



**MSUNDUZI LOCAL MUNICIPALITY AND ITS MUNICIPAL ENTITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity	Category B Municipality in terms of section 1 of the Local Government : Municipal Structures Act, 1998 (Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act 108 of 1996) and Municipal Finance Management Act No. 56 of 2003.
Nature of business and principal activities	The primary function of Msunduzi Local Municipality is to provide basic services i.e. water, electricity, sanitation and refuse to the Msunduzi jurisdiction. Msunduzi Local Municipality is controlled by a Mayor, Deputy Mayor, Speaker, Chief Whip, ten Executive Committee members, the Accounting Officer and five General Managers who contribute to day-to-day management.
Grading of local authority	Category - B
Controlling entity	Msunduzi Local Municipality
Economic entity	Safe City Msunduzi NPC
Business address	The City Hall 260 Church Street Pietermaritzburg 3201
Postal address	The City Hall Private Bag X321 Pietermaritzburg 3200
Telephone	(033) 392 2002
Facsimile	(033) 392 2208
Legislation governing the municipality's operations	Municipal Finance Management Act (Act 56 of 2003) The Constitution of the Republic of South Africa (Act 108 of 1996) Municipal Structures Act (Act 117 of 1998) Municipal Systems Act (Act 32 of 2000) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007) Municipal Demarcation Act (Act 27 of 1998)
Bankers	First National Bank
Website	www.msunduzi.gov.za
Accounting Officer	Madoda Phumula Khathide
Auditors	The Auditor General of South Africa
Chief Finance Officer (CFO)	Nelisiwe Margret Ngcobo
Executive Committee	Mayor - Thebolla Mzimkhulu Deputy Mayor - Inderjit Manilal Madlala Linda Linford McArthur Glenn Robert

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

General Information

Councillors

Mkhize Dorcas Sibongile
Ngcobo Zanele
Ngube Gugu Mary - Jane
Ntombela Thinasonke Dennis
Majola Jerome Sibongiseni
Ntshangase Ntuthuko
Speaker - Majola Nomagugu Eunice
Chief Whip - Ntshangase Michael
Municipal Public Accounts Committee Chairperson - Schalkwyk Mary
Adkins Shawn
Ahmed Najmah Banu
Ahmed Rooksan
Amod Michael
Chonco Sibusiso
Dlamini Ambrosia Sibongile
Dlamini Godman Nkosivelile
Dlamini Sandile Wellington
Dlamini Tholakele Ignatia
Dlela Nomalady Eleanor
Duma Prince Dumisa
Gambu Nkosinathi Chasewell
Goga Mohammed Salim
Gwala Nelisiwe Jannet
Khumalo Nontobeko
Khumalo Sphamandla Dennis
Lambert William Francis
Lyne Sandra Patricia
Madlala Siphamandla Sydney
Madonda Siphoo Innocent
Madondo Ignatia Thandiwe
Majola Terrence Sboniso
Mbanjwa Nkosinathi Maxwell
Mhlongo Snothi Raphael
Mkhize Mtuza Bhekithemba
Mkhize Mabhungu
Mncwango Gladness Sibongile
Molefe Thabiso Patrick
Mpulo Mthetho Ephraim
Msimang Prudence Nokuthula
Mtshali Blessing Sbusiso
Naicker Lucky
Naidoo Sunny
Ndawonde Sipiwe Caiphas
Ndlovu Nelisiwe Zanele
Nene Jabulani
Nene S'fiso Derrick
Ngcobo Katherine Malindi
Ngongoma Xolani Ellington
Ngubane Sandile Duncan
Ngubo Jabulisile Joyce

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

General Information

Ngubo Manqoba
Ngubo Zinhle Regina
Nhlabathi Bongumusa Cyril
Niemand Rienus
Njilo Mduduzi
Oumar Mehmood-UI Hassan
Phungula Dumisani Bernard
Reddy Suraya
Sithole Philisiwe
Sithole Thamsanqa Wonderboy
Sivnath Rajdave
Sokhela Balozile Cynthia
Sokhela Mansizwa Simon
Soobiah Rachel
Strachan Ross Bryan
Winterbach Ludwig Johann
Zondi Dolo Phillip
Zondi Hamilton Mlungisi
Zondo Makhosazane Precious
Zuma Bukelani Ephraim
Zuma Michael Bhekabantu
Zuma Thobani
Zungu Ningi Jostinah

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

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

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, she is supported by the economic entity's audit committee, internal and external auditors.

The external auditors are responsible for independently auditing and reporting on the municipality and its entity's consolidated annual financial statements.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 51 of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with Remuneration of Public Officer Bearer Act and the Minister of Provincial and Local Governments determination in accordance with this Act

The consolidated annual financial statements set out on page 6 -177, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2020 and were signed on its behalf by:

Accounting Officer
Madoda Phumula Khathide

Pietermaritzburg
Monday, 30 November 2020

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
Assets					
Current Assets					
Inventories	3	340 986 532	335 344 747	340 986 532	335 344 747
Short term investment	4	-	15 674 518	-	15 674 518
Receivables from exchange transactions	5	18 452 302	5 452 097	18 358 010	5 449 597
Statutory receivables	6	531 584 562	420 008 966	531 584 562	420 008 966
Consumer debtors	7	1 451 868 358	1 283 370 072	1 451 868 358	1 283 370 072
Cash and cash equivalents	8	518 976 967	308 195 245	517 656 140	305 048 831
		2 861 868 721	2 368 045 645	2 860 453 602	2 364 896 731
Non-Current Assets					
Agricultural assets	9	73 100 000	79 700 000	73 100 000	79 700 000
Heritage assets	10	271 924 972	273 431 260	271 924 972	273 431 260
Intangible assets	11	30 700 413	41 057 963	30 700 413	41 057 963
Investment property	12	821 671 435	779 067 512	821 671 435	779 067 512
Living resources	13	1 070 250	948 425	1 070 250	948 425
Property, plant and equipment	14	6 588 894 508	6 657 617 392	6 578 292 006	6 645 980 240
Other financial assets	15	-	2 642 997	-	2 642 997
		7 787 361 578	7 834 465 549	7 776 759 076	7 822 828 397
Total Assets		10 649 230 299	10 202 511 194	10 637 212 678	10 187 725 128
Liabilities					
Current Liabilities					
Consumer deposits	16	113 838 915	107 229 302	113 838 915	107 229 302
Other financial liabilities	17	113 418 258	114 310 751	113 418 258	114 310 751
Transfers payable (non-exchange)	18	22 991 872	24 448 776	22 991 872	24 448 776
Payables from exchange transactions	19	1 238 488 312	936 478 225	1 241 454 290	936 194 903
Provisions	20	3 662 143	10 351 928	3 118 321	9 841 144
Employee benefit obligation	21	38 202 000	36 198 896	38 202 000	36 198 896
Unspent conditional grants and receipts	22	180 851 130	103 510 102	180 851 130	103 510 102
VAT payable	23	181 875 292	144 822 890	181 454 567	144 464 969
		1 893 327 922	1 477 350 870	1 895 329 353	1 476 198 843
Non-Current Liabilities					
Other financial liabilities	17	285 317 996	366 291 537	285 317 996	366 291 537
Provisions	20	23 367 839	62 662 384	23 367 839	62 662 384
Employee benefit obligation	21	507 812 001	562 080 514	507 812 001	562 080 514
		816 497 836	991 034 435	816 497 836	991 034 435
Total Liabilities		2 709 825 758	2 468 385 305	2 711 827 189	2 467 233 278
Net Assets		7 939 404 541	7 734 125 889	7 925 385 489	7 720 491 850
Reserves					
Accumulated surplus	24	7 748 557 372	7 505 212 631	7 734 538 320	7 491 578 592
Capital replacement reserve	25	2 053 876	40 992 378	2 053 876	40 992 378
Housing development fund	26	93 528 758	90 761 936	93 528 758	90 761 936
Revaluation reserve	27	95 264 535	97 158 944	95 264 535	97 158 944
Total Net Assets		7 939 404 541	7 734 125 889	7 925 385 489	7 720 491 850

