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

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Nyandeni Local municipality is a South African Category 3 municipality as defined by the Municipal Structures Act No.117 of 1998.The Municipality's operations are governed by the Contitution, Municipal Finance Management Act 56 of 2003, The Municipal Structure's Act 117 of 1998, Municipal Systems Act 32 of 2000 and various legislation and regulations.
The following is included in the scope of operation	The Nyandeni Local Municipality includes the following areas Libode Ngqeleni
Full - time Councillors	
Honourable Mayor	M.D. Ngqondwana
Speaker	N.P. Matanda
Chief Whip	M.R. Mtobela
EXCO Members	Z. Mevana - Portfolio Head Budget & Treasury M.P. Diniso - Portfolio Head Planning, Research and IGR Z. Nondlevu - Portfolio Head Infrastructure Development W. Ngaveli - Portfolio Head Community Services & Public Safety T. Matika-Mncube - Portfolio Head Corporate Services N. Thiyeka - Portfolio Head LED & Rural Development M. Magxala - Mayors Office P. Godongwana - Portfolio Head HUman Settlement, Spatial Planning & Disaster Management V.B. Zondani - Portfolio Head Special Programs Unit
Chairpeson of Section 79 Committees	
	N.P. Ntoza - Womens caucus .N Jim - Members Interest X.A. Dlani - Public Participation & Petition N Tyopo - Municipal Public Accounts Committee

General Information

Part-time Councillors	Z. Mchithakali
	N. Nonkothama
	P.P. Sineke
	T. Zweni
	P. Matinise
	N.P. Ntshoyi
	P. Madwantsi
	L. Mziba
	N. Mchithakali
	N. Gqetywa
	M. Mkrokrelwa
	P.N Tswina
	P. Gazula
	M. Sifici
	K.S. Mohlomi
	L. Tshotsho
	M.A. Makhetha
	Z. Matomela
	S.S. Nogumla
	V. Nomqonde
	Z. Mdingi
	N. Tshotsho
	M. Langa
	C.M. Kuzo
	Z. Bodoza
	Y Sitsheke
	M.T. Mkhosana
	Z. Mantantana
	N. Nonkonyana
	A. Nkunzi
	M.K. Tshatshelo
	T. Macingwane
	T.H. Mbiko
	M. Hoya
	J. Maqubela
	M. Ntanzi
	N.L. Vanda
	F.Mbodloyi
	X. Pakade
	N.N. Devete
	C. Nazo
	M. John
	M.C. Mbangiswana
	F.E. Rhozani
	B.C. Dobha

General Information

Terminated councillors	N. Fodo (Deceased) T.E. Kupelo (Deceased) X. Ntloko (Deceased) M.Q.H. Lumko (Expiry of term) N.S. Ngangaza (Expiry of term) M. Qoyo (Expiry of term) M.B. Dambuza (Expiry of term) Z. Hibane (Expiry of term) N. Mahlungu (Expiry of term) M. Dukiso (Expiry of term N.J.H Pato (Expiry of term) N. Malindi (Expiry of term) N.C. Gqetywa (Expiry of term) E.S. Mkizwana (Expiry of term) T. Nompetsheni (Expiry of term) N.L. Gonyela (Expiry of term) Z.W. Mamve (Expiry of term) M. Magavu (Expiry of term) R.Z. Matiwane (Expiry of term) N. Nkwahla (Expiry of term) M.Z. Nomandela (Expiry of term) J.M. Klaas (Expiry of term) N.L. Vanda (Expiry of term) R.N. Dlutu (Expiry of term) B. Mavumbengwe (Expiry of term) N. Nuku (Expiry of term) S. Mbiyozo (Expiry of term) J. Mabuya (Expiry of term) S. Qaqa (Expiry of term) T. Sokanyile (Expiry of term)
Grading of local authority	3
Accounting Officer	N Nomandela
Chief Finance Officer (CFO)	B K Benxa
Registered office	BN Nomandela Drive Libode 5160
Postal address	Private Bag X504 Libode 5160
Bankers	First National Bank, Mthatha Standard Bank, Mthatha
Auditors	Office of the Auditor - General (Eastern Cape)
Attorneys	J A Le Roux Attorneys A S Zono & Associates Sigqibo Maqambayi Attorneys

Index

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

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

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that she 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 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 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 has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

External auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 6 to 67, which have been prepared on the going concern basis, were approved by the Accounting Officer   on 31 August 2017 and were signed on its behalf by:

N Nomandela
Municipal Manager

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	3	279,551	359,811
VAT receivable	4	4,402,345	5,139,985
Consumer debtors	5	1,702,551	1,397,874
Other receivables	45	-	227,164
Receivables from non-exchange transactions	6	49,805	21,600
Cash and cash equivalents	7	134,319,513	101,946,610
		140,753,765	**109,093,044**
Non-Current Assets			
Investment property	8	65,151,000	62,053,300
Property, plant and equipment	9	384,539,788	343,171,372
Intangible assets	10	202,377	659,147
		449,893,165	**405,883,819**
Non-Current Assets		449,893,165	405,883,819
Current Assets		140,753,765	109,093,044
Total Assets		**590,646,930**	**514,976,863**
Liabilities			
Current Liabilities			
Finance lease obligation	12	332,975	453,144
Payables from exchange transactions	13	14,093,222	11,071,910
Employee benefit obligation	14	512,834	763,861
Unspent conditional grants and receipts	15	216,881	2,617,675
Retentions	17	6,822,840	5,209,269
Income received in advance		415,694	268,860
		22,394,446	**20,384,719**
Non-Current Liabilities			
Finance lease obligation	12	234,982	623,537
Employee benefit obligation	14	4,246,553	3,661,728
Provisions	16	638,526	571,445
		5,120,061	**4,856,710**
Non-Current Liabilities		5,120,061	4,856,710
Current Liabilities		22,394,446	20,384,719
Total Liabilities		**27,514,507**	**25,241,429**
Assets		590,646,930	514,976,863
Liabilities		(27,514,507)	(25,241,429)
Net Assets		**563,132,423**	**489,735,434**
Reserves			
Revaluation reserve		5,394,300	2,296,600
Accumulated surplus		557,738,123	487,438,834
Total Net Assets		**563,132,423**	**489,735,434**

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

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	202,400	199,794
Rental of facilities and equipment		178,208	61,441
Interest received (trading)	20	1,163,265	203,866
Fees earned		49,996	43,788
Commissions received		178,459	173,962
Recoveries	22	1,965,474	-
Fair value gain on short term investments		-	266,930
Other income	19	8,855,183	3,498,784
Interest received - investment	23	8,198,053	7,231,406
Total revenue from exchange transactions		**20,791,038**	**11,679,971**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	5,725,994	5,604,890
Transfer revenue			
Government grants & subsidies	25	290,556,793	304,790,325
Fines, Penalties and Forfeits		195,901	75,800
Donations received	21	-	10,903,681
Total revenue from non-exchange transactions		**296,478,688**	**321,374,696**
		20,791,038	11,679,971
		296,478,688	321,374,696
Total revenue	22	**317,269,726**	**333,054,667**
Expenditure			
Employee related costs	29	(113,638,116)	(105,284,739)
Remuneration of councillors	28	(18,411,388)	(17,000,908)
Depreciation and amortisation	30	(35,084,457)	(31,807,464)
Impairment loss/Reversal of impairment	50	(1,604,127)	(5,135,458)
Finance costs	31	(130,606)	(160,647)
Fair value loss on short term investments		(2)	(192,559)
Repairs and maintenance		(4,571,579)	(4,964,487)
General Expenses	26	(69,874,193)	(87,474,545)
Total expenditure		**(243,314,468)**	**(252,020,807)**
		-	-
Total revenue		317,269,726	333,054,667
Total expenditure		(243,314,468)	(252,020,807)
Operating surplus		**73,955,258**	**81,033,860**
Loss on disposal of assets and liabilities		(3,655,968)	(3,252,747)
Fair value adjustment	49	3,097,700	-
		(558,268)	**(3,252,747)**
Operating surplus/deficit		(558,268)	(3,252,747)
Surplus before taxation		73,396,990	77,781,113
Taxation		-	-
Surplus for the year		**73,396,990**	**77,781,113**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	2,296,600	407,314,982	409,611,582
Adjustments			
Correction of errors	-	2,342,739	2,342,739
Balance at 01 July 2015 as restated*	**2,296,600**	**409,657,721**	**411,954,321**
Changes in net assets			
Surplus for the year	-	77,781,113	77,781,113
Total changes	-	77,781,113	77,781,113
Restated* Balance at 01 July 2016	**2,296,600**	**487,438,833**	**489,735,433**
Changes in net assets			
Revaluation of Investment property	3,097,700	-	3,097,700
Net income (losses) recognised directly in net assets	3,097,700	-	3,097,700
Surplus for the year	-	70,299,290	70,299,290
Total recognised income and expenses for the year	3,097,700	70,299,290	73,396,990
Total changes	3,097,700	70,299,290	73,396,990
Balance at 30 June 2017	**5,394,300**	**557,738,123**	**563,132,423**

