)
General expenditure	-	(32,388,224)	-	(32,388,224)
Depreciation	-	(2,938,321)	-	(2,938,321)

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46. Prior period error and restatements - detailed

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Controlling entity - 2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	10	6,555,926	374,460	-	6,930,386
Receivables from exchange transactions	11	97,445,827	-	(50,235,493)	47,210,334
Receivables from non-exchange transactions	12	345,752	-	-	345,752
Bank reconciliation clearing account	9	-	-	50,235,493	50,235,493
Consumer debtors	13	217,817,607	-	-	217,817,607
Cash and cash equivalents	14	43,906,015	-	-	43,906,015
Property plant and equipment	4	2,688,111,716	7,316,150	-	2,695,427,866
Intangible assets	5	500,050	-	-	500,050
Receivables from exchange transactions	11	1,658,406	-	-	1,658,406
Receivables from non-exchange transactions	59&12	4,592,424	-	-	4,592,424
Prepayments	8	2,721,902	-	-	2,721,902
Operating lease liability	6&39	(556,147)	-	-	(556,147)
Payables from exchange transactions	20	(275,400,306)	(68,740,956)	-	(344,141,262)
Consumer deposits	21	(30,307,020)	-	-	(30,307,020)
Employee benefit obligation	7	(584,467)	-	-	(584,467)
Unspent conditional grants	15	(10,538,731)	-	-	(10,538,731)
Provisions	16	(26,817,562)	-	-	(26,817,562)
VAT payable	17	(72,079,977)	1,112,445	-	(70,967,532)
Other liabilities	19	(402,433)	-	-	(402,433)
Consumer debtors	18	(15,841,482)	-	-	(15,841,482)
Employee benefit obligation	7	(30,569,020)	-	-	(30,569,020)
		2,600,558,480	(59,937,901)	-	2,540,620,579

Payables from exchange transactions increased from R275,400,306 to R344,141,262 due to invoices submitted late in respect of expenditure which relates to the 2018/2019 financial year paid during the 2019/2020 financial year. A restatement of R68,743,021 in the statement of financial position.

Inventories increased from R6,555,926 to R6,930,385. an adjustemnt of R347,460 to water stock as at 30 June 2019. A service provider (Joat Group) was appointed to recalculate the value of water stock at year end.

Vat payable decreased from R72,079,977 to R70,967,532. A resatement of R1,112,445.

During the asset verification process in the 2019/2020 financial year assets were identified which were incorrectly capitalized and WIP "work in progress" has therefore been restated as at 30 June 2019. Property plant and equipment has been restated in the statement of financial position.

Total net assets therefore increased from R2,688,111,716 to R2,695,427,866 as a result of the prior period error adjustments of R7,316,150 as at 30 June 2019 was done and the statement of financial position has been restated.

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	2020	2019	2020	2019

46. Prior period error and restatements - detailed (continued)

Statement of financial performance

Controlling entity - 2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from service charges	23	221,150,003	-	-	221,150,003
Interest received - trading services	22	56,209,768	-	-	56,209,768
Other income	22	10,512,304	-	-	10,512,304
Other income - donations	22	-	4,489,006	-	4,489,006
Interest received - investments	22	7,090,300	-	-	7,090,300
Actuarial gains	7	5,934,317	-	-	5,934,317
Government grants	27&22	748,272,573	-	-	748,272,573
Employee related costs	29	(292,794,186)	(19,709)	-	(292,813,895)
Remuneration of Councillors	30	(6,485,619)	-	-	(6,485,619)
Depreciation and amortization	31	(73,133,947)	2,938,321	-	(70,195,626)
Finance costs	33	(4,924,723)	-	-	(4,924,723)
Lease rental on operating leases	39	(809,520)	(293,086)	-	(1,102,606)
Debt impairment provision	34	(136,548,615)	-	-	(136,548,615)
Incentive discounts	51	-	-	(6,881,740)	(6,881,740)
Bad debt written off	50	(6,915,182)	-	6,881,740	(33,442)
Transfers and subsidies	26	(1,608,414)	-	-	(1,608,414)
Bulk purchases	35	(21,003,126)	(24,970,992)	-	(45,974,118)
Contracted services	36	(87,094,950)	(11,068,944)	-	(98,163,894)
General expenditure	37	(151,247,523)	(32,388,224)	-	(183,635,747)
Gain / (Loss) on write off of assets	4	(943,319)	-	-	(943,319)
Surplus (deficit) for the year		265,660,141	(61,313,628)	-	204,346,513

Statement to changes in nett assets

	As previously reported	Correction of error	Change in accounting policy	Restated
	2,600,558,480	(59,937,901)	-	2,540,620,579
Subtotal	2,600,558,480	(59,937,901)	-	2,540,620,579
	2,600,558,480	(59,937,901)	-	2,540,620,579

R6,881,740 was moved from bad debt written off (R6,915,182) and re-classified as "incentive discounts" disclosed in the statement of financial performance.

Other income (donations) has increased by R4,489,006. This is due to Yellow plant donated to the Municipality by COGTA.

Employee related costs increased with R19,709 from R292,794,186 to R292,813,895 as at 30 June 2019.

Depreciation decreased from R73,133,947 to R70,195,626 due to adjustments in PPE as at 30 June 2019.

Lease rentals on operating leases increased with R293,086 from R809,520 to R1,102,606 as at 30 June 2019.