* See Note 70 & 69 & 71

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
Revenue					
Revenue from exchange transactions					
Agency services	28	1 090 372	1 469 372	1 090 372	1 469 372
Interest - consumer debtors and receivables	29	225 860 971	183 129 075	225 860 971	183 129 075
Interest received - bank, call and investment accounts	30	14 258 674	20 507 403	14 116 343	20 378 755
Licences and permits	31	604 456	829 644	604 456	829 644
Operational revenue	32	47 565 468	55 268 646	47 565 468	55 268 646
Rental of facilities and equipment	33	43 597 286	20 617 910	43 597 286	20 617 910
Rendering of services	34	6 807 908	8 265 686	6 807 908	8 265 686
Sale of goods	35	16 811 766	421 129	16 811 005	421 042
Service charges	36	3 104 466 759	2 944 550 476	3 104 621 258	2 944 696 529
Total revenue from exchange transactions		3 461 063 660	3 235 059 341	3 461 075 067	3 235 076 659
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	37	1 177 107 606	947 729 117	1 177 107 606	947 729 117
Interest - property rates	38	66 392 640	61 919 523	66 392 640	61 919 523
Transfer revenue					
Fines, penalties and forfeits	39	13 272 582	12 557 144	13 272 582	12 557 144
Government grants and subsidies	40	1 067 241 793	1 004 150 362	1 067 241 793	1 004 150 362
Other transfers	41	1 434 882	9 162 557	1 434 881	9 162 557
Total revenue from non-exchange transactions		2 325 449 503	2 035 518 703	2 325 449 502	2 035 518 703
Total revenue		5 786 513 163	5 270 578 044	5 786 524 569	5 270 595 362
Expenditure					
Bad debts written off	42	(20 930 221)	(10 345 711)	(20 930 221)	(10 345 711)
Bulk purchases	43	(2 491 126 597)	(2 132 173 417)	(2 491 126 597)	(2 132 173 417)
General expenses	44	(474 257 259)	(570 420 124)	(474 039 478)	(570 134 504)
Debt impairment	45	(567 918 578)	520 406 398	(567 918 578)	520 406 398
Depreciation and amortisation	46	(418 450 866)	(455 235 329)	(417 614 094)	(454 389 103)
Employee related costs	47	(1 354 174 978)	(1 310 730 367)	(1 345 486 985)	(1 303 016 615)
Finance costs	48	(43 716 970)	(52 462 384)	(43 716 970)	(52 462 384)
Inventory consumed	49	(57 199 347)	(55 978 880)	(57 161 591)	(55 935 665)
Operational costs	50	(136 748 409)	(124 691 236)	(135 804 334)	(123 758 124)
Operating leases	51	(23 049 402)	(33 947 467)	(23 037 264)	(33 936 027)
Remuneration of councillors	52	(43 759 322)	(44 130 681)	(43 759 322)	(44 130 681)
Transfers and subsidies	53	(13 927 480)	(15 819 791)	(25 306 678)	(26 090 875)
Total expenditure		(5 645 259 429)	(4 285 528 983)	(5 645 902 112)	(4 285 966 708)
Operating surplus		141 253 734	985 049 061	140 622 457	984 628 654
Actuarial gains/losses	54	91 491 795	162 153 669	91 491 795	162 153 669
Excess in provision liability	20	30 501 044	-	30 501 044	-
Fair value adjustments on investment property	55	(19 832 000)	(32 810 000)	(19 832 000)	(32 810 000)
Fair value on agricultural assets and gain on living resources	56	8 721 325	15 856 141	8 721 325	15 856 141
Gains/(losses) on disposal of assets		(14 646 287)	2 876 825	(14 400 000)	2 876 825
Impairment loss	57	(6 353 310)	(5 719 754)	(6 353 310)	(5 719 754)
Inventory losses	58	(7 356 148)	(16 453 277)	(7 356 148)	(16 453 277)
		82 526 419	125 903 604	82 772 706	125 903 604
Surplus for the year		223 780 153	1 110 952 665	223 395 163	1 110 532 258

* See Note 70 & 69 & 71

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Housing development Fund	Capital replacement reserve	Total reserves	Accumulated surplus	Total net assets
Economic entity						
Balance at 01 July 2018	51 657 445	87 653 806	92 323 393	231 634 644	6 723 887 191	6 955 521 835
Changes in net assets						
Prior year adjustment	-	-	-	-	(386 118 802)	(386 118 802)
Revaluation of heritage assets	45 501 499	-	-	45 501 499	-	45 501 499
Cash utilised for capital expenditure	-	-	(65 401 584)	(65 401 584)	65 401 584	-
Transfer to CRR	-	-	12 095 137	12 095 137	(12 095 137)	-
Net income (losses) recognised directly in net assets	45 501 499	-	(53 306 447)	(7 804 948)	(332 812 355)	(340 617 303)
Surplus for the year	-	-	-	-	1 110 952 659	1 110 952 659
Total recognised income and expenses for the year	45 501 499	-	(53 306 447)	(7 804 948)	778 140 304	770 335 356
HDF utilisation	-	106 929	-	106 929	-	106 929
Correction in surplus	-	-	-	-	8 161 769	8 161 769
Interest earned on investment	-	3 001 201	1 975 432	4 976 633	(4 976 633)	-
Total changes	45 501 499	3 108 130	(51 331 015)	(2 721 386)	781 325 440	778 604 054
Restated* Balance at 01 July 2019	97 158 944	90 761 936	40 992 378	228 913 258	7 505 212 631	7 734 125 889
Changes in net assets						
Devaluation of Heritage assets	(1 894 409)	-	-	(1 894 409)	-	(1 894 409)
Cash utilised for capital expenditure	-	-	(39 572 027)	(39 572 027)	39 572 027	-
Net income (losses) recognised directly in net assets	(1 894 409)	-	(39 572 027)	(41 466 436)	39 572 027	(1 894 409)
Surplus for the year	-	-	-	-	223 780 153	223 780 153
Total recognised income and expenses for the year	(1 894 409)	-	(39 572 027)	(41 466 436)	263 352 180	221 885 744
Correction in surplus	-	-	-	-	(16 607 092)	(16 607 092)
Interest earned on investment	-	2 766 822	633 525	3 400 347	(3 400 347)	-
Total changes	(1 894 409)	2 766 822	(38 938 502)	(38 066 089)	243 344 741	205 278 652
Balance at 30 June 2020	95 264 535	93 528 758	2 053 876	190 847 169	7 748 557 372	7 939 404 541
Note(s)	27	26	25		24	
Controlling entity						
Balance at 01 July 2018	51 657 445	87 653 806	92 323 393	231 634 644	6 710 675 028	6 942 309 672
Changes in net assets						
Prior year adjustment	-	-	-	-	(386 120 294)	(386 120 294)
Revaluation of heritage assets	45 501 499	-	-	45 501 499	-	45 501 499
Cash utilised for capital expenditure	-	-	(65 401 584)	(65 401 584)	65 401 584	-
Transfer to CRR	-	-	12 095 137	12 095 137	(12 095 137)	-
Net income (losses) recognised directly in net assets	45 501 499	-	(53 306 447)	(7 804 948)	(332 813 847)	(340 618 795)
Surplus for the year	-	-	-	-	1 110 532 258	1 110 532 258
Total recognised income and expenses for the 12 months	45 501 499	-	(53 306 447)	(7 804 948)	777 718 411	769 913 463
HDF utilisation	-	106 929	-	106 929	-	106 929
Correction in surplus	-	-	-	-	8 161 786	8 161 786
Interest earned on investment	-	3 001 201	1 975 432	4 976 633	(4 976 633)	-
Total changes	45 501 499	3 108 130	(51 331 015)	(2 721 386)	780 903 564	778 182 178
Restated* Balance at 01 July 2019	97 158 944	90 761 936	40 992 378	228 913 258	7 491 578 592	7 720 491 850
Changes in net assets						
Devaluation of Heritage assets	(1 894 409)	-	-	(1 894 409)	-	(1 894 409)
Cash utilised for capital expenditure	-	-	(39 572 027)	(39 572 027)	39 572 027	-
Net income (losses) recognised directly in net assets	(1 894 409)	-	(39 572 027)	(41 466 436)	39 572 027	(1 894 409)
Surplus for the year	-	-	-	-	223 395 163	223 395 163
Total recognised income and expenses for the year	(1 894 409)	-	(39 572 027)	(41 466 436)	262 967 190	221 500 754
Correction in surplus	-	-	-	-	(16 607 115)	(16 607 115)

* See Note 70 & 69 & 71

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

	Revaluation reserve	Capital replacement reserve	Capitalisation reserve	Total reserves	Accumulated surplus	Total net assets
Figures in Rand						
Interest earned on investment	-	2 766 822	633 525	3 400 347	(3 400 347)	-
Total changes	(1 894 409)	2 766 822	(38 938 502)	(38 066 089)	242 959 728	204 893 639
Balance at 30 June 2020	95 264 535	93 528 758	2 053 876	190 847 169	7 734 538 320	7 925 385 489
Note(s)	27	26	25		24	