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Taxation		7,623,279	5,604,890
Grants		287,939,118	304,790,325
Interest income		8,198,053	7,231,406
Other receipts		6,725,575	4,307,817
		310,486,025	321,934,438
Payments			
Employee costs		(129,968,795)	(122,285,648)
Suppliers		(69,844,071)	(92,868,824)
Finance costs		(130,606)	(5,321)
		(199,943,472)	(215,159,793)
Total receipts		310,486,025	321,934,438
Total payments		(199,943,472)	(215,159,793)
Net cash flows from operating activities	33	**110,542,553**	**106,774,645**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(36,670,385)	(57,054,021)
Movement on disposal of property, plant and equipment	9	993,706	-
Purchase of intangible assets	10	(63,680)	(180,000)
Movement in Work-in Progress	10	(39,110,575)	(14,324,697)
Net cash flows from investing activities		**(74,850,934)**	**(71,558,718)**
Cash flows from financing activities			
Movement in Income received in advance		146,835	2,150
Finance lease payments		(508,724)	(578,438)
Movement in Retention		(2,956,827)	1,612,730
Net cash flows from financing activities		**(3,318,716)**	**1,036,442**
Net increase/(decrease) in cash and cash equivalents		**32,372,903**	**36,252,369**
Cash and cash equivalents at the beginning of the year		101,946,610	65,694,241
Cash and cash equivalents at the end of the year	7	**134,319,513**	**101,946,610**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	244,559	-	**244,559**	202,400	**(42,159)**	
Rental of facilities and equipment	185,394	73,182	**258,576**	178,208	**(80,368)**	
Interest received (trading)	-	1,163,265	**1,163,265**	1,163,265	**-**	
Fees earned	101,124	-	**101,124**	49,996	**(51,128)**	
Commissions received	224,720	-	**224,720**	178,459	**(46,261)**	
Recoveries	-	-	**-**	1,965,474	**1,965,474**	
Other income	47,761,914	35,280,018	**83,041,932**	8,855,183	**(74,186,749)**	
Interest received - investment	5,618,000	2,560,968	**8,178,968**	8,198,053	**19,085**	
Total revenue from exchange transactions	**54,135,711**	**39,077,433**	**93,213,144**	**20,791,038**	**(72,422,106)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7,632,000	(953,000)	**6,679,000**	5,725,994	**(953,006)**	
Transfer revenue						
Government grants & subsidies	284,906,000	5,867,675	**290,773,675**	290,556,793	**(216,882)**	
Traffic fines	56,180	-	**56,180**	195,901	**139,721**	
Total revenue from non-exchange transactions	**292,594,180**	**4,914,675**	**297,508,855**	**296,478,688**	**(1,030,167)**	
'Total revenue from exchange transactions'	54,135,711	39,077,433	**93,213,144**	20,791,038	**(72,422,106)**	
'Total revenue from non-exchange transactions'	292,594,180	4,914,675	**297,508,855**	296,478,688	**(1,030,167)**	
Total revenue	**346,729,891**	**43,992,108**	**390,721,999**	**317,269,726**	**(73,452,273)**	
Expenditure						
Personnel	(116,929,453)	-	**(116,929,453)**	(113,638,116)	**3,291,337**	
Remuneration of councillors	(19,455,545)	-	**(19,455,545)**	(18,411,388)	**1,044,157**	
Depreciation and amortisation	(33,752,534)	-	**(33,752,534)**	(35,084,457)	**(1,331,923)**	
Impairment loss/ Reversal of impairments	(7,000,000)	-	**(7,000,000)**	(1,604,127)	**5,395,873**	
Finance costs	(117,087)	47,617	**(69,470)**	(130,606)	**(61,136)**	
Fair value loss on investments	-	-	**-**	(2)	**(2)**	
Repairs and maintenance	(20,506,839)	(8,071,170)	**(28,578,009)**	(4,571,579)	**24,006,430**	
General Expenses	(87,553,485)	(16,010,135)	**(103,563,620)**	(69,874,193)	**33,689,427**	
Total expenditure	**(285,314,943)**	**(24,033,688)**	**(309,348,631)**	**(243,314,468)**	**66,034,163**	
	61,414,948	19,958,420	**81,373,368**	73,955,258	**(7,418,110)**	
	-	-	**-**	-	**-**	
Surplus before taxation	**61,414,948**	**19,958,420**	**81,373,368**	**73,955,258**	**(7,418,110)**	
Deficit before taxation	61,414,948	19,958,420	**81,373,368**	73,955,258	**(7,418,110)**	
Taxation	-	-	**-**	-	**-**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**61,414,948**	**19,958,420**	**81,373,368**	**73,955,258**	**(7,418,110)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	251,593	-	**251,593**	279,551	**27,958**	
Receivables from non-exchange transactions	56,180	-	**56,180**	49,805	**(6,375)**	
VAT receivable	4,761,053	-	**4,761,053**	4,402,345	**(358,708)**	
Consumer debtors	4,921,483	-	**4,921,483**	1,702,551	**(3,218,932)**	
Cash and cash equivalents	65,694,226	-	**65,694,226**	134,319,513	**68,625,287**	
	75,684,535	**-**	**75,684,535**	**140,753,765**	**65,069,230**	
Non-Current Assets						
Investment property	61,683,100	-	**61,683,100**	65,151,000	**3,467,900**	
Property, plant and equipment	353,794,287	17,789,043	**371,583,330**	384,539,788	**12,956,458**	
Intangible assets	963,923	(68,776)	**895,147**	202,377	**(692,770)**	
	416,441,310	**17,720,267**	**434,161,577**	**449,893,165**	**15,731,588**	
Non-Current Assets	416,441,310	17,720,267	**434,161,577**	449,893,165	**15,731,588**	
Current Assets	75,684,535	-	**75,684,535**	140,753,765	**65,069,230**	
Total Assets	**492,125,845**	**17,720,267**	**509,846,112**	**590,646,930**	**80,800,818**	
Liabilities						
Current Liabilities						
Finance lease obligation	711,084	-	**711,084**	332,975	**(378,109)**	
Payables from exchange transactions	16,684,531	-	**16,684,531**	14,093,222	**(2,591,309)**	
Employee benefit obligation	-	-	**-**	512,834	**512,834**	
Unspent conditional grants and receipts	-	-	**-**	216,881	**216,881**	
Retentions	-	-	**-**	6,822,840	**6,822,840**	
Income received in advance	-	-	**-**	415,694	**415,694**	
	17,395,615	**-**	**17,395,615**	**22,394,446**	**4,998,831**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	234,982	**234,982**	
Employee benefit obligation	4,220,560	-	**4,220,560**	4,246,553	**25,993**	
Provisions	249,393	-	**249,393**	638,526	**389,133**	
	4,469,953	**-**	**4,469,953**	**5,120,061**	**650,108**	
	17,395,615	-	**17,395,615**	22,394,446	**4,998,831**	
	4,469,953	-	**4,469,953**	5,120,061	**650,108**	
	-	-	**-**	-	**-**	
Total Liabilities	**21,865,568**	**-**	**21,865,568**	**27,514,507**	**5,648,939**	
Assets	492,125,845	17,720,267	**509,846,112**	590,646,930	**80,800,818**	
Liabilities	(21,865,568)	-	**(21,865,568)**	(27,514,507)	**(5,648,939)**	
Net Assets	**470,260,277**	**17,720,267**	**487,980,544**	**563,132,423**	**75,151,879**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reserves						
Revaluation reserve	-	-	**-**	5,394,300	**5,394,300**	

The material variances on the statement of comparison of budget and actual amounts are explained in note 44.