Bad debt written off has been re-classified in order to disclose incentive discount as a separate line item in the statement of financial performance.

Repairs and maintenance has been re-classified under contracted services and in terms of GRAP 17 maintenance and repairs must be disclosed by nature of expense under PPE. Refer to note 4 (PPE) for the detailed disclosure of maintenance and repairs).

Bulk purchases increased with R24,970,992 from R21,003,126 to R45,974,118 as at 30 June 2019.

Contracted services increased with R11,071,010 from R87,094,950 to R98,165,959 as at 30 June 2019.

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46. Prior period error and restatements - detailed (continued)

General expenditure increased with R32,388,224 from R151,247,523 to R183,635,747 as at 30 June 2019.

In terms of GRAP 1 and GRAP 3 operational grant expenditure has to be disclosed by nature of expense and therefore there is no line item in the statement of financial performance for the disclosure of grant expenditure.

Cash flow statement

Controlling entity - 2019

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Cash flow from operating activities						
Service charges		133,734,851	-	-	-	133,734,851
Grants		748,272,573	-	-	-	748,272,573
Interest income		7,090,300	-	-	-	7,090,300
Other cash items		10,512,304	4,489,006	-	-	15,001,310
Employee and councillor cost		(299,279,805)	(19,709)	-	-	(299,299,514)
Suppliers and other		(296,967,610)	17,809,129	-	-	(283,273,028)
Finance cost		(4,924,723)	-	-	-	(4,924,723)
		298,437,890	22,278,426	-	-	316,601,769
Cash flow from investing activities						
Property plant and equipment			(244,682,580)		34,023,941	(278,706,521)
Cash flow from financing activities						
Nett increase in other liabilities (consumer deposits)			6,711,541		(6,711,541)	-
Movement in other liabilities			(22,968,223)		22,968,223	-
Increase / (decrease) in finance lease liabilities			396,620		(396,620)	-
			(15,860,062)		15,860,062	-

Reclassifications

Due to amendments to GRAP1 and GRAP3 - "Presentation of Financial Statements", operational grants have to be disclosed by nature of expense and therefore has been reclassified in the statement of financial performance.

Due to amendments to Grap 17 - "Presentation of Financial Statements", repairs and maintenance has to be disclosed by nature of expense and has therefore been disclosed in note 4 under PPE.

Reclassification 1

Burial Services has been reclassified as contracted services - from general expenditure - other.

Artist and performers has been reclassified as contracted services - from general expenditure - other.

Employee wellnes has been reclassified as contracted services - from general expenditure - medical.

Maintenance and repairs has been reclassified as contracted services - from general expenditure.

Legal cost has been reclassified as contracted services - from general expenditure - consulting and professional fees.

Reclassification 2

Plant and equipment hier has been restated as general expenditure - from contracted services.

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46. Prior period error and restatements - detailed (continued)

Insurance has been reclassified as general expenditure - from contracted services.

Chemicals has been reclassified as general expenditure - from contracted services.

47. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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	Economic entity - 2020	Economic entity - 2019	Controlling entity - 2020	Controlling entity - 2019
Bank balance and cash	57,079,384	43,906,015	55,284,392	43,906,015
Consumer debtors from exchange transactions	234,854,257	217,817,607	234,854,257	217,817,607
Other receivables from exchange transactions	26,016,113	48,868,740	26,016,113	48,868,740
Receivables from no-exchange transactions	125,796	4,938,176	125,796	4,938,176

48. Going concern

We draw attention to the fact that at June 30, 2020, the Municipality had an accumulated surplus (deficit) of R 2,723,773,653 and cost coverage ratio is one month.

The Municipalities current liabilities R450,569,536 exceeds current assets R323,102,742 at 30 June 2020 and current ratio is 0.82 as opposed to the norm that ranges from 1.5 to 2.1 which casts a material uncertainty that the Municipality can continue as a going concern.

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

The Municipality started experiencing cash flow difficulties from the 2016/2017 financial year. A interim Finance Committee has been established during the 2018/2019 financial year to manage cash flow and monitor the implementation of cost containment measures. The financial position of the Municipality is improving and unspent conditional grants at year end are cash backed.

Management acknowledges the decrease in the cost coverage ratio with great concern and a budget funding plan was developed during 2019/2020 to address the situation. All high cost drivers have been identified and a strategy to deal with them has been developed and implementation is monitored.

It must be noted that the drought and related expenditure experienced during previous financial years had the biggest impact on the municipality's cash reserves.

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48. Going concern (continued)

COVID-19 pandemic also impacted negatively in the implementation of credit control and debt collection policy.

Management has developed a revenue enhancement strategy and is implementing the smart meter project in an effort to improve the cash position and reduce water losses.

Management has also implemented MFMA Circular 82 "Cost containment measures" in an effort to cut down on operational expenditure.

Subsistence and travelling.

Telephone costs.

Printing and stationery.

Fuel and oil (Fleet).

Security services.

Water tankering.

New appointments.

Maintenance of fleet, maintenance of pumps, maintenance of pipelines, reservoirs and plant (reticulation system).

Hire of plant and equipment (TLB's and sewer jetting machines).

Overtime and standby.

The ageing infrastructure and water purification plant operating beyond their design capacity is the biggest contributing factor to high maintenance cost.