* See Note 70 & 69 & 71

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		3 893 416 276	3 597 971 504	3 893 595 168	3 598 119 308
Interest income		14 233 888	20 129 691	14 091 556	20 001 043
Interest received - consumer debtors		31 359 444	17 352 420	31 359 444	17 352 420
Tax received		-	1 488	-	-
Government grants		1 169 508 102	1 031 722 607	1 169 508 101	1 031 722 607
		5 108 517 710	4 667 177 710	5 108 554 269	4 667 195 378
Payments					
Employee costs		(1 340 606 132)	(1 291 991 274)	(1 332 020 409)	(1 284 464 082)
Suppliers		(3 045 371 030)	(2 945 971 235)	(3 052 216 137)	(2 955 306 673)
Finance costs		(46 314 311)	(55 119 340)	(46 314 311)	(55 119 340)
		(4 432 291 473)	(4 293 081 849)	(4 430 550 857)	(4 294 890 095)
Net cash flows from operating activities	59	676 226 237	374 095 861	678 003 412	372 305 283
Cash flows from investing activities					
Purchase of tangible non current assets	14	(398 953 648)	(480 503 036)	(398 905 235)	(480 465 071)
Proceeds from sale of property, plant and equipment	14	-	3 715 678	-	3 715 678
Purchase of other intangible assets	11	(97 000)	(800 000)	(97 000)	(800 000)
Receipts from other financial assets		166 279	186 254	166 278	186 254
(Increase)/decrease in short term investment		17 040 365	(6 155 452)	17 040 365	(6 155 452)
Net cash flows from investing activities		(381 844 004)	(483 556 556)	(381 795 592)	(483 518 591)
Cash flows from financing activities					
Repayment of other financial liabilities		(83 600 511)	(94 966 367)	(83 600 511)	(94 966 367)
Net cash flows from financing activities		(83 600 511)	(94 966 367)	(83 600 511)	(94 966 367)
Net increase/(decrease) in cash and cash equivalents		210 781 722	(204 427 062)	212 607 309	(206 179 675)
Cash and cash equivalents at the beginning of the year		308 195 245	512 622 307	305 048 831	511 228 506
Cash and cash equivalents at the end of the year	8	518 976 967	308 195 245	517 656 140	305 048 831

* See Note 70 & 69 & 71

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	-	-	-	16 811 766	16 811 766	Refer to note 81 for variance analysis comparison
Service charges	3 337 702 981	-	3 337 702 981	3 104 466 759	(233 236 222)	
Rendering of services	-	-	-	6 807 908	6 807 908	
Rental of facilities and equipment	27 826 601	-	27 826 601	43 597 286	15 770 685	
Interest received - consumer debtors and receivables	193 739 516	(172 829)	193 566 687	225 860 971	32 294 284	
Agency services	575 983	-	575 983	1 090 372	514 389	
Licences and permits	1 071 358	-	1 071 358	604 456	(466 902)	
Operational revenue	153 231 328	172 829	153 404 157	47 565 468	(105 838 689)	
Interest received - bank, call and investment accounts	14 702 275	-	14 702 275	14 258 674	(443 601)	
Total revenue from exchange transactions	3 728 850 042	-	3 728 850 042	3 461 063 660	(267 786 382)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	1 200 771 538	-	1 200 771 538	1 177 107 606	(23 663 932)	
Interest - property rates	-	-	-	66 392 640	66 392 640	
Transfer revenue						
Government grants & subsidies	1 111 365 229	295 850 299	1 407 215 528	1 067 241 793	(339 973 735)	
Fines, penalties and forfeits	16 064 007	-	16 064 007	13 272 582	(2 791 425)	
Other transfers	-	-	-	1 434 882	1 434 882	
Total revenue from non-exchange transactions	2 328 200 774	295 850 299	2 624 051 073	2 325 449 503	(298 601 570)	
Total revenue	6 057 050 816	295 850 299	6 352 901 115	5 786 513 163	(566 387 952)	
Expenditure						
Employee related costs	(1 455 894 732)	174 861 885	(1 281 032 847)	(1 354 174 978)	(73 142 131)	
Remuneration of councillors	(51 487 909)	-	(51 487 909)	(43 759 322)	7 728 587	
Bad debts written off	-	-	-	(20 930 221)	(20 930 221)	
Depreciation and amortisation	(492 025 080)	66 232 589	(425 792 491)	(418 450 866)	7 341 625	
Impairment loss	-	-	-	(6 353 310)	(6 353 310)	
Finance costs	(41 660 099)	(2 070 074)	(43 730 173)	(43 716 970)	13 203	
Operating lease	-	-	-	(23 049 402)	(23 049 402)	
Debt Impairment	(116 890 701)	106 000 000	(10 890 701)	(567 918 578)	(557 027 877)	
Bulk purchases	(2 282 599 889)	(209 080 305)	(2 491 680 194)	(2 491 126 597)	553 597	
General expenses	(586 720 405)	85 456 893	(501 263 512)	(474 257 259)	27 006 253	
Transfers and subsidies	(58 899 891)	22 369 853	(36 530 038)	(13 927 480)	22 602 558	
Inventory consumed	(55 814 223)	(3 901 118)	(59 715 341)	(57 199 347)	2 515 994	
Operational costs	(198 795 542)	(40 236 026)	(239 031 568)	(136 748 409)	102 283 159	
Total expenditure	(5 340 788 471)	199 633 697	(5 141 154 774)	(5 651 612 739)	(510 457 965)	
Operating surplus	716 262 345	495 483 996	1 211 746 341	134 900 424	(1 076 845 917)	

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Gains/losses on disposal of assets	(43 396)	(1 763 725)	(1 807 121)	(14 646 287)	(12 839 166)	
Fair value adjustments on investment property	-	-	-	(19 832 000)	(19 832 000)	
Actuarial gains/losses	-	-	-	91 491 795	91 491 795	
Fair value on agricultural assets and gain on living resources	-	-	-	8 721 325	8 721 325	
Excess in provision liability	-	-	-	30 501 044	30 501 044	
Inventory losses	-	-	-	(7 356 148)	(7 356 148)	
	(43 396)	(1 763 725)	(1 807 121)	88 879 729	90 686 850	
Surplus before taxation	716 218 949	493 720 271	1 209 939 220	223 780 153	(986 159 067)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	716 218 949	493 720 271	1 209 939 220	223 780 153	(986 159 067)	
Reconciliation						

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	35 380 272	-	35 380 272	340 986 532	305 606 260	
Receivables from exchange transactions	-	-	-	18 452 302	18 452 302	
Statutory receivables	66 726 050	-	66 726 050	531 584 562	464 858 512	
Consumer debtors	835 519 383	737 437 484	1 572 956 867	1 451 868 358	(121 088 509)	
Cash and cash equivalents	500 953 054	149 682 850	650 635 904	518 976 967	(131 658 937)	
	1 438 578 759	887 120 334	2 325 699 093	2 861 868 721	536 169 628	
Non-Current Assets						
Agricultural assets	-	-	-	73 100 000	73 100 000	
Investment property	738 049 560	-	738 049 560	821 671 435	83 621 875	
Property, plant and equipment	7 166 487 794	114 705 789	7 281 193 583	6 588 894 508	(692 299 075)	
Living resources	-	-	-	1 070 250	1 070 250	
Intangible assets	146 779 814	-	146 779 814	30 700 413	(116 079 401)	
Heritage assets	-	-	-	271 924 972	271 924 972	
	8 051 317 168	114 705 789	8 166 022 957	7 787 361 578	(378 661 379)	
Total Assets	9 489 895 927	1 001 826 123	10 491 722 050	10 649 230 299	157 508 249	
Liabilities						
Current Liabilities						
Other financial liabilities	79 056 107	-	79 056 107	113 418 258	34 362 151	
Payables from exchange transactions	999 844 751	-	999 844 751	1 238 488 312	238 643 561	
Transfers payable (non-exchange)	-	-	-	22 991 872	22 991 872	
VAT payable	-	-	-	181 875 292	181 875 292	
Consumer deposits	108 899 458	-	108 899 458	113 838 915	4 939 457	
Employee benefit obligation	-	-	-	38 202 000	38 202 000	
Unspent conditional grants and receipts	-	-	-	180 851 130	180 851 130	
Provisions	133 712 202	-	133 712 202	3 662 143	(130 050 059)	
	1 321 512 518	-	1 321 512 518	1 893 327 922	571 815 404	
Non-Current Liabilities						
Other financial liabilities	459 547 129	-	459 547 129	285 317 996	(174 229 133)	
Employee benefit obligation	-	-	-	507 812 001	507 812 001	
Provisions	742 916 894	-	742 916 894	23 367 839	(719 549 055)	
	1 202 464 023	-	1 202 464 023	816 497 836	(385 966 187)	
Total Liabilities	2 523 976 541	-	2 523 976 541	2 709 825 758	185 849 217	
Net Assets	6 965 919 386	1 001 826 123	7 967 745 509	7 939 404 541	(28 340 968)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	(525 923)	-	(525 923)	95 264 535	95 790 458	
Housing development fund	89 406 883	-	89 406 883	93 528 758	4 121 875	
Capitalisation reserve	94 169 862	-	94 169 862	2 053 876	(92 115 986)	

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Accumulated surplus	6 782 868 564	1 001 826 123	7 784 694 687	7 748 557 372	(36 137 315)	
Total Net Assets	6 965 919 386	1 001 826 123	7 967 745 509	7 939 404 541	(28 340 968)	