Accounting Policies

1. Presentation of Annual Financial Statements

The 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 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.

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Receivables/other financial assets

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

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.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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

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.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	7 -34 years
Plant and machinery	Straight line	5-50 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	2 - 10 years
IT equipment	Straight line	2 - 10 years
Infrastructure	Straight line	2 - 100 years
Community	Straight line	5 - 30 years
Access Roads	Straight line	2 - 100 years

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

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

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	**Useful life**
Computer software, other	5 years

Accounting Policies

1.7 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends or similar distributions and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

1.7 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

1.8 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.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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.

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.

1.9 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

1.9 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.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality 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 municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.10 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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 municipality 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.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality 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.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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.

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service 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 non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-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 non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service 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 non-cash-generating asset is recognised immediately in surplus or deficit.

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

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

1.12 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.

1.12 Employee benefits (continued)

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.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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.

Accounting Policies

1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 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.

1.14 Commitments (continued)

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.

1.15 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.

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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.

1.16 Revenue from non-exchange transactions

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

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

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

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

1.16 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.17 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.18 Investment income

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

1.19 Comparative figures

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

When the presentation or classification in financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.20 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.

1.21 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.

1.22 Irregular expenditure

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

Accounting Policies

1.23 Budget information

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

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

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

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

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

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

1.24 Related parties

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

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

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

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

1.25 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 municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality 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:
• GRAP 108: Statutory Receivables	01 April 2016	
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2019	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2019	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2018	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land	01 April 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact

2. New standards and interpretations (continued)

• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2018	Unlikely there will be a material impact

3. Inventories

Consumable stores	279,551	359,811

In the current financial year inventory to the value of R80 260 was written down to net realisable value due to the nature of the municipality's inventory which is mainly stationery items.

4. VAT receivable

VAT	4,402,345	5,139,985

These are monies due from SARS for VAT refunds claimed for April & June 2017 Vat periods, as well as invoices captured not yet paid and billing of debtors for services.

5. Consumer debtors

Gross balances		
Rates	10,400,460	12,238,720
Refuse	471,296	350,761
Old Balances	8,883	10,243
	10,880,639	**12,599,724**
Less: Allowance for impairment		
Rates	(8,744,651)	(10,867,835)
Refuse	(424,554)	(323,772)
Old Balances	(8,883)	(10,243)
	(9,178,088)	**(11,201,850)**
Net balance		
Rates	1,655,809	1,370,885
Refuse	46,742	26,989
	1,702,551	**1,397,874**
Rates		
Current (0 -30 days)	265,504	132,632
31 - 60 days	130,164	129,674
61 - 90 days	119,575	74,670
91 - 120 days	115,659	122,341
121 - 365 days	2,910,294	4,062,596
> 365 days	5,666,874	7,514,550
Interest	1,192,390	201,756
	10,400,460	**12,238,219**

Figures in Rand	2017	2016 Restated*

5. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	35,201	52,113
31 - 60 days	16,349	15,770
61 - 90 days	15,722	8,993
91 - 120 days	15,532	12,480
121 - 365 days	73,870	60,078
> 365 days	280,189	197,853
Interest	34,434	3,473
	471,297	**350,760**

Other (specify)		
> 365 days	7,670	10,158
Interest	1,213	84
	8,883	**10,242**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(11,201,849)	(12,766,406)
Contributions to allowance	1,965,474	(5,107,253)
Debt impairment written off against allowance	58,287	6,671,809
	(9,178,088)	**(11,201,850)**

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary. The current year movement of allowance for impairment decreased due to a decrease in the current year debtors as a result of an increase in collection levels.

6. Receivables from non-exchange transactions

Traffic fines are recognised on accrual basis and discounted based on the history of collection in the previous years. Traffic fines are recognised on accrual basis for the first time and the comparative figures have been adjusted as per requirements of GRAP 108.

Gross balances		
Traffic fines	222,756	49,805
Less: Impairment of traffic fines		
Impairment of traffic fines	172,951	28,205
Net balances		
Traffic fines	49,805	21,600

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15	15
Bank balances	42,833,082	36,027,583
Short-term deposits	91,486,416	65,919,012
	134,319,513	**101,946,610**

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
First National bank - Current Account no. 62152951614	26,872,036	24,074,464	21,501,533	27,027,852	24,125,087	12,767,389
Standard bank - Current Account no. 80847978	15,831,995	11,920,377	5,334,685	15,832,295	11,920,677	5,334,985
Petty Cas/Underbanking	-	-	-	(27,065)	(18,166)	1,050
Standard bank - Call Deposit - 388655305-403	329,780	316,870	305,418	329,780	316,870	305,418
Standard Bank- Call Account- 388680237-001	100,118	95,185	91,069	100,118	95,185	91,069
Standard Bank-Tiered Rates 388680172-002	3,419	3,335	3,262	3,419	3,335	3,262
Standard Bank - 32 Day Call 388655305-004	1,131,985	1,060,435	999,588	1,132,002	1,060,435	999,588
Standard Bank- Revolving Fund- 388655305-002	266,162	255,743	256,500	266,162	255,743	256,500
Standard Bank - Stanlib - 54781067	33,815	33,175	30,809	33,815	33,175	30,809
Standard Bank-Stanlib - IP005728	1,445,589	1,445,589	1,362,013	1,445,589	1,445,589	1,362,013
Standard Bank- Stanlib- IP005439	3,226,826	3,226,826	3,036,472	3,226,826	3,226,826	3,036,472
Standard Bank- 548736855-001	825,625	789,756	758,636	825,625	789,756	758,636
First National Bank-32 Day Interest- 72399019737	17,023	16,349	15,792	17,023	16,349	15,792
First National Bank-Investment Acc-74187331349	20,470,755	19,103,046	17,992,666	20,470,755	19,103,046	17,992,666
First National Bank- Investment Acc-74182161238	35,567,614	21,261,053	9,478,014	35,567,614	21,261,053	9,478,014
First National Bank-Call Acc - 62159915704 MIG Call	13,421,945	9,508,137	8,224,199	13,421,945	9,508,137	8,224,199
First National Bank-Call Account-62159915853	1,455,268	1,387,889	720,007	1,455,268	1,387,889	720,007
First National Bank- Call Account no-621599121751	3,510,696	1,738,213	1,109,606	3,510,696	1,738,213	1,109,606
First national Bank-Call Acc no.62159915340- LGSETA	69,188	67,314	65,874	69,188	67,314	65,874
First National Bank-Call Acc no.62159922551-Property Valuation	169,605	163,291	158,128	169,605	163,291	158,128
First National Bank-Call Acc no. 62396357298-EPWP	1,444,192	512,433	534,927	1,444,192	512,433	534,927
First National Bank-Call Acc no-62396356539- INEG	5,983,390	3,059,490	2,457,837	5,983,390	3,059,490	2,457,837
First National Bank-Call Acc no-62582905710	1,978,670	1,874,883	-	1,978,670	1,874,883	-
First National Bank-Call Acc no. 74634166463	34,749	-	-	34,749	-	-
Total	**134,190,445**	**101,913,853**	**74,437,035**	**134,319,513**	**101,946,610**	**65,704,241**

8. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	65,151,000	-	65,151,000	62,053,300	-	62,053,300

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	62,053,300	3,097,700	65,151,000

Reconciliation of investment property - 2016

	Opening balance	Additions	Total
Investment property	61,683,100	370,200	62,053,300

Details of property

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.

Details of valuation

The effective date of the revaluations was 30 June 2017. Revaluations were performed by an independent valuer, Mrs P.J Lindstrom, Registered Property Valuer of Penny Lindstrom Valuations. Penny Lindstrom Valuations are not connected to the municipality and have recent experience in location and category of the investment property being valued.