The Municipality has developed a cost containment policy and the purpose of the policy is to regulate spending and to ensure that the resources of the Municipality are used effectively, efficiently and economically.

The core function of the Municipality is the provision of water and sanitation and the position of key manager, which is GM: Technical and Water Services Department has been vacant for more than two years.

Departments are submitting procurement plans to the SCM unit in order to manage cash outflows.

The Municipality has entered into an agreement with Umgeni Water to perform the bulk water function of behalf of the Municipality. Umgeni Water has taken over three of the water purification plants as from 1 January 2019 nl. Oliphantskop, Tugela Estate and the Ezakheni plant.

This has put a further strain on the budget of the Municipality and In order to be sustainable the Municipality will have to drastically improve on debt collection.

49. Events after the reporting date

The Municipal Manager was appointed as from 1 September 2020.

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	2020	2019	2020	2019
50. Bad debt written off				
Irrecoverable debt written off				
Indigent write-off (consumer debtors)	24,112,584	37,019	24,112,584	37,019
Indigent monthly rebates (consumer debtors)	893,322	-	893,322	-
Irrecoverable debt (consumer debtors)	31,240,099	-	31,240,099	-
Other bad debt written off (consumer debtors)	(602,392)	(3,577)	(602,392)	(3,577)
Monies transferred into wrong bank account - Mrs. R.E. Mashishi - Council resolution number A08/06/20 dated 26 June 2020	193,886	-	193,886	-
Payroll fraude - March 2012 to February 2014 - Council resolution number A09/06/20 dated 26 June 2020	4,592,424	-	4,592,424	-
Cashier shortages - Estcourt satellite office - Council resolution number A10/06/20 dated 26 June 2020	26,070	-	26,070	-
	60,455,993	33,442	60,455,993	33,442

51. Incentive discounts

The municipality offers incentive discounts to consumers in order to encourage consumers to pay their accounts and reduce outstanding debt.

Incentive discounts (Consumer debtors)

1/3 incentive discount	479,161	938,431	479,161	938,431
50% incentive discount	4,705,891	5,943,309	4,705,891	5,943,309
	5,185,052	6,881,740	5,185,052	6,881,740

52. Unauthorised expenditure

Total unauthorized expenditure at year end	58,807,738	140,631,224	58,807,738	140,631,224
Opening balance as previously reported	140,631,224	279,776,291	140,631,224	279,776,291
Opening balance as restated	140,631,224	279,776,291	140,631,224	279,776,291
Add: Expenditure identified - current	55,812,881	66,665,124	55,812,881	66,665,124
Less: amount written off June 2019 - Council resolution A02/06/19 dated 28 June 2019 (2013/2014 and 2014/2015)	-	(89,010,639)	-	(89,010,639)
Less: amounts written off June 2019 - Council resolution A02/06/19 dated 28 June 2019 (2015/2016)	-	(116,799,552)	-	(116,799,552)
Less: amounts written off August 2020 - Council resolution 12.3 dated 28 August 2020 (2017/2018)	(70,971,243)	-	(70,971,243)	-
Less: amounts written off August 2020 - Council resolution 12.3 dated 28 August 2020 (2018/2019)	(66,665,124)	-	(66,665,124)	-
Closing balance	58,807,738	140,631,224	58,807,738	140,631,224

Unauthorized expenditure is the result of overspending of the total amounts appropriated in the Municipalities budget for the financial year excluding non-cash items.

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52. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	73,414,604	16,913,063	73,414,604	16,913,063
Cash	55,812,881	49,752,061	55,812,881	49,752,061
	129,227,485	66,665,124	129,227,485	66,665,124

Disciplinary steps taken/criminal proceedings

No disciplinary steps has been taken and no criminal proceedings instituted.

53. Fruitless and wasteful expenditure

Opening balance as previously reported	2,002,957	333,077	2,002,957	333,077
Opening balance as restated	2,002,957	333,077	2,002,957	333,077
Add: Expenditure identified - current	11,612,520	1,988,240	11,612,520	1,988,240
Less: Amounts written off - 31st August 2018	-	(106,770)	-	(106,770)
Less: Amounts written off - 2014/2015 and prior years - Council resolution A02/06/19 dated 28 June 2019	-	(91,327)	-	(91,327)
Less: Amount written off - 2015/2016 - Council resolution A02/06/19 dated 28 June 2019	-	(120,263)	-	(120,263)
Less: Amount written off - 2018/2019 - Council resolution 12.3 dated 28 August 2020	(1,988,240)	-	(1,988,240)	-
Less: Amounts written off 2019/2020 - Council resolution 12.3 dated 28 August 2020	(162,162)	-	(162,162)	-
Closing balance	11,465,075	2,002,957	11,465,075	2,002,957