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	3 779 655 642	236 272 423	4 015 928 065	3 895 882 561	(120 045 504)
Interest income	-	-	-	14 233 888	14 233 888
Interest received - consumer debtors	169 693 888	9 540 071	179 233 959	31 359 444	(147 874 515)
Government grants	1 124 451 307	295 850 299	1 420 301 606	1 169 508 102	(250 793 504)
	5 073 800 837	541 662 793	5 615 463 630	5 110 983 995	(504 479 635)

Payments

Employee costs	(1 372 297 289)	24 776 533	(1 347 520 756)	(1 340 606 132)	6 914 624
Suppliers	(3 013 923 639)	(152 920 659)	(3 166 844 298)	(3 047 837 315)	119 006 983
Finance costs	(41 660 099)	1 929 926	(39 730 173)	(46 314 311)	(6 584 138)
	(4 427 881 027)	(126 214 200)	(4 554 095 227)	(4 434 757 758)	119 337 469

Net cash flows from operating activities

	645 919 810	415 448 593	1 061 368 403	676 226 237	(385 142 166)
Purchase of tangible non current assets	(527 535 656)	(265 845 744)	(793 381 400)	(398 953 648)	394 427 752
Purchase of other intangible assets	-	-	-	(97 000)	(97 000)
Receipts from other financial assets	-	-	-	166 279	166 279
(Increase)/decrease in short term investment	-	-	-	17 040 365	17 040 365
Net cash flows from investing activities	(527 535 656)	(265 845 744)	(793 381 400)	(381 844 004)	411 537 396

Cash flows from financing activities

Repayment of other financial liabilities	(79 846 107)	-	(79 846 107)	(83 600 511)	(3 754 404)
Net increase/(decrease) in cash and cash equivalents	38 538 047	149 602 849	188 140 896	210 781 722	22 640 826
Cash and cash equivalents at the beginning of the year	462 415 008	(230 000)	462 185 008	308 195 245	(153 989 763)
Cash and cash equivalents at the end of the year	500 953 055	149 372 849	650 325 904	518 976 967	(131 348 937)

Reconciliation

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	-	-	-	16 811 005	16 811 005	Refer to Note 81 for variance analysis comparison
Service charges	3 337 702 981	-	3 337 702 981	3 104 621 258	(233 081 723)	
Rendering of services	-	-	-	6 807 908	6 807 908	
Rental of facilities and equipment	27 826 601	-	27 826 601	43 597 286	15 770 685	
Interest received - consumer debtors and receivables	193 739 516	(172 829)	193 566 687	225 860 971	32 294 284	
Agency services	575 983	-	575 983	1 090 372	514 389	
Licences and permits	1 071 358	-	1 071 358	604 456	(466 902)	
Operational revenue	140 145 249	172 829	140 318 078	47 565 468	(92 752 610)	
Interest received - bank, call and investment accounts	14 603 275	-	14 603 275	14 116 343	(486 932)	
Total revenue from exchange transactions	3 715 664 963	-	3 715 664 963	3 461 075 067	(254 589 896)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	1 200 771 538	-	1 200 771 538	1 177 107 606	(23 663 932)	
Interest - property rates	-	-	-	66 392 640	66 392 640	
Transfer revenue						
Government grants and subsidies	1 111 365 229	295 850 299	1 407 215 528	1 067 241 793	(339 973 735)	
Fines, penalties and forfeits	16 064 007	-	16 064 007	13 272 582	(2 791 425)	
Other transfers	-	-	-	1 434 881	1 434 881	
Total revenue from non-exchange transactions	2 328 200 774	295 850 299	2 624 051 073	2 325 449 502	(298 601 571)	
Total revenue	6 043 865 737	295 850 299	6 339 716 036	5 786 524 569	(553 191 467)	
Expenditure						
Employee related costs	(1 445 367 850)	174 861 885	(1 270 505 965)	(1 345 486 985)	(74 981 020)	
Remuneration of councillors	(51 487 909)	-	(51 487 909)	(43 759 322)	7 728 587	
Depreciation and amortisation	(491 076 080)	66 232 589	(424 843 491)	(417 614 094)	7 229 397	
Impairment loss	-	-	-	(6 353 310)	(6 353 310)	
Finance costs	(41 660 099)	(2 070 074)	(43 730 173)	(43 716 970)	13 203	
Operating lease	-	-	-	(23 037 264)	(23 037 264)	
Debt impairment	(116 890 701)	106 000 000	(10 890 701)	(567 918 578)	(557 027 877)	
Bad debts written off	-	-	-	(20 930 221)	(20 930 221)	
Bulk purchases	(2 282 599 889)	(209 080 305)	(2 491 680 194)	(2 491 126 597)	553 597	
General expenses	(586 347 111)	85 456 893	(500 890 218)	(474 039 478)	26 850 740	
Transfers and subsidies	(58 899 891)	22 369 853	(36 530 038)	(25 306 678)	11 223 360	
Inventory consumed	(55 714 223)	(3 981 118)	(59 695 341)	(57 161 591)	2 533 750	
Operational costs	(196 905 212)	(40 218 853)	(237 124 065)	(135 804 334)	101 319 731	
Total expenditure	(5 326 948 965)	199 570 870	(5 127 378 095)	(5 652 255 422)	(524 877 327)	
Operating surplus	716 916 772	495 421 169	1 212 337 941	134 269 147	(1 078 068 794)	

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Gains/(losses) on disposal of assets	(43 396)	(1 763 725)	(1 807 121)	(14 400 000)	(12 592 879)	
Fair value adjustments on investment property	-	-	-	(19 832 000)	(19 832 000)	
Actuarial gains/losses	-	-	-	91 491 795	91 491 795	
Fair value on agricultural assets and gain on living resources	-	-	-	8 721 325	8 721 325	
Excess in provision liability	-	-	-	30 501 044	30 501 044	
Inventory losses	-	-	-	(7 356 148)	(7 356 148)	
	(43 396)	(1 763 725)	(1 807 121)	89 126 016	90 933 137	
Surplus before taxation	716 873 376	493 657 444	1 210 530 820	223 395 163	(987 135 657)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	716 873 376	493 657 444	1 210 530 820	223 395 163	(987 135 657)	

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	35 380 272	-	35 380 272	340 986 532	305 606 260	Refer to Note 81 for variance analysis comparison
Receivables from exchange transactions	-	-	-	18 358 010	18 358 010	
Statutory receivables	66 723 550	-	66 723 550	531 584 562	464 861 012	
Consumer debtors	835 519 383	737 437 484	1 572 956 867	1 451 868 358	(121 088 509)	
Cash and cash equivalents	499 887 054	149 682 850	649 569 904	517 656 140	(131 913 764)	
	1 437 510 259	887 120 334	2 324 630 593	2 860 453 602	535 823 009	
Non-Current Assets						
Agricultural assets	-	-	-	73 100 000	73 100 000	
Investment property	738 049 560	-	738 049 560	821 671 435	83 621 875	
Property, plant and equipment	7 154 795 394	114 625 789	7 269 421 183	6 578 292 006	(691 129 177)	
Living resources	-	-	-	1 070 250	1 070 250	
Intangible assets	146 779 814	-	146 779 814	30 700 413	(116 079 401)	
Heritage assets	-	-	-	271 924 972	271 924 972	
	8 039 624 768	114 625 789	8 154 250 557	7 776 759 076	(377 491 481)	
Total Assets	9 477 135 027	1 001 746 123	10 478 881 150	10 637 212 678	158 331 528	
Liabilities						
Current Liabilities						
Other financial liabilities	79 056 107	-	79 056 107	113 418 258	34 362 151	
Payables from exchange transactions	999 062 751	-	999 062 751	1 241 454 290	242 391 539	
Transfers payable (non-exchange)	-	-	-	22 991 872	22 991 872	
VAT payable	-	-	-	181 454 567	181 454 567	
Consumer deposits	108 899 458	-	108 899 458	113 838 915	4 939 457	
Employee benefit obligation	-	-	-	38 202 000	38 202 000	
Unspent conditional grants and receipts	-	-	-	180 851 130	180 851 130	
Provisions	133 712 202	-	133 712 202	3 118 321	(130 593 881)	
	1 320 730 518	-	1 320 730 518	1 895 329 353	574 598 835	
Non-Current Liabilities						
Other financial liabilities	459 547 129	-	459 547 129	285 317 996	(174 229 133)	
Employee benefit obligation	-	-	-	507 812 001	507 812 001	
Provisions	742 916 894	-	742 916 894	23 367 839	(719 549 055)	
	1 202 464 023	-	1 202 464 023	816 497 836	(385 966 187)	
Total Liabilities	2 523 194 541	-	2 523 194 541	2 711 827 189	188 632 648	
Net Assets	6 953 940 486	1 001 746 123	7 955 686 609	7 925 385 489	(30 301 120)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	(525 923)	-	(525 923)	95 264 535	95 790 458	

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Housing development fund	89 406 883	-	89 406 883	93 528 758	4 121 875	
Capital replacement reserve	94 169 862	-	94 169 862	2 053 876	(92 115 986)	
Accumulated surplus	6 770 889 664	1 001 746 123	7 772 635 787	7 734 538 320	(38 097 467)	
Total Net Assets	6 953 940 486	1 001 746 123	7 955 686 609	7 925 385 489	(30 301 120)	