All properties registered in the name of the Municipality were valued and categorized. After careful consideration, the Valuer decided to increase the value of the investment properties by 5% as property values have not risen much in any of the smaller former Transkei Towns during the specified period. Suitable values were placed on each property based on the methodology identified for each category. Fair Value was established for investment properties.

9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	31,949,963	(4,848,147)	27,101,816	25,090,372	(3,967,080)	21,123,292
Plant and machinery	11,403,807	(4,937,655)	6,466,152	10,803,376	(4,179,648)	6,623,728
Motor vehicles	15,714,102	(6,320,158)	9,393,944	15,295,760	(6,062,278)	9,233,482
Office equipment	4,581,306	(2,948,880)	1,632,426	4,409,417	(2,439,565)	1,969,852
IT equipment	5,320,233	(3,024,416)	2,295,817	4,858,300	(2,213,262)	2,645,038
Infrastructure	506,881,769	(180,301,489)	326,580,280	448,193,048	(158,877,276)	289,315,772
Community	12,754,994	(2,322,177)	10,432,817	12,496,205	(1,317,379)	11,178,826
Finance lease asset	3,087,117	(2,450,581)	636,536	3,087,117	(2,005,735)	1,081,382
Total	**591,693,291**	**(207,153,503)**	**384,539,788**	**524,233,595**	**(181,062,223)**	**343,171,372**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Buildings	21,123,292	4,521,194	-	2,338,398	(881,068)	27,101,816
Plant and machinery	6,623,728	824,371	(121,355)	-	(860,592)	6,466,152
Motor vehicles	9,233,482	2,491,134	(659,461)	-	(1,671,211)	9,393,944
Office equipment	1,969,852	178,369	(1,566)	-	(514,229)	1,632,426
IT equipment	2,645,038	540,167	(49,362)	-	(840,026)	2,295,817
Infrastructure	289,315,772	56,531,721	(2,817,930)	11,895,145	(28,344,554)	326,580,154
Community	11,178,826	258,789	-	-	(1,004,798)	10,432,817
Finance lease assets	1,081,382	-	-	-	(444,846)	636,536
	343,171,372	**65,345,745**	**(3,649,674)**	**14,233,543**	**(34,561,324)**	**384,539,662**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Buildings	20,951,462	3,345,219	(2,384,105)	(99,000)	(690,284)	21,123,292
Plant and machinery	4,088,014	4,069,134	(781,162)	-	(752,258)	6,623,728
Motor vehicles	8,243,242	1,834,771	781,162	-	(1,625,693)	9,233,482
Office equipment	2,169,480	384,546	-	-	(584,174)	1,969,852
IT equipment	2,006,788	1,307,270	(20,402)	-	(648,618)	2,645,038
Infrastructure	251,866,940	50,377,385	(313,297)	13,388,646	(26,003,902)	289,315,772
Community	2,903,031	9,239,218	-	(440,336)	(523,087)	11,178,826
Finance lease asset	933,343	671,446	-	-	(523,407)	1,081,382
	293,162,300	**71,228,989**	**(2,717,804)**	**12,849,310**	**(31,351,423)**	**343,171,372**

Figures in Rand	2017	2016 Restated*

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Buildings	Total
Opening balance	45,133,171	-	45,133,171
Additions/capital expenditure	36,812,932	2,297,643	39,110,575
Retentions	3,842,343	40,755	3,883,098
Transferred to completed items	(28,760,160)	-	(28,760,160)
	57,028,286	**2,338,398**	**59,366,684**

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	31,744,525	440,336	99,000	32,283,861
Additions/capital expenditure	28,543,529	-	-	28,543,529
Retentions	1,808,987	-	-	1,808,987
Transferred to completed items	(16,963,870)	(440,336)	(99,000)	(17,503,206)
	45,133,171	**-**	**-**	**45,133,171**

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

10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,607,555	(2,405,178)	202,377	2,543,875	(1,884,728)	659,147

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	659,147	63,680	(520,450)	202,377

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	963,922	180,000	(484,775)	659,147

Figures in Rand	2017	2016 Restated*

11. Change in accounting estimate

The management of municipality realised, during their annual assessment of useful lives and residual values, in the beginning of 2016-2017 financial period that the pattern of service potential derived from depreciable assets has changed from that in previous periods. These depreciable assets are currently depreciated using the straight line method over a useful life. As a result, management decided to change the remaining useful life of the depreciable assets. The following information relates to the depreciable assets. The effect of the change in useful life is the decrease in depreciation by R 781 954 in the current year and in the future years. Depreciation is calculated on a straight line basis hence the effect of change in accounting estimate is the same.

Description	2017	2018	2019	2020	Total
Depreciation before change	1,829,219	888,742	-	-	2,717,961
Depreciation after change	(1,047,505)	(821,375)	(748,968)	(100,113)	(2,717,961)
	781,714	**67,367**	**(748,968)**	**(100,113)**	**-**

12. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	395,439	655,194
- in second to fifth year inclusive	276,637	663,887
	672,076	1,319,081
less: future finance charges	(104,118)	(216,654)
Present value of minimum lease payments	**567,958**	**1,102,427**
Present value of minimum lease payments due		
- within one year	332,975	453,144
- in second to fifth year inclusive	234,982	623,537
	567,957	**1,076,681**
Non-current liabilities	234,982	623,537
Current liabilities	332,975	453,144
	567,957	**1,076,681**

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 4.5 years and the average effective borrowing rate was 6.5% for 2016 (2016: 6.5%).

13. Payables from exchange transactions

	2017	2016
Trade payables	2,701,119	737,080
Overtime provision	559,994	309,315
Sundry suppliers	25,796	55,918
Leave pay provision	8,537,571	7,117,135
Creditors accruals	45,562	1,038,874
Bonus provision	2,223,180	1,813,588
	14,093,222	**11,071,910**

14. Employee benefit obligations

Defined benefit plan

Post retirement gratuity plan

The obligation is valued annually by the independent qualified actuaries.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016 Restated*

14. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(4,759,387)	(4,425,589)
Non-current liabilities	(4,246,553)	(3,661,728)
Current liabilities	(512,834)	(763,861)
	(4,759,387)	**(4,425,589)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	4,198,335	3,396,136
Net expense recognised in the statement of financial performance	333,798	802,199
	4,532,133	**4,198,335**

Net expense recognised in the statement of financial performance

Current service cost	740,551	644,510
Interest cost	345,932	272,501
Actuarial (gains) losses	(752,685)	(114,812)
	333,798	**802,199**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.46 %	8.54 %

15. Unspent conditional grants and receipts

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends. The unspent Grants are cash-backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
DEDEAT - Transfer Station	216,881	1,617,675
Voting station - CoGTA	-	1,000,000
	216,881	**2,617,675**

Movement during the year

Balance at the beginning of the year	2,617,675	-
Additions during the year	77,086,793	90,658,000
Income recognition during the year	(79,487,587)	(88,040,325)
	216,881	**2,617,675**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and the municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

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

Figures in Rand	2017	2016 Restated*

15. Unspent conditional grants and receipts (continued)

See note 21 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

16. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	571,445	67,081	638,526

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	388,373	183,072	571,445

Environmental rehabilitation provision

The municipality has a landfill site where it will need to rehabilitate the land at the end of its useful life. The rehabilitation costs determined are an estimate of the costs that will be incurred in order to meet the operational requirements of the site.

17. Retentions

Amounts withheld as surety on construction projects completed by awarded contractors. These amounts are recognised on payment certificates on stages of completion that have been paid to the contractors.The release of retentions is normally done 3 - 12 months after the project is certified as complete.