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	2020	2019	2020	2019	
53. Fruitless and wasteful expenditure (continued)					
Expenditure identified in the current year include those listed below:					
Service providers					
Eskom	39,305	81,948	39,305	81,948	
Watersol	-	6,458	-	6,458	
Telkom	708	1,697	708	1,697	
Alfred Duma Local Municipality	47,561	29,873	47,561	29,873	
Berrange Incorporated	-	65,443	-	65,443	
Inkosi Langalibalele Local Municipality	1,777,521	-	1,777,521	-	
Macaulay & Riddel	-	2,237	-	2,237	
Auditor General	36,413	17,966	36,413	17,966	
Munsoft	10,518	-	10,518	-	
Lalparsad Inc. Trust	-	1,330,890	-	1,330,890	
Justin Heunis Attorneys	27,600	-	27,600	-	
Quickstep	-	74,441	-	74,441	
Wesbank	-	38,669	-	38,669	
Umgeni Water	6,749,112	338,618	6,749,112	338,618	
SARS	483,579	-	483,579	-	
Motor Factors	53,797	-	53,797	-	
Netstar	2,386,406	-	2,386,406	-	
	11,612,520	1,988,240	11,612,520	1,988,240	
Disciplinary steps taken/criminal proceedings					
Fruitless and wasteful expenditure - (2017/2018) - AZAR Attorney	No disciplinary steps taken and no criminal proceedings	-	106,770	-	106,770
Fruitless and wasteful expenditure - 2014/2015	No disciplinary steps taken and no criminal proceedings	-	91,327	-	91,327
Fruitless and wasteful expenditure - 2015/2016	No disciplinary steps taken and no criminal proceedings	-	120,263	-	120,263
Fruitless and wasteful expenditure - 2018/2019	No disciplinary steps taken and no criminal proceedings	1,988,240	-	1,988,240	-
Fruitless and wasteful expenditure - 2019/2020	No disciplinary steps taken and no criminal proceedings	162,162	-	162,162	-
		2,150,402	318,360	2,150,402	318,360

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	2020	2019	2020	2019

53. Fruitless and wasteful expenditure (continued)

Fruitless and waste full expenditure in respect of AZAR Attorneys amounting to R106,770 were written off by Council on The 31st of August 2018 after futher investigations was performed.

The amount of R65,443 paid to Berrange Incorporated was for interest on retention in respect of AJT plant hire.

The amount of R1,330,890 paid to Lalparsad Inc. Trust was for interest as per Court judgement in respect of Ubunsima Trading.

The amount of R74,441 paid to Quicstep was for interest on late payment.

The amount of R338,618 (2018/2019) and R6,749,112 (2019/2020) relates to interest charged by Umgeni Water for late payment.

The amount of R1,777,521 (2019/2020) relates to interest charged by Inkosi Langalibalela Local Municipality for late payment.

The amount of R2,286,406 (2019/2020) relates to Netstar debit orders which were not cancelled.

Amounts recoverable

Watersol - after the Council Committee (IMPAC) investigation, Council resolved to write off the amount of R6,458.

Inkosi Langalibalele Local Municipality - after the Council Committee (IMPAC) investigation it was resolved that the Municipality engage with the Local Municipality to reverse the interest charges.

Watersol - interest on chlorine gas cylinder not returned - failure to follow proper SCM processes	-	6,458	-	6,458
Inkosi Langalibalele Local Municipality - interest charged on electricity accounts	1,777,521	-	1,777,521	-
	<u>1,777,521</u>	<u>6,458</u>	<u>1,777,521</u>	<u>6,458</u>

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	2020	2019	2020	2019

53. Fruitless and wasteful expenditure (continued)

Amounts written-off

After the Council Committee investigations, Council adopted the Council Committee recommendation and the following were written off.

	Condoned by Council				
Written off - AZAR Attorneys - Council 31 August 2018	Council resolution 31 August 2018	-	106,770	-	106,770
Written off in respect of the 2017/2018 financial year	Council resolution A02/06/19 dated 28 June 2019	-	211,590	-	211,590
Written off in respect of the 2018/2019 financial year	Council resolution 12.3 dated 28 August 2020	1,988,240	-	1,988,240	-
Written off in respect of the 2019/2020 financial year	Council resolution 12.3 dated 28 August 2020	162,162	-	162,162	-
		2,150,402	318,360	2,150,402	318,360

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
54. Irregular expenditure				
Opening balance as previously reported	519,177,278	329,295,808	519,177,278	329,295,808
Add: irregular expenditure - current year	134,285,885	233,130,039	134,285,885	233,130,039
Adjustments	653,463,163	562,425,847	653,463,163	562,425,847
Less: Amount written off - 2016/2017 - Council resolution A02/06/19 dated 28 June 2019	-	(55,681,855)	-	(55,681,855)
Less: amounts written off - 2017/2018 - Council resolution 12.3 dated 28 August 2020	(254,670,872)	-	(254,670,872)	-
Less: amounts written off - 2018/2019 - Council resolution 12.3 dated 28 August 2020	(238,171,211)	-	(238,171,211)	-
Less: amounts written off - 2019/2020 - Council resolution 12.3 dated 28 August 2020	(100,969,376)	-	(100,969,376)	-
Add: irregular expenditure - prior period	-	12,433,286	-	12,433,286
Closing balance	59,651,704	519,177,278	59,651,704	519,177,278

Management went as far back as possible to identify irregular expenditure for the disclosure in the financial statements.

Amounts disclosed is exclusive of VAT.

R254,670,872 was written off in respect of the opening balance of R329,295,807. The remaining R74,624,935 paid to service providers for water tankering in respect of 2017/2018 be put on hold until the investigation is finalized.

The amount of R7,392,113 paid to Mayibuye Consulting in respect of the 2018/2019 financial year was put on hold until the investigation is finalized.

The amount of R7,004,166 paid to service providers for water tankering services in respect of 2019/2020 and the amount of R1,752,773 paid to Mayibuye Consulting in respect of the 2019/2020 financial year was put on hold until the investigation is finalized.