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	3 779 655 642	236 272 423	4 015 928 065	3 893 595 168	(122 332 897)	
Government grants	1 111 365 229	295 850 299	1 407 215 528	1 169 508 101	(237 707 427)	
Interest income	-	-	-	14 091 556	14 091 556	
Interest received - consumer debtors	169 594 888	9 540 071	179 134 959	31 359 444	(147 775 515)	
	5 060 615 759	541 662 793	5 602 278 552	5 108 554 269	(493 724 283)	
Payments						
Employee costs	(1 361 770 407)	24 776 533	(1 336 993 874)	(1 332 020 409)	4 973 465	
Finance costs	(41 660 099)	1 929 926	(39 730 173)	(46 314 311)	(6 584 138)	
Suppliers	(3 012 003 843)	(152 920 659)	(3 164 924 502)	(3 052 216 135)	112 708 367	
	(4 415 434 349)	(126 214 200)	(4 541 648 549)	(4 430 550 855)	111 097 694	
Net cash flows from operating activities	645 181 410	415 448 593	1 060 630 003	678 003 414	(382 626 589)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(527 357 256)	(265 765 744)	(793 123 000)	(398 905 238)	394 217 762	
Purchase of other intangible assets	-	-	-	(97 000)	(97 000)	
Receipts from other financial assets	-	-	-	166 278	166 278	
(Increase)/decrease in short term investment	-	-	-	17 040 366	17 040 366	
Net cash flows from investing activities	(527 357 256)	(265 765 744)	(793 123 000)	(381 795 594)	411 327 406	
Cash flows from financing activities						
Repayment of other financial liabilities	(79 056 107)	-	(79 056 107)	(83 600 511)	(4 544 404)	
Net increase/(decrease) in cash and cash equivalents	38 768 047	149 682 849	188 450 896	212 607 309	24 156 413	
Cash and cash equivalents at the beginning of the year	461 119 008	-	461 119 008	305 048 831	(156 070 177)	
Cash and cash equivalents at the end of the year	499 887 055	149 682 849	649 569 904	517 656 140	(131 913 764)	

The economic impact of Covid – 19 on the municipality's activities necessitated two special budget adjustments. During the year the municipality adopted the MFMA Municipal cost containment regulations 2019 and developed a cost containment policy. In a bid to respond to challenges posed by the pandemic. Amongst the other strategies the municipality has implemented include – curtailment of operating costs. The debt collectors were tasked to improve revenue collections and enhance liquidity. The employee benefit actuarial gains contributed to the surplus.

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003). The reporting Framework is as prescribed by the Accounting Standards Board in Directive 5.

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 70 Changes in accounting policy.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The conceptual framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 including economic factors.

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 20 - Provisions.

Useful lives of property, plant and equipment

The economic entity's management determines the estimated useful lives and related depreciation charges for all assets. These estimates are based on the National Treasury Guideline. This estimate is based on the industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21 - Employee benefits obligations.

Effective interest rate

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

Debt Impairment

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 unless if the effect of discounting is immaterial.

1.5 Agricultural assets

The entity recognises agricultural assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the economic entity; and
- the fair value or cost of the asset can be measured reliably.

Agricultural assets are measured at their fair value less costs to sell.

The fair value of the tree plantations is based on the combined fair value of the land and trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of agricultural assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of agricultural assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.6 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.

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Accounting Policies

1.6 Investment property (continued)

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 economic entity, 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.

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 municipality 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 municipality 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.

1.7 Property, plant and equipment

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

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

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

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.

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Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		Infinite
Buildings	Straight line	5-50 years
Roads	Straight line	5-50 years
Plant and machinery	Straight line	5-15 years
Furniture and fixtures	Straight line	7-10 years
Motor vehicles	Straight line	5-10 years
System security	Straight line	5-10 years
Storm water drainage	Straight line	25 - 50 years
Airport Infrastructure	Straight line	20 years
Solid waste infrastructure	Straight line	5-10 years
Water and sanitation	Straight line	10 - 50 years
Major substations:buildings	Straight line	5-50 years
Transformers and related equipment	Straight line	50 years
Mains	Straight line	45 years
Street lighting	Straight line	50 years
Recreational facilities	Straight line	5-50 years
Fresh produce and other markets	Straight line	5-50 years
Fire engines	Straight line	20 years
Landfill site	Straight line	5-50 years
Transport facilities	Straight line	5-50 years
Fencing	Straight line	10 years
Heavy and mobile plant	Straight line	10-15 years
Bins and containers	Straight line	5-10 years
Office equipment	Straight line	5 - 10 years
Emergency equipment	Straight line	5 - 15 years
Electricity	Straight line	5 - 50 years
Security	Straight line	5 - 10 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.

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Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 14).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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Accounting Policies

1.8 Intangible assets (continued)

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.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3-5 years
Servitudes		Indefinite

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.9 Heritage assets

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

The Municipality measures Artworks and jewellery using revaluation model.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses except for Artworks and jewellery.

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

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

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

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

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

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

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

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

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Accounting Policies

1.9 Heritage assets (continued)

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

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

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

The economic entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 9).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

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Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, all classes of heritage assets are carried at its cost less any accumulated impairment losses except for artworks and jewellery.

After recognition as an asset, Artworks, whose fair value can be measured reliably, are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If Artworks carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If Artworks carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The economic entity assesses at each reporting date whether there is an indication that heritage assets may be impaired. If any such indication exists, the economic entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

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Accounting Policies

1.9 Heritage assets (continued)

Derecognition

The economic entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised .

1.10 Living resources

Living resources are assets that undergo biological transformation.

A living resource shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the cost or fair value of the asset can be measured reliably.

Living resources are initially measured at cost and at fair value if acquired through a non-exchange transaction. Subsequent costs shall only be recognised in the carrying amount if service potential associated with the game animals is expected to flow to the municipality.

Subsequently living resources are measured at cost less impairment.

1.11 Financial instruments

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

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

At each reporting date conditions for impairment are conducted.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Short term investments	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Housing selling schemes	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

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Accounting Policies

1.11 Financial instruments (continued)

Initial recognition

The municipality recognises a financial asset or a financial liability in its Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost.

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

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Accounting Policies

1.12 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position.

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

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

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

Recognition

The economic entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on 1.20 - Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on 1.21 - Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The economic entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The economic entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the economic entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

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Accounting Policies

1.12 Statutory receivables (continued)

Other charges

Where the economic entity is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The economic entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the economic entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

Derecognition

The economic entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the economic entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the economic entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.13 Income Tax

The Municipality is exempted from income tax in terms of section 10(1)(a) of the Income Tax Act.

1.14 Leases

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

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

Operating leases - 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.

1.15 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 net realisable value or current replacement cost except for land which is carried at deemed cost.

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Accounting Policies

1.15 Inventories (continued)

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

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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

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.

1.16 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

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

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

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

Useful life is either:

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

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Accounting Policies

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

Designation

At initial recognition, the economic entity designates an asset as non-cash-generating, or as cash-generating. The designation is made on the basis of an economic entity's objective of using the asset.

The economic entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The economic entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the economic entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the economic entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

The economic entity 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 economic entity estimates the recoverable service amount of the asset.

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 depreciated replacement cost 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 current 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 economic entity 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.

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Accounting Policies

1.16 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 economic entity 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 economic entity assesses 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 economic entity 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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.17 Employee benefits

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

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

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

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

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

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

Msunduzi Local Municipality and its Municipal Entity

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Accounting Policies

1.17 Employee benefits (continued)

A constructive obligation is an obligation that derives from the municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality 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 municipality during a reporting period, the entity recognises 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 recognises 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

The municipality provides retirement benefits for its employees and councillors. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

The Natal Joint Provident and Umgeni Provident Fund are defined contribution plans. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

The Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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Accounting Policies

1.17 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan.

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises 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 contribution in the cost of an asset.

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Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, less the fair value of plan assets(if any), of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Msunduzi Local Municipality and its Municipal Entity

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Accounting Policies

1.17 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.

Pension obligations

The Municipality's employees contribute to 6 different Pension Funds, of which the Natal Joint Provident and Retirement Pension Funds cater for the majority of the staff.

The following are defined contribution and benefit funds

- *The Natal Joint Provident Fund
- *The Natal Joint Pension Fund,
- *Government Employees Pension Fund,
- *Association Institution Pension Fund,
- *South African Local Authorities Pension Fund and
- *Municipal Councillors Pension Fund

Actuarial valuations are conducted on an interim basis each year with a statutory valuation undertaken every three years. Consideration is given to any extent that could impact the Funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The Municipality has both defined benefit and defined contribution plans.

The liability / asset recognized in the statement of financial position in respect of defined benefit pension plans is equal to the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Past-service costs are recognised immediately against revenue.