Carrying amount of retention

	2017	2016
Opening balance	5,209,269	3,938,418
Increase/(decrease) in the carrying amount recognised in the period as a result of a change in the fair value of the assets to be distributed	1,613,571	1,270,851
	6,822,840	**5,209,269**

18. Service charges

	2017	2016
Refuse removal	202,400	199,794

The amount disclosed above for revenue from service charges is in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016 Restated*

19. Other income

Auction sale	1,040,602	-
D.L.T.C	3,284,167	2,356,875
Insurance claim	39,046	-
Registration Authority	361,620	61,324
Sale of sites	1,184,420	-
Plan fees	-	1,412
Sundry income	1,751,375	28,055
Tender sales	548,762	540,778
Training - LGSETA	543,878	441,350
Vending & Hawking fees	101,104	68,691
Wood sales	209	299
	8,855,183	**3,498,784**

20. Interest received on outstanding accounts

Description		
Interest received	1,163,265	203,866

The Municipality started levying interest on debtors with arrear accounts in May 2016. The interest was not levied during 2014/15 financial year.

21. Donations received

Description		
Donations received	-	10,903,681

Donantions received relates to the Libode Eco-Park that was donated to the Municipality by the Department of Environmental affairs in 2015-2016 financial year year, there are no donations received by the municipality in the current financial year.

22. Revenue

Commissions received	178,459	173,962
Fees earned	49,996	43,788
Fines, Penalties and Forfeits	195,901	75,800
Government grants & subsidies	290,556,793	304,790,325
Interest received (trading)	1,163,265	203,866
Interest received - investment	8,198,053	7,231,406
Other income	8,855,183	3,498,784
Donations received	-	10,903,681
Profit on investments	-	266,930
Property rates	5,725,994	5,604,890
Recoveries	1,965,474	-
Rental of facilities and equipment	178,208	61,441
Service charges	202,400	199,794
	317,269,726	**333,054,667**

Figures in Rand	2017	2016 Restated*

22. Revenue (continued)

Commissions received	178,459	173,962
Fees earned	49,996	43,788
Interest received (trading)	1,163,265	203,866
Interest received - investment	8,198,053	7,231,406
Other income	8,855,183	3,498,784
Profit on investments	-	266,930
Recoveries	1,965,474	-
Rental of facilities and equipment	178,208	61,441
Service charges	202,400	199,794
The amount included in revenue arising from exchanges of goods or services are as follows:		
	20,791,038	**11,679,971**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	5,725,994	5,604,890
Transfer revenue		
Government grants & subsidies	290,556,793	304,790,325
Fines, Penalties and Forfeits	195,901	75,800
Donations received	-	10,903,681
	296,478,688	**321,374,696**

Recoveries

Included in other income is an amount of R1 965 474 which is the debtors impairment recovered. The debtors balance have decrease in the current year due to high levels of collection as a result the debtors impairment decreased when compared to the prior year.

23. Investment revenue

Interest revenue		
Bank	8,198,053	7,231,406
	-	-
	8,198,053	7,231,406

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Figures in Rand	2017	2016 Restated*

24. Property rates

Rates received

Property rates	7,632,180	6,557,983
Less: Income forgone	(1,906,186)	(953,093)
	5,725,994	**5,604,890**

Valuations

Residential	112,290,000	112,290,000
Commercial	81,630,000	81,630,000
State	51,565,000	51,565,000
Municipal	13,415,000	13,415,000
Church	15,245,000	15,245,000
Schools	291,705,000	291,705,000
Clinic	14,030,000	14,030,000
Other	20,025,000	20,025,000
Less: Income forgone	(22,885,000)	(22,885,000)
	577,020,000	**577,020,000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The basis was 2c per rand on land and improvements. Rebates are applied according to council's policy.

Rates are levied annually in the first quarter on property owner's accounts. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable on the last day of the month.

The general valuation roll that was approved for implementation on 01 July 2013 is still in use together with the supplementary valuation roll.

Figures in Rand	2017	2016 Restated*

25. Government grants and subsidies

Operating grants		
Equitable share	213,070,000	216,750,000
INEP electrification grant	11,250,000	25,000,000
Expanded public work programme -EPWP	1,261,000	1,219,000
Finance management grant -FMG	1,625,000	1,600,000
Library subsidy	400,000	300,000
Municipal Systems Improvement Grant - MSIG	-	930,000
DEDEAT Grant	1,900,793	182,325
Voting station grant	1,000,000	-
Public works - side walks grant	2,000,000	-
	232,506,793	245,981,325
Capital grants		
Municipal Infrastructure grant - MIG	58,050,000	58,809,000
	58,050,000	58,809,000
	290,556,793	**304,790,325**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	74,086,793	90,358,000
Unconditional grants received	216,470,000	217,050,000
	290,556,793	**307,408,000**

Equitable Share

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

Equitable Share

Current-year receipts	213,070,000	216,750,000
Conditions met - transferred to revenue	(213,070,000)	(216,750,000)
	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Intergrated National Electrification Programme (INEP)

Current-year receipts	11,250,000	25,000,000
Conditions met - transferred to revenue	(11,250,000)	(25,000,000)
	-	-

Conditions have been met.

INEP Grant was used for electrical connections in previously disadvantaged areas.

Financial Management Grant (FMG)

Current-year receipts	1,625,000	1,600,000
Conditions met - transferred to revenue	(1,625,000)	(1,600,000)
	-	-

Figures in Rand	2017	2016 Restated*

25. Government grants and subsidies (continued)

Conditions have been met

FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Expanded Public Works Programme (EPWP)

Current-year receipts	1,261,000	1,219,000
Conditions met - transferred to revenue	(1,261,000)	(1,219,000)
	-	-

This grant was fully spent on employing casual workers within community based projects, especially within Infrastructure Department.

Library subsidy

Current-year receipts	400,000	300,000
Conditions met - transferred to revenue	(400,000)	(300,000)
	-	-

This grant was fully expensed in development of the Libraries within the municipality

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-

MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act

Municipal Infrastructure Grant (MIG)

Current-year receipts	58,050,000	58,809,000
Conditions met - transferred to revenue	(58,050,000)	(58,809,000)
	-	-

MIG Grant was used to accelerate provision of basic service delivery through construction of capital projects.

DEDEAT - Transfer station

Balance unspent at beginning of year	1,617,675	-
Current-year receipts	500,000	1,800,000
Conditions met - transferred to revenue	(1,900,794)	(182,325)
	216,881	**1,617,675**

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

The grant was received from DEDEAT for establishment of a transfer station.

Voting station - CoGTA

Balance unspent at beginning of year	1,000,000	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016 Restated*

25. Government grants and subsidies (continued)

Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	(1,000,000)	-
	-	**1,000,000**

The grant was received for assistance with voting station preparations.The total amount was fully spent by 30 June 2017.

Figures in Rand	2017	2016 Restated*

26. General expenses

Advertising	595,611	493,958
Amenities & Community Facilities	102,921	302,383
Auditors remuneration	3,358,576	3,046,837
Bank charges	69,470	112,117
Books & publications	61,498	95,674
Cleaning	195,859	241,654
Communication	433,730	459,299
Community based public works programme (EPWP)	128,257	466,622
Conference fees & Accomodation costs	8,367,168	10,128,987
Consultant fees	2,730,669	3,836,178
Consumables	1,900	10,600
Crime prevention	1,373,717	549,643
Debt collection	1,011,811	1,249,854
Electricity purchases	571,798	244,432
Employee wellness programmes	2,472,132	3,977,728
Expenses not capitalised	480,956	153,921
Financial management grant	1,807,125	1,363,910
Fuel and oil	4,540,774	3,505,756
Housing expenses	42,260	30,600
IDP Development	1,157,312	1,281,380
INEP Electrification project	10,249,221	22,207,086
Indigent subsidies	1,271,452	6,064,954
Insurance	753,023	61,865
Internal audit costs	431,205	548,509
Landfill site	67,081	183,072
LED projects	3,268,102	3,629,095
Library services	209,300	307,393
License fees	343,106	338,026
Lifeguard services	465,400	579,140
Project launches	742,763	551,904
Meeting costs	2,244,959	1,781,861
Mlengane development fund	3,900	-
Municipal performance management system	-	13,713
Municipal systems improvement grant - MSIG	215,541	930,932
PMU Administration costs	118,937	226,633
Postage & Courier services	-	3,969
Pre - schools	1,461,907	489,847
Printing & Stationery	485,459	476,982
Promotions and sponsorships	2,913,060	3,411,889
Public participation	1,384,631	1,553,138
Refuse bags & bins	392,711	209,107
Rental - Special facilities	245,940	592,292
Review of Institutional Policies	178,000	13,248
Special Programs Unit	815,390	711,279
Sports & Recreation	253,520	178,010
Subscriptions and membership fees	1,529,198	1,267,360
Subsistence & Travelling costs	541,216	661,889
Survey & planning	287,127	136,337
Telephone costs	6,579,707	5,914,670
Training	1,001,282	1,708,368
Transport forum	-	31,000
Uniform & Promotion	344,886	314,942
Vehicle hire	1,473,924	754,988
Waste management	98,701	69,514
	69,874,193	**87,474,545**