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

54. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

Deviations

Section 32 deviations	31,317,686	22,241,832	31,317,686	22,241,832
Non-compliance with SCM regulations	92,045,235	164,161,875	92,045,235	164,161,875
Expired contracts	9,126,514	42,100,794	9,126,514	42,100,794
Less than three quotations received	-	4,625,538	-	4,625,538
Irregular expenditure adjustments	1,796,450	-	1,796,450	-
	134,285,885	233,130,039	134,285,885	233,130,039

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Figures in Rand		Economic entity		Controlling entity	
		2020	2019	2020	2019
54. Irregular expenditure (continued)					
Irregular expenditure incurred 2016/2017 financial year	Disciplinary steps taken/criminal proceedings No disciplinary steps and no criminal proceedings	-	55,681,855	-	55,681,855
Irregular expenditure incurred 2017/2018 financial year	No disciplinary steps and no criminal proceedings	254,670,872	-	254,670,872	-
Irregular expenditure incurred 2018/2019 financial year	No disciplinary steps and no criminal proceedings	238,171,211	-	238,171,211	-
Irregular expenditure incurred 2019/2020 financial year	No disciplinary steps and no criminal proceeding	100,969,376	-	100,969,376	-
		593,811,459	55,681,855	593,811,459	55,681,855

A close family member (spouse) of Nishi Sewepersad - Finance department cashier - is a director of the award company "Daves Panelbeaters".

The award was for R21,500 (repairs to vehicles).

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
54. Irregular expenditure (continued)				
Amounts written-off				
After the council committee investigations, council adopted the council committee recommendations and amounts were written of as listed below.				
Irregular expenditure - 2016/2017 - Council resolution A02/06/19 dated 28 June 2019	-	55,681,855	-	55,681,855
Irregular expenditure - 2017/2018 - Council resolution 12.3 dated 28 August 2020	254,670,872	-	254,670,872	-
Irregular expenditure - 2018/2019 - Council resolution 12.3 dated 28 August 2020	238,171,211	-	238,171,211	-
Irregular expenditure - 2019/2020 - Council resolution 28 August 2020	100,969,376	-	100,969,376	-
	593,811,459	55,681,855	593,811,459	55,681,855
55. Additional disclosure in terms of Municipal Finance Management Act				
Contributions to organised local government				
Current year subscription / fee	2,726,902	2,984,004	2,726,902	2,984,004
Amount paid - current year	(2,726,902)	(2,984,004)	(2,726,902)	(2,984,004)
	-	-	-	-
Audit fees				
Current year subscription / fee	3,800,000	3,038,637	3,800,000	3,038,637
Amount paid - current year	(3,800,000)	(3,038,637)	(3,800,000)	(3,038,637)
	-	-	-	-
PAYE, UIF and SDL				
Current year subscription / fee	55,928,209	48,707,462	55,928,209	48,707,462
Amount paid - current year	(55,928,209)	(48,707,462)	(55,928,209)	(48,707,462)
	-	-	-	-
Pension and Medical Aid Deductions				
Current year subscription / fee	53,394,507	45,068,405	53,394,507	45,068,405
Amount paid - current year	(53,394,507)	(45,068,405)	(53,394,507)	(45,068,405)
	-	-	-	-
56. Actual operating expenditure versus budgeted operating expenditure				
Refer to "Statement of comparison of budget and actual amounts" for the comparison of actual operating expenditure versus budgeted expenditure.				

Uthukela District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
57. Deviation from supply chain management regulations				
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.				
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the consolidated annual financial statements.				
Supply chain deviations				
Deviations supported by approval memos	1,657,929	6,820,802	1,657,929	6,820,802
Section 36 Deviations	2,455,930	-	2,455,930	-
Less than the minimum of three responses received	-	62,250	-	62,250
Sole supplier for the renewal of IT licensing	-	29,860	-	29,860
	4,113,859	6,912,912	4,113,859	6,912,912
58. Water Losses				
Water losses				
Apparent losses; unauthorized consumption	36,988,271	25,944,474	36,988,271	25,944,474
Apparent losses: customer meter inaccuracies	3,278,345	3,163,960	3,278,345	3,163,960
Real losses: leakage on transmission and distribution mains	82,811,363	60,419,181	82,811,363	60,419,181
Real losses: leakage on overflows at storage tanks/reservoirs	591,510	24,167,672	591,510	24,167,672
Real losses: leakage on service connections up to the point of customer meter	34,899,075	36,251,508	34,899,075	36,251,508
Sub total	158,568,564	149,946,795	158,568,564	149,946,795
Sub total brought forward	158,568,564	149,946,795	158,568,564	149,946,795
Data transfer and management errors	-	2,531,168	-	2,531,168
Unavoidable annual real losses	-	93,670,002	-	93,670,002
	158,568,564	246,147,965	158,568,564	246,147,965
Water losses				
Units purchased (41,619,941 kiloliters)	324,689,646	306,492,280	324,689,646	306,492,280
Units sold (13,303,822 kiloliters)	(138,196,493)	(191,812,319)	(138,196,493)	(191,812,319)
Water losses (28,316,119 kiloliters)	186,493,153	114,679,961	186,493,153	114,679,961
Comprising of:				
Technical losses	158,568,573	19,571,391	158,568,573	19,571,931
Non-technical losses	62,141,903	2,886,825	62,141,903	2,886,825
	220,710,476	22,458,216	220,710,476	22,458,756

The use of the IWA templet was introduced in June 2017 and therefore the calculation of water losses was based on this new templet.