Msunduzi Local Municipality and its Municipal Entity

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Accounting Policies

1.17 Employee benefits (continued)

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

Natal Joint Retirement Funds, Government Employee Pension Fund and Associated Institution Pension Fund are defined benefit funds.

The Natal Joint Provident Fund, Municipal Councillors Pension Fund and South African Local Authority are defined contribution funds.

Other post retirement obligations

The municipality provides post-retirement health care benefits, upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.18 Provisions and contingencies

Provisions are recognised when:

- the economic entity 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.

Where the effect is material, non-current provisions are discounted to their present value using a prevailing prime rate at year end which reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability, if any (for example in the case of obligations for the rehabilitation of land). The municipality uses the prevailing prime rate at year end.

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

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

Future events that may affect the amount required to settle an obligation shall be reflected in the amount of a provision where there is sufficient evidence of occurrence.

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Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 65.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements of the period in which the change occurs.

A contingent liability is:

(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

1.19 Commitments

A commitment is a binding agreement to undertake operating and capital expenditure at some set time in the future which has not yet become an actual liability.

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

Capital expenditure is expenditure incurred to purchase, upgrade or construct physical assets (for e.g. buildings) for which there will be a long-term benefit. Long-term is defined as longer than one year.

Operational expenditure is expenditure incurred to purchase goods or services for which there will be a short-term benefit and which has been incurred in the normal course of business. Short-term is defined as less than one year.

An approved and contracted for commitment is where the expenditure has been approved and the contract has been awarded, service level agreement signed (where applicable) or any other pertinent authorisation has been granted at the end of the financial year/reporting date.

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.19 Commitments (continued)

An approved and not yet contracted for commitment is where the expenditure has been approved and the contract has been awarded but awaiting finalisation of the service level agreement (where applicable) or any other authorisation pertinent to the contract at the end of the financial year/reporting date.

1.20 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 economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity 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 economic entity; 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 economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When 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.

Interest, royalties and dividends

Revenue arising from the use by others of municipality 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.

Msunduzi Local Municipality and its Municipal Entity

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Accounting Policies

1.21 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 arises 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.

Non- 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.

Taxes are economic benefits or service potential compulsorily paid or payable to municipalities, 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.

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.

When 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.

Revenue received from conditional grants, donations and other funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the grant agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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.

Msunduzi Local Municipality and its Municipal Entity

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Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

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

Debt forgiveness and assumption of liabilities

The municipality recognises revenues in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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 municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and 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.

Services in-kind

Except for financial guarantee contracts, the municipality recognises 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 discloses the nature and type of services in-kind received during the reporting period.

Msunduzi Local Municipality and its Municipal Entity

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Accounting Policies

1.22 Bad debts written off

Before any debt is written off it is proved that the debt has become irrecoverable.

Irrecoverable debt is debt which can not be traced successfully; and after all reasonable steps were taken to recover the debt.

Bad debt write offs are considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are remote, a write off is considered.

1.23 Investment income

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

1.24 Borrowing costs

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

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

1.25 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The economic entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

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Accounting Policies

1.25 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the economic entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the economic entity concludes that it is not the agent, then it is the principal in the transactions.

The economic entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the economic entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The economic entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the economic entity is an agent.

Recognition

The economic entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements Standards of GRAP.

The economic entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements Standards of GRAP.

The economic entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of Standards of GRAP.

1.26 Comparative figures

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

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

1.27 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 disclosed in a note to the financial statements as an expense in the period that the expenditure is incurred.

1.28 Fruitless and wasteful expenditure

Fruitless and wasteful 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 disclosed in the notes to the financial statement in the period that the expenditure is 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.

Msunduzi Local Municipality and its Municipal Entity

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Accounting Policies

1.29 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.

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

1.30 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.31 Internal reserves

Capital replacement reserve (CRR)

The CRR is an asset financing source that represents an alternative to the other funding sources available to the Municipality namely external loans (interest bearing borrowings) and government grants & subsidies.

Subsequent to the implementation of GRAP in 2008, Reserves and Funds had to be discontinued as they are not permissible in terms of GRAP. However, the National Treasury determined that the CRR is one of the few funds and reserves that are allowed.

As a matter of principle, the focus is the manner in which these reserves are created and accounted for, which in this instance the capital replacement of major components of Infrastructure Assets in the event of technical failure. For accounting purposes, the CRR will be created by transferring amounts out of Accumulated surpluses/deficits to the respective reserve account, or vice versa, in the Statement of Changes in Net Assets. The net effect of these transfers will be nil in the Statement of Changes in Net Assets, and will not affect the value of reserves in totality. It is the requirement of GRAP that no transactions should be accounted for, directly to the Statement of Changes in Net Assets other than those specifically allowed in terms of GRAP, i.e. Revaluation Surplus Reserve. Therefore, situations should be avoided where reserves are created and accounted for, by taking amounts directly to the Statement of Changes in Net Assets thereby circumventing the Statement of Financial Performance.

- The CRR will only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and will not be used for the maintenance of such items.

Self - Insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (adapt to specific circumstances).

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the insurance industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

Msunduzi Local Municipality and its Municipal Entity

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Accounting Policies

1.31 Internal reserves (continued)

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

1.32 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a revaluation reserve. The revaluation surplus is realised upon disposal of artworks and jewellery. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.33 Budget information

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

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

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

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

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

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

Deviations between budget and actual amounts exceeding 10 percent are obtained monthly for the preparation of the Section 71 reporting and used during the audit process.

The threshold for which reasons for variances are provided is 10% and above.

1.34 Related parties

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

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

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

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

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

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

Msunduzi Local Municipality and its Municipal Entity

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Accounting Policies

1.35 Events after reporting date

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

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

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

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

1.36 Value Added Tax (VAT)

VAT is payable on the receipt and payment basis.

The transaction date is referred to as the “time of supply”. Time of supply applies to certain supplies as the prevailing rate of VAT on that date will apply to the transaction concerned.

- before 1 April 2018 – a VAT rate of 14% will apply;
- on or after 1 April 2018 – a VAT rate of 15% will apply.

1.37 Expenditure

An expense is a decrease in the net financial position of the entity, other than decreases arising from ownership distributions

An expense arises from exchange and non-exchange transactions, other events such as unrealised increases and decreases in the value of assets and the consumption of assets through depreciation and erosion of service potential and ability to generate economic benefits through impairments.

An expense may arise from individual transactions or groups of transactions.

Expenses are recognised in the Statement of Financial Performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. The recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets

Expenses encompasses losses as well as those expenses that arise in the course of the operating activities of the municipality

Losses represent other items that meet the definition of expenses and may, or may not, arise in the course of the operating activities of the entity. Losses represent decreases in economic benefits or service potential and as such, they are no different in nature from other expenses.

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme 	01 April 2019	The municipality is an implementing agent in terms of the guideline. The standard did not significantly impact results, however, it resulted in additional disclosure.
<ul style="list-style-type: none"> GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements 	01 April 2019	The impact of the standard is not material.
<ul style="list-style-type: none"> Directive 7 (revised): The Application of Deemed Cost 	01 April 2019	The impact of the standard is not material.
<ul style="list-style-type: none"> GRAP 20: Related parties 	01 April 2019	The adoption of this Standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"> GRAP 108: Statutory Receivables 	01 April 2019	The adoption of this Standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.
<ul style="list-style-type: none"> GRAP 109: Accounting by Principals and Agents 	01 April 2019	The adoption of this Standard impact on the results of the municipality was insignificant. It resulted in change of accounting policy and additional disclosure in the financial statements.
<ul style="list-style-type: none"> IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land 	01 April 2019	The adoption of this has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"> IGRAP 19: Liabilities to Pay Levies 	01 April 2019	The impact of the standard is not material.

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 104 (amended): Financial Instruments	01 April 2020	Full impact of the standard is not yet known. However, additional disclosure is expected and unlikely to result in a material impact.
<ul style="list-style-type: none">Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	The municipality operates a landfill site, after the end of life of the landfill site, closure and rehabilitation is required in terms of legislation. Therefore, accounting for land, provision, expenses and discount rate has to done in line with the guidance. Full impact of the guideline is not yet known.
<ul style="list-style-type: none">Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2020	Materiality decisions on developing policies, disclosure and assessment of misstatements is provided by this guideline. Full impact of the application of the guideline is not yet known.
<ul style="list-style-type: none">IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Impact is currently not known. It is unlikely to result in a material impact on the financial statements.
<ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Impact is currently not known. It is unlikely to result in a material impact on the financial statements.
<ul style="list-style-type: none">GRAP 34: Separate Financial Statements	01 April 2020	Impact is currently not known. It is unlikely to result in a material impact on the financial statements.
<ul style="list-style-type: none">GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Impact is currently not known. It is unlikely to result in a material impact on the financial statements.