Figures in Rand	2017	2016 Restated*

27. Other revenue

Fees earned	49,996	43,788
Commissions received	178,459	173,962
Debt impairment recovered	1,965,474	-
Profit on investments	-	266,930
Other income	8,855,183	3,498,784

28. Remuneration of councillors

Mayor	758,013	758,013
Speaker	606,410	606,410
Chief Whip	568,510	568,510
Full time executive committee members	2,257,362	2,236,138
Part time executive committee members	1,885,008	1,885,008
Part-time Councillors allowances	12,336,085	10,946,829
	18,411,388	**17,000,908**

In-kind benefits

The Mayor, Speaker, Chief Whip and 3 of the Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

The Mayor has three full-time bodyguards . The Speaker has one full-time driver.

Figures in Rand	2017	2016 Restated*

29. Employee related costs

Acting allowances	105,727	152,704
Bargaining Council Levies	26,849	24,715
Basic	66,537,967	59,725,410
Bonus	5,698,085	4,532,614
Contributions to current employee benefits - Long Service Awards	333,798	802,199
Housing benefits and allowances	5,954,433	5,587,080
Leave pay provision charge	1,428,093	1,119,391
Medical aid - company contributions	6,209,530	7,258,530
Overtime payments	6,632,416	5,991,613
Pension / Provident fund contributions	6,082,493	5,808,172
Personal facilities	3,969,056	3,751,596
SDL	1,079,291	1,010,553
Travel, motor car, accommodation, subsistence and other allowances	9,031,360	8,948,665
UIF	549,018	521,090
	113,638,116	**105,234,332**

Remuneration of municipal manager - N Nomandela

Annual Remuneration	1,167,667	889,653
Car Allowance	200,813	187,676
Contributions to UIF, Medical and Pension Funds	1,813	198,429
	1,370,293	**1,275,758**

Remuneration of CFO - BK Benxa

Annual Remuneration	968,364	845,795
Car Allowance	165,866	155,015
Contributions to UIF, Medical and Pension Funds	1,813	71,215
	1,136,043	**1,072,025**

Figures in Rand	2017	2016 Restated*

29. Employee related costs (continued)

Remuneration of Planning & Development Manager - G Cekwana

Annual Remuneration	856,040	654,758
Car Allowance	276,443	258,358
Contributions to UIF, Medical and Pension Funds	1,813	158,584
	1,134,296	**1,071,700**

Remuneration of Corporate Services Manager - S Mvunelo

Annual Remuneration	849,728	553,651
Car Allowance	148,186	105,847
Contributions to UIF, Medical and Pension Funds	1,813	2,677
	999,727	**662,175**

Remuneration of the Technical Services - QFQ Madikida

Annual Remuneration	750,773	578,235
Car Allowance	246,976	247,732
Contributions to UIF, Medical and Pension Funds	1,813	247,605
	999,562	**1,073,572**

Remuneration of Community Services Manager - GM Zide

Annual Remuneration	857,273	602,556
Car Allowance	276,443	258,358
Contributions to UIF, Medical and Pension Funds	1,813	204,668
	1,135,529	**1,065,582**

Remuneration of Strategic Planning Manager - L Madzidzela

Annual Remuneration	813,572	651,342
Car Allowance	276,443	258,358
Contributions to UIF, Medical and Pension Funds	1,813	158,584
	1,091,828	**1,068,284**

30. Depreciation and amortisation

Property, plant and equipment	34,564,007	31,322,689
Intangible assets	520,450	484,775
	35,084,457	**31,807,464**

31. Finance costs

Trade and other payables late payment penalties	14,261	5,321
Finance leases	116,345	155,326
	130,606	**160,647**

32. Auditors' remuneration

Fees	3,358,576	3,046,837

Figures in Rand	2017	2016 Restated*

33. Cash generated from operations

Surplus	73,396,990	77,781,113
Adjustments for:		
Depreciation and amortisation	35,084,457	31,807,464
Gain/(Loss) on sale of assets and liabilities	3,655,968	3,252,747
Fair value adjustments	(3,097,700)	-
Finance costs - Finance leases	130,606	160,647
Debtors Impairment	(361,346)	5,135,458
Movements in retirement benefit assets and liabilities	333,798	802,199
Movements in provisions	67,081	183,072
Changes in working capital:		
Inventories	80,261	(108,218)
Receivables from exchange transactions	227,164	(227,164)
Consumer debtors	(304,677)	(1,660,822)
Other receivables from non-exchange transactions	(28,205)	-
Payables from exchange transactions	3,021,310	(1,686,913)
VAT	737,640	(378,932)
Unspent conditional grant	(2,400,794)	2,617,675
Donations received	-	(10,903,681)
	110,542,553	**106,774,645**

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	20,856,493	28,414,007
Total capital commitments		
Already contracted for but not provided for	20,856,493	28,414,007

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

35. Contingencies

Contingent liabilities		
BHS Building Contractors vs NLM Case no. 55/12	2,846,672	2,846,672
Zukiswa Skenjana vs NLM Case no.1424/12	600,000	600,000
Maqhawe Construction vs NLM Case no. 249.2014	1,938,570	1,938,570
Nwabisa Ndamase vs NLM Case no. 241/2016	2,500,000	2,500,000
	7,885,242	**7,885,242**

The following is a list of possible outcomes:

4. <u>BHS Building Contractors cc vs Nyandeni Municipality (Case No 55/12)</u>

35. Contingencies (continued)

The municipality is being sued for a sum of R2 846 672.40 for the alleged unlawful cancellation of a contract for the construction of Ngqeleni Road. The municipality is defending the matter as it contends that the cancellation was lawful as the company had failed to honour the conditions of the contract. The municipality has filed its plea and the parties are still exchanging pleadings.

5. <u>ZUKISWA SKENJANA vs NYANDENI LOCAL MUNICIPALITY CASE NO. 1424/12</u>

The municipality is being sued for a sum of R600 000.00 for alleged negligence because the Plaintiff slipped on the stairs in the Municipal hall when she was attending a wedding. The Municipality is defending the matter since it is alleging that at the time of the incident the hall was not under the custody of the municipality but of the person who had hired the hall. The matter had been set down for hearing on the 2nd June 2014. The matter has been postponed sine die at the instance of the Plaintiff and wasted costs were granted to the municipality and is awaiting the allocation of a new date.

6. **<u>Maqhawe Construction VS Nyandeni Local Municipality (Case No. 249/2014)</u>**

The municipality is being sued for a sum of R 1 938 570.00 (One Million Nine Hundred and Thirty Eight Thousand Five Hundred and Seventy Rands by the contractor who claims that it is money owed by Municipality as standing time. This is the time that his machines stood on site while doing nothing and they claim that this is due to the fault of the municipality. The municipality is defending the matter as the contractor did not even finish the work that he was contracted to do. The is ripe for hearing and a pre-trial hearing has been arranged for the 5th February 2016.

<u>8. Nwabisa Ndamase Vs Nyandeni Local Municipality (Case No. 214/2016)</u>

In this matter the Municipality is being sued for a sum of R2 500 000.00 (two million five hundred thousand rands) by the plaintiff who claims that her child was killed when he drowned in a hole as a result of the negligence of the contractor that had been appointed by the municipality to construct a road in Mhlanganisweni Administrative area. The municipality is defending the amtter and the aparties are still exchanging pleadings.

Contingent assets

Nyandeni Local Municipality vs Ayanda Maqolo (Case No 724/13)

The municipality is suing the above named person for the illegal invasion of municipal land. The municipality has obtained an interim interdict against the respondent and the matter has been set down in the opposed motion court for May 2014. The matter has since been heard and judgement was granted in favour of the municipality and the case is now closed.