The Municipality appointed an Engineer from an independent company "Joat" to prepare the water loss calculations.

The table below represents the water losses as a percentage.

Percentage loss				
Water losses (%)	<u>68</u>	<u>64</u>	<u>68</u>	<u>64</u>

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Consolidated Annual Financial Statements for the year ended June 30, 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
59. Fraudulant activities				
Heading				
Payroll fraude - March 2012 to February 2014	-	4,592,424	-	4,592,424
Cashier shortages - Estcourt satellite office - May 2017	-	26,070	-	26,070
KZN Transport - fleet related	14,755	14,755	14,755	14,755
Various service providers - fuel and oil - fleet related	6,000,000	6,000,000	6,000,000	6,000,000
	6,014,755	10,633,249	6,014,755	10,633,249

Council has identified fraudulent activities on the payroll which took place over the period March 2012 to February 2014. The Internal Audit Unit has verified the fraudulent transactions which amounted to R4,592,424 in total. Initially it was 27 employees whom were identified to be involved in these fraudulent activities. All 22 were dismissed.

The employees in question referred the matter to arbitration. All cases which have been finalized were in favour of the Municipality. From the arbitration hearings two cases were referred to the Labour Court.

Council has through a litigation process attempting to recover all monies. Cases have been opened however the process is in the hands of the National Prosecuting Authority and the process has been halted. There is doubt to the possibility of recovery.

The amount of R4,592,424 was written off with Council resolution number A09/06/20 taken at a Council meeting held on the 26th of June 2020.

During May 2017 the cashier in the Estcourt satellite office issued receipts to the amount of R25,770 which could not be reconciled with the daily deposits. Upon investigation it was found that not only was the money not deposited by the cashier but her float of R300 was also missing.

The cashier absconded and has not returned for duty. The Senior Debtors Clerk made a sworn statement with the SAPS on the 7th of July 2017 and management has resolved to initiate criminal action against the cashier.

The amount of R26,070 was written off with Council resolution number A10/06/20 taken at a Council meeting held on the 26th of June 2020.

The amount of R14,755 "KZN Transport" relates to the pending investigation on fleet related matters.

The amount of R6,000,000 (2017/2018) relates to pending investigation on fleet related matters.

Also refer to note 11.

Uthukela District Municipality
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Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2020
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4,770,771	-	-	-	-	-	4,770,771	-	-	-	-	-	-	4,770,771
Buildings (Separate for AFS purposes)	37,618,841	-	-	-	-	-	37,618,841	(4,284,103)	-	-	(1,285,372)	-	(5,569,475)	32,049,366
	42,389,612	-	-	-	-	-	42,389,612	(4,284,103)	-	-	(1,285,372)	-	(5,569,475)	36,820,137
Infrastructure														
Water and sewerage purification	2,405,417,183	27,248,657	(1,743,788)	-	-	-	2,430,922,052	(543,020,744)	1,485,649	-	(51,112,972)	-	(592,648,067)	1,838,273,985
Sewerage purification	327,088,055	-	(31,500)	-	-	-	327,056,555	(157,212,699)	30,275	-	(6,594,652)	(3,203,311)	(166,980,387)	160,076,168
	2,732,505,238	27,248,657	(1,775,288)	-	-	-	2,757,978,607	(700,233,443)	1,515,924	-	(57,707,624)	(3,203,311)	(759,628,454)	1,998,350,153
Community Assets														

Uthukela District Municipality
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June 2020

Analysis of property, plant and equipment as at 30 June 2020
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	61,051,039	9,895,379	(2,506,261)	-	-	-	68,440,157	(49,035,772)	2,260,479	-	(5,910,696)	(33,764)	(52,719,753)	15,720,404
Office equipment	6,637,040	248,248	(28,940)	-	-	-	6,856,348	(4,311,417)	23,527	-	(503,479)	-	(4,791,369)	2,064,979
Computer Equipment	4,317,869	52,782	(26,768)	-	-	-	4,343,883	(2,757,402)	25,200	-	(437,698)	-	(3,169,900)	1,173,983
Work in progress	615,093,226	225,814,477	-	(18,131,282)	-	(2,254,170)	820,522,251	-	-	-	-	-	-	820,522,251
Other	112,215	864,121	-	-	-	-	976,336	(2,811)	-	-	(80,707)	-	(83,518)	892,818
	687,211,389	236,875,007	(2,561,969)	(18,131,282)	-	(2,254,170)	901,138,975	(56,107,402)	2,309,206	-	(6,932,580)	(33,764)	(60,764,540)	840,374,435

Uthukela District Municipality
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June 2020