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Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 37: Joint Arrangements	01 April 2020	Impact is currently not known. It is unlikely to result in a material impact on the financial statements.
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Impact is currently not known. It is unlikely to result in a material impact on the financial statements.
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	The municipality has a game reserve, accounting for the fauna and flora, will be provided by this standard. Impact is currently being assessed and is not expected to be material.
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	30 April 2020	Unlikely there will be a material impact

The municipality formulated its own accounting policy in 2017/18 regarding the treatment of Living resources. The living resources accounting policy is based on the principles of GRAP 110 (Living and non living and resources).

3. Inventories

Consumable stores	29 810 577	30 964 633	29 810 577	30 964 633
Materials and supplies	29 289 017	25 679 243	29 289 017	25 679 243
Water for distribution	2 008 420	1 764 634	2 008 420	1 764 634
Land inventory	279 878 518	276 936 237	279 878 518	276 936 237
	340 986 532	335 344 747	340 986 532	335 344 747

Inventory are recorded using the weighted average cost method.

Inventory expensed during the year R57 199 347 (2019 : R55 978 880).

Inventory are carried at lower of cost or net realisable value except for land carried at deemed cost.

Inventory losses - consumables for the year ((R 7 356 148) (2019 : R16 453 277)).

Inventory pledged as security

No inventory was pledged as security for either overdraft facilities or any financial liabilities of the municipality.

4. Short term investment

Compensation for Occupational Injuries and Diseases Investment (COID)	-	15 674 518	-	15 674 518
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Reconciliation of short term investment

Opening balance	15 674 518	8 869 457	15 674 518	8 869 457
Interest on maturity	1 365 847	649 609	1 365 847	649 609
Redemption	(17 040 365)	(9 519 066)	(17 040 365)	(9 519 066)
Re-investment	-	15 674 518	-	15 674 518
Closing balance	-	15 674 518	-	15 674 518

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
4. Short term investment (continued)				
COID short term investment invested at 8.69 % (2019: 8.69%).				
The current fixed deposit was invested with Standard Bank and matured on the 24th of April 2020.				
The investment was reinvested on a short term call account and has been disclosed as part of cash and cash equivalents.				
Due to the lockdown we could not obtain quotations during lockdown hence reinvestment was done on a call account.				
5. Receivables from exchange transactions				
Net balance				
Accrued revenue	22 381	54 947	22 381	54 947
Advance payments	4 451 322	4 113 303	4 357 030	4 110 803
Cashier's shortages	23 092	44 442	23 092	44 442
Cash receipts due from third parties	-	449 636	-	449 636
Independent Development Trust	-	-	-	-
Insurance claims	-	-	-	-
Interest accrual on bank and call accounts	23 756	126 100	23 756	126 100
Interest accrual on investment	1 032	251 612	1 032	251 612
Land sale debtors	-	-	-	-
Forestry receivable	13 908 187	-	13 908 187	-
Staff recoveries	22 532	412 057	22 532	412 057
	18 452 302	5 452 097	18 358 010	5 449 597
Gross balance				
Accrued revenue	22 381	54 947	22 381	54 947
Advance payments	4 451 322	4 113 303	4 357 030	4 110 803
Cashier's shortages	23 092	44 442	23 092	44 442
Cash receipts due from third parties	-	449 636	-	449 636
Independent Development Trust	108 836 507	108 836 507	108 836 507	108 836 507
Insurance claims	-	3 020 221	-	3 020 221
Interest accrual on bank and call accounts	23 756	126 100	23 756	126 100
Interest accrual on investment	1 032	251 612	1 032	251 612
Land sale debtors	66 386	66 386	66 386	66 386
Forestry receivable	13 908 187	-	13 908 187	-
Staff recoveries	22 532	412 057	22 532	412 057
	127 355 195	117 375 211	127 260 903	117 372 711
Less: Allowance for impairment				
Independent Development Trust	(108 836 507)	(108 836 507)	(108 836 507)	(108 836 507)
Insurance claims	-	(3 020 221)	-	(3 020 221)
Land sale debtors	(66 386)	(66 386)	(66 386)	(66 386)
	(108 902 893)	(111 923 114)	(108 902 893)	(111 923 114)
Receivables from exchange pledged as security				
There are no receivables from exchange transactions pledged as security for any financial liabilities of the municipality.				

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

5. Investment property (continued)

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions are neither past due nor impaired except for land sale debtors, insurance claims and IDT.

There is an ongoing dispute between IDT and Msunduzi Municipality on an amount that was paid by Msunduzi Municipality to IDT for the implementation of infrastructure projects. IDT was appointed as an implementing agent and advance payments were made to IDT during 2011/12 and 2012/13 financial years. The projects were implemented; however, IDT was unable to account for work amounting to R108 836 507. The municipality referred the matter to the legal team for a civil litigation and has not been finalised a yet. The receivable has been fully impaired since IDT is disputing the receivable and the matter is still under litigation.

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
6. Statutory receivables				
Consumer debtors - rates	529 016 443	417 440 347	529 016 443	417 440 347
Fines	2 568 119	2 568 619	2 568 119	2 568 619
	531 584 562	420 008 966	531 584 562	420 008 966
Receivables from non-exchange transactions included in statutory receivables above are as follows:				
Consumer debtors - rates	529 016 443	417 440 347	529 016 443	417 440 347
Fines	2 568 119	2 568 619	2 568 119	2 568 619
	531 584 562	420 008 966	531 584 562	420 008 966
Total statutory receivables	531 584 562	420 008 966	531 584 562	420 008 966
Gross balances				
Consumer debtors - rates	1 061 917 767	806 494 839	1 061 917 767	806 494 839
Fines	78 882 668	67 191 110	78 882 668	67 191 110
	1 140 800 435	873 685 949	1 140 800 435	873 685 949
Less: Allowance for impairment				
Consumer debtors - rates	(532 901 324)	(389 054 492)	(532 901 324)	(389 054 492)
Fines	(76 314 549)	(64 622 491)	(76 314 549)	(64 622 491)
	(609 215 873)	(453 676 983)	(609 215 873)	(453 676 983)
Consumer debtors - rates				
Current	115 865 624	92 823 621	115 865 624	92 823 621
0 - 30 days	52 341 835	41 970 643	52 341 835	41 970 643
31 - 60 days	31 110 036	6 253 759	31 110 036	6 253 759
61 - 90 days	44 420 982	21 716 772	44 420 982	21 716 772
91 - 120 days	28 862 144	57 703 160	28 862 144	57 703 160
121 - 365 days	204 086 280	109 026 159	204 086 280	109 026 159
> 365 days	585 230 866	477 000 725	585 230 866	477 000 725
	1 061 917 767	806 494 839	1 061 917 767	806 494 839
Fines				
Current (0-30 days)	788 780	105 100	788 780	105 100
31 - 60 days	580 750	2 078 550	580 750	2 078 550
61 - 90 days	2 995 728	3 389 450	2 995 728	3 389 450
91 - 120 days	4 045 100	4 221 960	4 045 100	4 221 960
121 - 365 days	3 281 200	972 737	3 281 200	972 737
> 365 days	67 191 110	56 423 313	67 191 110	56 423 313
	78 882 668	67 191 110	78 882 668	67 191 110
Summary of debtors by customer classification				
Industrial/Commercial				
Current	51 281 829	37 215 051	51 281 829	37 215 051
0 - 30 days	18 341 215	16 739 634	18 341 215	16 739 634
31 - 60 days	11 285 566	1 573 394	11 285 566	1 573 394
61 - 90 days	13 568 269	6 543 370	13 568 269	6 543 370
91 - 120 days	8 710 421	15 436 779	8 710 421	15 436 779
121 - 365 days	57 907 562	27 080 192	57 907 562	27 080 192
> 365 days	107 039 540	85 011 044	107 039 540	85 011 044
	268 134 402	189 599 464	268 134 402	189 599 464
Government				
Current	16 461 703	11 308 637	16 461 703	11 308 637
0 - 30 days	7 585 134	5 073 490	7 585 134	5 073 490

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
6. Statutory receivables (continued)				
31 - 60 days	3 388 431	870 647	3 388 431	870 647
61 - 90 days	11 847 848	3 072 008	11 847 848	3 072 008
91 - 120 days	3 097 882	8 765 119	3 097 882	8 765 119
121 - 365 days	23 334 061	16 301 562	23 334 061	16 301 562
> 365 days	75 060 960	76 224 013	75 060 960	76 224 013
	140 776 019	121 615 476	140 776 019	121 615 476
Consumers				
Current	48 122 092	44 299 933	48 122 092	44 299 933
0 - 30 days	26 415 486	20 157 520	26 415 486	20 157 520
31 - 60 days	16 436 040	3 809 717	16 436 040	3 809 717
61 - 90 days	19 004 865	12 101 394	19 004 865	12 101 394
91 - 120 days	17 053 841	33 501 263	17 053 841	33 501 263
121 - 365 days	122 844 657	65 644 404	122 844 657	65 644 404
> 365 days	403 130 365	315 765 668	403 130 365	315 765 668
	653 007 346	495 279 899	653 007 346	495 279 899

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines

The two types of traffic fines that are issued are :

- 1)Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO Act).
- 2)Traffic fines issued in terms of the Criminal Procedures Act.