Siyaphambili Trading vs Nyandeni Local Municipality and Others Case no.1454/13
An application was brought against the Municipality, the Municipal Manager and Alexander Maintenance for the review and setting aside of the decision of the Municipal Manager to award the tender of Nothintsila to Mvilo access road to Alexander Maintenance. The decision was first taken on appeal to the Executive Committee which upheld the decision of the Municipal Manager. The municipality opposed the matter and the matter has been decided in favour of the municipality with costs.

36. Related parties

Related party transactions

The municipality did not have any related party transaction except for the remuneration of councillors and the remuneration of senior managers which is diclosed in note 28 and 29 respectively.

37. Risk management

Liquidity risk

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

Credit risk

Credit risk is the risk that a counterparty to a financial asset will fail to discharge an obligation and cause the municipality to incur a financial. Credit risk consist mainly of of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality is compelled in terms of its consitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequenlty incur debt for rates and refuse.

Nyandeni Local Municipality endeavours to collect all debts owed to the municipality by sending statements monthly to remind debtors, levying of penalty charges and as a last resort hand over debtors to the debt collection agent. All rates and services are payables within 30 days from invoice date, refer to note 5 for all balances outstanding longer than 30 days. These debtors represent all debtors at year end which defaulted on their credit terms.

Cash and cash equivalents consist of short term investments and the primary bank account of the municipality. Short term investments are held in two banking institutions namely First National Bank and Standard Bank, this ensures that the municipality enjoys diversified interest rates.

Financial instrument	2017	2016
Rates Debtors	1,655,809	1,370,886
Refuse Debtors	46,742	26,989
Cash and cash equivalents	134,319,513	101,946,610
Vat Receivable	4,402,345	5,139,985
Other receivable	-	227,164
Debtors - Traffic fines	49,805	21,600

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates Not appliacble to the Municipality, there were no loans during the year.

Interest rate risk is not applicable to the municipality as there were no loans taken during the year and the penalty interest on outstanding debtors is fixed at 10%.

Price risk

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 caused by intererst rate risk) whether those changes are caused by factors specific to the individualfinncial instrument or its issuer.

The price risk is not applible to the municipality as the municipality does not have financial assets with prices dependent on the market prices.

38. Going concern

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

Figures in Rand	2017	2016 Restated*

39. Events after the reporting date

There are no adjusting events that were identified after year end by the municipality.

40. Unauthorised expenditure

Unauthorised expenditure	-	12,228,021
	-	(12,228,021)
	-	**-**

41. Fruitless and wasteful expenditure

Opening balance	-	5,947
Add: Fruitless and wasteful expenditure current year	17,215	5,321
Approved and written off by Council	(17,215)	(11,268)
	-	**-**

42. Irregular expenditure

Opening balance	213,512,501	111,382,745
Add: Irregular Expenditure - current year relating to current year projects	57,264,845	46,650,370
Add: Irregular expenditure - current year relating to prior year	46,160,130	71,692,279
Less: Written off	(2,471,940)	(16,212,893)
	314,465,536	**213,512,501**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Supply chain management requirements were not fully adhered to	N/A	103,424,975
		-
		-
		-
		103,424,975

Details of irregular expenditure written off

	Condoned by (condoning authority)	
Tender requirements were not fully adhered to	Written off	1,990,306
Irregular expenditure identified by A.G during audit where tender requirements were fully adhered to	Written off	481,635
		2,471,941

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,529,198	1,228,790
Amount paid - current year	(1,529,198)	(1,228,790)
	-	**-**

Figures in Rand	2017	2016 Restated*

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Current year subscription / fee	3,358,575	3,046,837
Amount paid - current year	(3,358,575)	(3,046,837)
	-	-

PAYE and UIF

Current year subscription / fee	17,777,412	16,803,487
Amount paid - current year	(17,777,412)	(16,803,487)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	24,617,180	24,660,517
Amount paid - current year	(24,617,180)	(24,660,517)
	-	-

VAT

VAT receivable	4,402,345	5,139,985

VAT receivables and VAT payables are shown in note 4 .

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor M Dambuza	143	531	674

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Other	9,202,796	10,190,892

Figures in Rand	2017	2016 Restated*

44. Actual operating expenditure versus budgeted operating expenditure

Traffic fines - The over collection is due to implementation of GRAP 108 for statutory receivables in the current year.

Property rates - The variance is due to changes in property values as a result of implementation of supplementary valiation roll which was not available at the time of compiling the budget.

Recoveries - The collection levels on outstanding debtors increased during the year, thus the debtors impairment decreased as a result.

Investment property - The variance is due to fair value adjustment as a result of valuation of investment property that was conducted.

Intangible assets - The variance is as a result of no additions during the year. This was caused by the fact that intangible assets are normally procured based on the needs that arise during the year.

Personnel expenditure - The underspending is mainly due to performance bonuses that were budgeted for Senior Managers and Managers at anticipated rates and the performance assessments resulted into lower bonuses paid.

Remuneration of councillors - The underspending is as a result of salary increases that were budgeted to be higher than the actual increases that were determined by the upper limits which were not available at the time of compiling the budget.

Government grants and subsidies - The under collection is as a result of unspent conditional grants for transfer station.

Commissions received - The municipality is reducing on the number of companies that is administering, this actual amounts will continue to decrease over the years.

Fees earned and rental of facilities - The budgeted amounts are normally based on the prior year figures, however this item is consumer driven and the municipality does not have control over the movements on this item.

Service charges - The variance is due to the nature of the service which is refuse collection which is based on rendering of the service.

Finance Charges - The budgeted figures for finance charges was based on the prior year audited figures, the overspending is as a result of finance lease assets that were ommitted in the prior year that have been disclosed as prior period error in the current year.

Repairs and maintenance - the variance is due to projects that were initially identified for repairs which have since been capitalised at year end.

Other income - The transfers from reserves to the amount of R71 597 900 are allocated to other income, whilst this doe not relate to the collection for the year. The actual figures relates to the actual collections for the year, therefore the budget for actual collections was R11 444 032 (R83 041 932 - R71 597 900) with a variance of R2 588 849 (R11 444 032 - R8 855 183). The variance is caused mainly by the fact that items of other income are consumer driven.

Depreciation and amortisation - The actual depreciation amount was significantly below budget due to unexpected events in the year. The events included the changing of the estimated useful lives of assets which resulted in useful lives increasing and as well as unexpected disposals in the current year and unexpected additions which are disclosed as prior period error.

Impairment loss - The budgeted impairment amount was based on the prior year figures and in the current year there was unexpected high levels of collection of debtors due to effective mechanisms implemented by the municipality for debt collection.

General expenses - The underspending on general expenses is due to unexpected decrease in electrification expenditure which was meant to be funded by operational budget.

Loss on disposal of assets - This loss on disposal variance is due to unexpected disposals in the current year.

Property, plant and equipment - The overspending is due to capitalisation of some projects that were budgeted under repairs and maintenance. An assessment is always made at year end to determine the extent and nature of works in the projects of repairs and maintenance to ascetain whether they constitute replacement of improvements.

Figures in Rand	2017	2016 Restated*

45. Other receivable

The R1 445 971 relates to monies identified as received by DLTC but not banked into the Nyandeni Local Municipality's Primary Bank Account over the period 1 July 2016 to 30 June 2017. A forensic investigation has been instituted and the municipality is considering to report the matter to the appropriate authorities and institute criminal prosecution i.e open a case of fraud with lolcal South African Police Station against the affected person. The whole amount has been provided for as impairment since there is no certainty of cash flowing into the municipality's bank account as this can only be confirmed by the court of law.

Gross amount		
Other receivables	**1,445,971**	**227,164**
Allowance for impairment		
Other receivables	**1,445,971**	**-**
Net balances		
Other receivables	-	227,164
	-	**227,164**

46. Receivables from exchange transactions

Sundry customers	-	227,164

These are monies identified as received by the DLTC but not banked into the Nyandeni Local Municipality's FNB Bank account over the period 1 July 2016 to 30 June 2017. The municipality is considering to report the matter to the appropriate authorities and institute criminal prosecution i.e. open a case of fraud with local South African police station against the affected person.