Analysis of property, plant and equipment as at 30 June 2020
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	42,389,612	-	-	-	-	-	42,389,612	(4,284,103)	-	-	(1,285,372)	-	(5,569,475)	36,820,137
Infrastructure	2,732,505,238	27,248,657	(1,775,288)	-	-	-	2,757,978,607	(700,233,443)	1,515,924	-	(57,707,624)	(3,203,311)	(759,628,454)	1,998,350,153
Other assets	687,211,389	236,875,007	(2,561,969)	(18,131,282)	-	(2,254,170)	901,138,975	(56,107,402)	2,309,206	-	(6,932,580)	(33,764)	(60,764,540)	840,374,435
	3,462,106,239	264,123,664	(4,337,257)	(18,131,282)	-	(2,254,170)	3,701,507,194	(760,624,948)	3,825,130	-	(65,925,576)	(3,237,075)	(825,962,469)	2,875,544,725
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	786,557	-	-	-	-	-	786,557	(286,507)	-	-	(26,797)	-	(313,304)	473,253
	786,557	-	-	-	-	-	786,557	(286,507)	-	-	(26,797)	-	(313,304)	473,253
Investment properties														
Total														
Land and buildings	42,389,612	-	-	-	-	-	42,389,612	(4,284,103)	-	-	(1,285,372)	-	(5,569,475)	36,820,137
Infrastructure	2,732,505,238	27,248,657	(1,775,288)	-	-	-	2,757,978,607	(700,233,443)	1,515,924	-	(57,707,624)	(3,203,311)	(759,628,454)	1,998,350,153
Other assets	687,211,389	236,875,007	(2,561,969)	(18,131,282)	-	(2,254,170)	901,138,975	(56,107,402)	2,309,206	-	(6,932,580)	(33,764)	(60,764,540)	840,374,435
Intangible assets	786,557	-	-	-	-	-	786,557	(286,507)	-	-	(26,797)	-	(313,304)	473,253
	3,462,892,796	264,123,664	(4,337,257)	(18,131,282)	-	(2,254,170)	3,702,293,751	(760,911,455)	3,825,130	-	(65,952,373)	(3,237,075)	(826,275,773)	2,876,017,978

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Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4,770,771	-	-	-	-	-	4,770,771	-	-	-	-	-	-	4,770,771
Buildings (Separate for AFS purposes)	37,618,841	-	-	-	-	-	37,618,841	(2,998,767)	-	-	(1,285,336)	-	(4,284,103)	33,334,738
	42,389,612	-	-	-	-	-	42,389,612	(2,998,767)	-	-	(1,285,336)	-	(4,284,103)	38,105,509
Infrastructure														
Water and Sewerage purification	2,330,078,110	3,799,521	-	76,128,759	-	-	2,410,006,390	(492,727,900)	-	2,943,072	(53,235,917)	-	(543,020,745)	1,866,985,645
Sewerage purification	312,116,100	889,138	-	9,493,610	-	-	322,498,848	(149,765,946)	-	-	(7,446,754)	(5,943,824)	(163,156,524)	159,342,324
	2,642,194,210	4,688,659	-	85,622,369	-	-	2,732,505,238	(642,493,846)	-	2,943,072	(60,682,671)	(5,943,824)	(706,177,269)	2,026,327,969
Community Assets														

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June 2020

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	60,194,302	2,546,781	(1,690,044)	-	-	-	61,051,039	(40,171,198)	1,281,726	-	(10,146,300)	-	(49,035,772)	12,015,267
Computer Equipment	5,243,950	430,388	(1,531,737)	-	-	-	4,142,601	(3,474,618)	1,196,074	-	(474,111)	-	(2,752,655)	1,389,946
Office Equipment	7,443,583	142,485	(949,028)	-	-	175,268	6,812,308	(4,557,738)	749,690	(4,747)	(503,370)	-	(4,316,165)	2,496,143
Work in progress	477,045,458	238,403,275	-	(85,622,369)	-	2,701,123	632,527,487	-	(17,434,261)	-	-	-	(17,434,261)	615,093,226
Other	-	112,215	-	-	-	-	112,215	-	-	-	(2,811)	-	(2,811)	109,404
	549,927,293	241,635,144	(4,170,809)	(85,622,369)	-	2,876,391	704,645,650	(48,203,554)	(14,206,771)	(4,747)	(11,126,592)	-	(73,541,664)	631,103,986

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June 2020

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	42,389,612	-	-	-	-	-	42,389,612	(2,998,767)	-	-	(1,285,336)	-	(4,284,103)	38,105,509
Infrastructure	2,642,194,210	4,688,659	-	85,622,369	-	-	2,732,505,238	(642,493,846)	-	2,943,072	(60,682,671)	(5,943,824)	(706,177,269)	2,026,327,969
Other assets	549,927,293	241,635,144	(4,170,809)	(85,622,369)	-	2,876,391	704,645,650	(48,203,554)	(14,206,771)	(4,747)	(11,126,592)	-	(73,541,664)	631,103,986
	3,234,511,115	246,323,803	(4,170,809)	-	-	2,876,391	3,479,540,500	(693,696,167)	(14,206,771)	2,938,325	(73,094,599)	(5,943,824)	(784,003,036)	2,695,537,464
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	786,557	-	-	-	-	-	786,557	(244,348)	-	-	(42,159)	-	(286,507)	500,050
	786,557	-	-	-	-	-	786,557	(244,348)	-	-	(42,159)	-	(286,507)	500,050
Investment properties														
Total														
Land and buildings	42,389,612	-	-	-	-	-	42,389,612	(2,998,767)	-	-	(1,285,336)	-	(4,284,103)	38,105,509
Infrastructure	2,642,194,210	4,688,659	-	85,622,369	-	-	2,732,505,238	(642,493,846)	-	2,943,072	(60,682,671)	(5,943,824)	(706,177,269)	2,026,327,969
Other assets	549,927,293	241,635,144	(4,170,809)	(85,622,369)	-	2,876,391	704,645,650	(48,203,554)	(14,206,771)	(4,747)	(11,126,592)	-	(73,541,664)	631,103,986
Intangible assets	786,557	-	-	-	-	-	786,557	(244,348)	-	-	(42,159)	-	(286,507)	500,050
	3,235,297,672	246,323,803	(4,170,809)	-	-	2,876,391	3,480,327,057	(693,940,515)	(14,206,771)	2,938,325	(73,136,758)	(5,943,824)	(784,289,543)	2,696,037,514