47. Receivables from non-exchange transactions

Fines	49,805	21,600

48. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Vat Receivable	-	4,402,345	4,402,345
Consumer Debtors	-	1,529,600	1,529,600
Cash and Cash equivalents	134,319,513	-	134,319,513
	134,319,513	**5,931,945**	**140,251,458**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	567,957	567,957

Figures in Rand	2017	2016 Restated*

. Financial instruments disclosure (continued)

Trade and other payables from exchange transactions	14,093,222	14,093,222
Unspent Conditional Grants and Receipts	216,881	216,881
Retentions	6,822,840	6,822,840
	21,700,900	**21,700,900**

2016

Financial assets

	At fair value	At amortised cost	Total
Other receivables	-	227,164	227,164
Vat Receivable	-	5,139,985	5,139,985
Consumer Debtors	-	1,397,875	1,397,875
Cash and Cash Equivalents	101,946,610	-	101,946,610
	101,946,610	**6,765,024**	**108,711,634**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	478,890	478,890
Payables from exchange transactions	11,059,203	11,059,203
Unspent conditional grants and receipts	2,617,675	2,617,675
Retentions	5,209,269	5,209,269
	19,365,037	**19,365,037**

49. Fair value adjustments

Fair value adjustment	3,097,700	-

50. Impairment of assets

Impairments		
Trade and other receivables	1,604,127	5,135,458
This relates to movement in the impairment of consumer debtors. Each individual debtor was considered and evaluated in determining the impairment for debtors. A recoverability model was used in determining the amount recoverable from the debts owed for each debtor. The recoverability took into account the opening balance, current year debts as well as the receipts.		
	1,604,127	5,135,458
	-	-

51. Related parties

The related parties that have been identified by the municipality are Councillors and Section 57 Managers. The transactions relating to Councillors and Section 57 managers are remuneration which are disclosed in note 27 and note 28 of the financial statements respectively. The Municipality did not have any related party transactions with other possible related parties like the district municipality. There are no key managers of the municipality that have any control in any company.

52. Prior period errors

Land and Buildings

Figures in Rand	2017	2016 Restated*

52. Prior period errors (continued)

The Municipality identified that there are properties that are registered under Nyandeni at the Deeds office but are not included in the fixed asset register of the municipality to the value of R1 124 550, these were then included in the fixed asset register of the municipality and some properties that are in the fixed asset register of the municipality but that are not registered under the municipality at the Deeds office and are not being controlled by the municipality to the value of R3 120 500 these were removed from the asset register. These adjustments are affecting the opening balances of 2015/16 financial year.

The corresponding depreciation for the properties that were removed from the fixed asset register is R29 512 and for the properties removed from the fixed asset register is R230 283. The accummulated depreciation impacted is R172 620 for the opening balances of 2015/16 and 28 831 for the current depreciation in 2015/16

It was also identified that in the adjustments made during 2014/15 financial year, depreciation to the amount of R506 111 for properties that were removed from the fixed asst register was never removed from the general ledger, this adjustment was also made in the opening balances of property plant and equipment. This adjustment will affect the opening balances of 2015/16.

52. Prior period errors (continued)

Description	2017	2016
Net decrease in land and buildings opening balance	-	(1,995,950)
Net decrease in accummulated surplus opening balance	-	1,995,950
Increase in assets opening balance (Decrease in land and buildings accummulated depreciation)	-	506,111
Increase in accummulated surplus opening balance	-	(506,111)
Increase in assets opening balance (Decrease in land and buildings accummulated depreciation)	-	172,620
Increase in accummulated surplus opening balance	-	(172,620)
Decrease in assets opening balance (increase in land and buildings accummulated depreciation)	-	(28,831)
Increase is depreciation	-	28,831
	-	-

Investment properties

During the reconciliation of deeds office information and municipal fixed asset register, there are investment properties that were found at Deeds office as registered under Nyandeni to the value of R370 200 and these were not in the fixed asset register of the municipality. these properties were then included in the fixed asset register of the municipality. This adjustemnt affects the opening balance of 2015/16 financial year.

Description	2017	2016
Increase in investment property opening balance	-	370,200
Increase in revaluation reserve opening balance	-	370,200
	-	-

Finance lease asset

During 2015/16 financial year four (4) photocopy machines to the value of R191 550 were ommited in the finance lease register and in the financial records of the municipality. The prior year cost finance lease asset has been adjusted with an amount of R191 550 and the accummulated depreciation with an amount of R53 208.

The total lease payments relating to these machines was R65 790, R45 374 of this was a reduction of lease liability and R20 416 was interest expense.

Description	2017	2016
Increase in assets (Finance lease asset)	-	191,550
Increase in liabilities (Finance lease liability non-current)	-	(84,274)
Increase in liabilities (Finance lease liability current)	-	(61,902)
Increase in expenses (finance cost)	-	20,416
Decrease in expenses (Rental expenses)	-	(65,790)
Increase in depreciation (Finance leased asset)	-	53,208
Increase in accummulated depreciation (Finance leased asset)	-	(53,208)
	-	-

Work-in-progress

In 2015/16 financial year the amount of work-in-progress transfered to completed assets to the value of R1 475 386 was understated in the financial statements, however all these assets were correctcly capitalised in the financial statements this was due to a mistake in casting the work-in-progress register. The prior year work-in-progress movement was adjusted by an amount of R1 475 386

Description	2017	2016
Increase in assets additions	-	1,475,387
Decrease in assets additions in WIP	-	(1,475,387)

52. Prior period errors (continued)

	2017	2016
	-	-

Retention

In 2015/16 financial year retention was overstated by an amount of R341 877. This was caused by including the savings made on the project as retention.

Description	2017	2016
Decrease in liabilities (Retention)	-	341,877
Increase in accummulated surplus	-	(341,877)
	-	-

Employee related costs

In the prior year an amount of R1 040 563 which is for remuneration of employees was disclosed as remuneration of councillors. This has led to the prior year remuneration of councillors being overstated and the remuneration of employees being understated by the same amount.

This adjustment does not have an impact in the reported accummulated surplus as it is as a result of incorrect classification within the employee related cost. The effects of the adjustment are as follows:

Description	**2017**	**2016**
Decrease in remuneration of councillors	-	(1,040,563)
Increase in remuneration of employees	-	1,040,563
	-	-

Motor vehicles and plant and machinery

In 2013/14 financial year motor vehicles were impaired with an amount of R48 266 and plant and machinery were impaired with an amount of R240 953. The inpairment was correctly processed in the fixed asset register but in the general ledger the impairment was processed against the cost of the asset instead of against accummulated depreciation and impairment losses. This adjustment affects the assets opening balances for 2015/16 financial year.

In 2014/15 motor vehicles with a cost of R1 995 755 and plant and machinery with a cost of R2 958 995 were disposed. The accummulated depreciation for motor vehicles was R1 571 819 and for plant and machinery it was R2 177 833.

The disposal for plant and machinery with a cost of R2 958 995 was processed against the motor vehicles account in the general ledger as well as the accummulated depreciation for plant and machinery of R2 177 833 was processed against the motor vehicles accummulated depreciation account in the general ledger. This resulted in the overstatement of plant and machinery cost and accummulated depreciation and understatement of motor vehicles cost and accummulated depreciation. This adjustment affects the assets opening balance for 2015/16 financial year.

Description	**2017**	**2016**
Increase in assets openeing balances (motor vehicles cost)	-	48,266
Decrease in assets openeing balance (Motor vehicles accummulated depreciation and impairment losses)	-	(48,266)
Increase in assets openeing balances (plant and machinery cost)	-	240,953
Decrease in assets openeing balance (Plant and machinery accummulated depreciation and impairment losses)	-	(240,953)
Increase in assets openeing balances (motor vehicles cost)	-	2,958,995
Decrease in assets opening balances (Plant and machinery cost)	-	(2,958,995)
Decrease in assets opening balances (Motor vehicles accummulated depreciation)	-	(2,177,833)
Increase in assets openeing balance (Plant and machinery accummulated depreciation)	-	2,177,833
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