Uthukela District Municipality

Appendix D

June 2020

**Segmental Statement of Financial Performance for the year ended
Prior Year Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	23,040,558	(23,040,558)	Executive & Council/Mayor and Council	52,617	62,132,277	(62,079,660)
323,862,936	129,042,630	194,820,306	Finance & Admin/Finance	453,180,932	170,229,403	282,951,529
-	10,199,791	(10,199,791)	Planning and Development/Economic Development/Plan	846,705	25,396,511	(24,549,806)
-	9,898,690	(9,898,690)	Health/Clinics	-	29,788,961	(29,788,961)
27,882,777	-	27,882,777	Waste Water Management/Sewerage	27,882,777	-	27,882,777
264,655,329	239,872,860	24,782,469	Water/Water Distribution	531,060,093	522,780,395	8,279,698
616,401,042	412,054,529	204,346,513		,013,023,124	810,327,547	202,695,577
Municipal Owned Entities						
1,970,218	1,847,261	122,957	NULL	3,533,897	2,660,029	873,868
1,970,218	1,847,261	122,957		3,533,897	2,660,029	873,868
Other charges						
616,401,042	412,054,529	204,346,513	Municipality	,013,023,124	810,327,547	202,695,577
1,970,218	1,847,261	122,957	Municipal Owned Entities	3,533,897	2,660,029	873,868
618,371,260	413,901,790	204,469,470	Total	,016,557,021	812,987,576	203,569,445

Uthukela District Municipality

Appendix E(1)

June 2020

Yearly

	Forecast # 1 2020 Bud. Amt	Forecast # 1 2020 Act. Bal.	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Service charges	267,758,000	160,775,946	106,982,054	66.5	Service charges were not accurately budgeted for.
Interest received (trading)	63,528,000	59,908,929	3,619,071	6.0	Outstanding debt has increased due to non-payment of accounts however budget was over provided for.
Government grants - operating	459,776,000	442,212,703	17,563,297	4.0	
Government grants - capital	313,914,000	322,673,587	(8,759,587)	(2.7)	Addition agrant funding was received.
Other income	57,044,000	2,402,600	54,641,400	274.3	
Actuarial gains	-	3,342,941	(3,342,941)	(100.0)	Were not budgeted for.
Gain on disposal of assets and liabilities	-	2,194,621	(2,194,621)	(100.0)	Were not budgeted for.
Interest received - investment	5,640,000	6,564,929	(924,929)	(14.1)	Surplus cash was invested.
Public contributions and donations	-	10,145,379	(10,145,379)	(100.0)	This was not budgeted for
	<u>1,67,660,000</u>	<u>1,010,221,635</u>	<u>157,438,365</u>	<u>15.6</u>	
Expenses					
Personnel	(306,370,000)	(332,096,724)	25,726,724	(7.7)	Expenditure exceeded budget due to high overtime claims.
Remuneration of councillors	(6,342,000)	(6,486,438)	144,438	(2.2)	
Transfer payments	-	(853,925)	853,925	(100.0)	
Depreciation	(58,644,000)	(65,952,375)	7,308,375	(11.1)	Depreciation was not accurately budgeted for.
Impairments	-	(33,764)	33,764	(100.0)	Impairment of PPE was not budgeted for
Reversal of impairments	-	2,740,513	(2,740,513)	(100.0)	
Finance costs	-	(8,777,208)	8,777,208	(100.0)	Finance costs were not budgeted for.
Debt Impairment	(168,789,000)	(40,012,732)	(128,776,268)	321.8	Debt impairment were not realistically budgeted for.
Bad debt write off	-	(65,641,045)	65,641,045	(100.0)	This was not budgeted for
Repairs and maintenance - General	(8,950,000)	-	(8,950,000)	-	Repairs and maintenance is included in contracted services and discolsed under note 4 "PPE"
Lease rentals on operating leases	-	(1,725,683)	1,725,683	(100.0)	Budgeted under general expenditure
Bulk purchases	(131,342,000)	(126,376,292)	(4,965,708)	3.9	DWS has billed the Municipality for raw water abstraction and Umgeni Water has billed the Municipality for purified water.
Contracted Services	(47,926,000)	(44,605,166)	(3,320,834)	7.4	Not accurately budgeted for.
General Expenses	(138,416,000)	(116,319,224)	(22,096,776)	19.0	Not accurately budgeted for.
	<u>(866,779,000)</u>	<u>(806,140,063)</u>	<u>(60,638,937)</u>	<u>7.5</u>	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	-	(512,127)	512,127	(100.0)	Loss on disposal of assets were not budgeted for.
	-	(512,127)	512,127	(100.0)	
Net surplus/ (deficit) for the year					
	<u>300,881,000</u>	<u>203,569,445</u>	<u>97,311,555</u>	<u>47.8</u>	