Property rates

The Municipal Property Rates Act No. 06 of 2004 governs property rates billed. The Act regulates, the power of the municipality to impose rates on properties; to exclude certain properties from rating in the national interest; to make provisions for the municipality to implement a transparent and fair system of exemptions, reductions and rebates through the municipalities rating policy, making provisions for fair and equitable valuation methods of properties; to make provisions for objections and appeals.

Determination of transaction amount

Traffic fines

Traffic fines are issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

6. Statutory receivables (continued)

Traffic fines issued in terms of the Criminal Procedures Act are usually issued by way of notice to offenders, and can (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or (b) indicate that the offender must appear in Court on a specified date (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Property rates

Property rates are levied in terms of the municipality's rates policy, which is aligned to the Municipal Property Rates Act No. 6 of 2004.

The amount of rates levied by the municipality on properties, is the amount in the Rand

- a) On the market value of the property;
- b) In the case of public service infrastructure, on the market value of the public service infrastructure less 30% of that value as contemplated in section 17(1)(a) of the Municipal Property Rates Act of 2004 or on such a lower percentage as the minister determines in terms of section 17(4) of the Municipal Property Rates Act of 2004;
- c) In the case of property to which section 17(1) (h), of the Municipal Property Rates Act of 2004, applies on the market value of the property less the amount stated in that section, or on such amount as the Minister may determine

Refer to Note 37 for rate reductions.

Interest or other charges levied

Traffic fines

No interest is levied on traffic fines.

Property rates

The following are charges that may be charged in addition to rates levied:

- a) Interest on outstanding rates billed:

Interest shall be charged on all rates arrears in terms of section 64(g) of the Municipal Finance Management Act and the Municipal Systems Act.

The municipality has a Credit control policy that is approved by council. The credit control policy states that amounts on accounts, which remain unpaid after the due date shall attract interest irrespective of the reasons for non-payment. Interest will be charged at a rate of 11.25%, which is the annual interest rate as per approved tariff register.

- b) In addition to interest charged in respect of any property, collection charges shall accrue as follows:
As from the last working day, an amount representing ten per cent (10%) of the capital amount of the rates then in arrear in terms of Section 75A 1(b) of the Municipal Systems Act;

On the grant of a court order, a further amount representing ten per cent (10%) of the capital amount of the rates then in arrear in terms of Section 75A 1(b) of the Municipal Systems Act.

Basis used to assess and test whether a statutory receivable is impaired

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

6. Statutory receivables (continued)

Traffic fines

The impairment loss is calculated as the difference between value of traffic fines issued for the year less finalised cases and the present value of expected cash flows.

Property rates

Impairment regarding property rates are assessed collectively in terms of the municipalities impairment policy. Each debtor is classified into their risk profiles based on total services outstanding.

The difference between the carrying-value at reporting date less the present value of expected future cash flows, determines if impairment needs to be provided for. This is in terms of GRAP 104.

Discount rate not applied to the estimated future cash flows

Considering the fact that traffic fines payments are short term in nature discounting is not performed.

Statutory receivables impaired

The amount of the provision is R609 215 873 (2019: R453 676 983).

Factors the entity considered in assessing statutory receivables impaired

Traffic fines

Past history patterns and peculiarity of traffic fines.

Collection rates in the current year.

Finalised cases in the reporting period.

Property rates

Past history payment of debtors and the debtors risk profiling. Accounts outstanding that are above a million are considered material and are assessed separately based on their recovery of debt.

Reconciliation of provision for impairment for statutory receivables

Balance at beginning of the year	(453 676 983)	(509 011 643)	(453 676 983)	(509 011 643)
(Increase)/decrease in impairment contribution	(155 538 890)	55 334 660	(155 538 890)	55 334 660
Balance at end of year	(609 215 873)	(453 676 983)	(609 215 873)	(453 676 983)
Consumer debtors - rates				
Balance at beginning of the year	(389 054 492)	(454 810 084)	(389 054 492)	(454 810 084)
(Increase)/decrease in impairment contribution	(143 846 832)	65 755 592	(143 846 832)	65 755 592
Balance at end of year	(532 901 324)	(389 054 492)	(532 901 324)	(389 054 492)
Fines				
Balance at beginning of the year	(64 622 491)	(54 201 559)	(64 622 491)	(54 201 559)
(Increase)/decrease in impairment contribution	(11 692 058)	(10 420 932)	(11 692 058)	(10 420 932)
Balance at end of year	(76 314 549)	(64 622 491)	(76 314 549)	(64 622 491)

Statutory receivables pledged as security

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
6. Statutory receivables (continued)				
There are no statutory receivables pledged as security for any liability.				
7. Consumer debtors				
Gross balances				
Electricity	538 088 716	475 717 567	538 088 716	475 717 567
Other service charges	405 339 997	383 522 950	405 339 997	383 522 950
Property rental	65 523 384	45 630 483	65 523 384	45 630 483
Refuse	203 829 316	165 281 931	203 829 316	165 281 931
Sanitation	357 030 430	297 313 971	357 030 430	297 313 971
Water	1 907 825 751	1 531 519 735	1 907 825 751	1 531 519 735
	3 477 637 594	2 898 986 637	3 477 637 594	2 898 986 637
Less: Allowance for impairment				
Electricity	(228 188 338)	(164 405 986)	(228 188 338)	(164 405 986)
Other service charges	(253 632 483)	(240 329 939)	(253 632 483)	(240 329 939)
Property rental	(36 758 158)	(31 040 273)	(36 758 158)	(31 040 273)
Refuse	(123 868 968)	(98 724 399)	(123 868 968)	(98 724 399)
Sanitation	(208 953 172)	(168 614 625)	(208 953 172)	(168 614 625)
Water	(1 174 368 117)	(912 501 343)	(1 174 368 117)	(912 501 343)
	(2 025 769 236)	(1 615 616 565)	(2 025 769 236)	(1 615 616 565)
Net balance				
Electricity	309 900 378	311 311 581	309 900 378	311 311 581
Other service charges	151 707 514	143 193 011	151 707 514	143 193 011
Property rental	28 765 226	14 590 210	28 765 226	14 590 210
Refuse	79 960 348	66 557 532	79 960 348	66 557 532
Sanitation	148 077 258	128 699 346	148 077 258	128 699 346
Water	733 457 634	619 018 392	733 457 634	619 018 392
	1 451 868 358	1 283 370 072	1 451 868 358	1 283 370 072
Electricity				
Current	190 249 920	184 455 809	190 249 920	184 455 809
0 -30 days	52 928 114	86 059 564	52 928 114	86 059 564
31 - 60 days	36 291 555	1 008 207	36 291 555	1 008 207
61 - 90 days	16 989 291	15 897 119	16 989 291	15 897 119
91 - 120 days	14 802 274	25 187 167	14 802 274	25 187 167
121 - 365 days	82 878 599	37 073 448	82 878 599	37 073 448
> 365 days	143 948 963	126 036 253	143 948 963	126 036 253
	538 088 716	475 717 567	538 088 716	475 717 567
Water				
Current	66 439 779	116 111 737	66 439 779	116 111 737
0 -30 days	53 623 957	52 840 337	53 623 957	52 840 337
31 - 60 days	28 846 800	8 536 837	28 846 800	8 536 837
61 - 90 days	43 675 940	41 239 137	43 675 940	41 239 137
91 - 120 days	45 072 362	109 575 697	45 072 362	109 575 697
121 - 365 days	339 248 424	202 626 636	339 248 424	202 626 636
> 365 days	1 330 918 489	1 000 589 354	1 330 918 489	1 000 589 354
	1 907 825 751	1 531 519 735	1 907 825 751	1 531 519 735

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
7. Consumer debtors (continued)				
Sanitation				
Current	18 122 648	21 810 178	18 122 648	21 810 178
0 -30 days	11 452 041	10 158 545	11 452 041	10 158 545
31 - 60 days	6 075 148	1 583 100	6 075 148	1 583 100
61 - 90 days	7 665 911	6 926 827	7 665 911	6 926 827
91 - 120 days	7 675 976	18 974 955	7 675 976	18 974 955
121 - 365 days	55 276 295	37 161 267	55 276 295	37 161 267
> 365 days	250 762 411	200 699 099	250 762 411	200 699 099
	357 030 430	297 313 971	357 030 430	297 313 971
Other service charges				
Current	3 116 161	1 800 523	3 116 161	1 800 523
0 -30 days	2 254 679	737 734	2 254 679	737 734
31 - 60 days	-	2 654 623	-	2 654 623
61 - 90 days	2 293 880	2 587 363	2 293 880	2 587 363
91 - 120 days	2 440 377	8 017 263	2 440 377	8 017 263
121 - 365 days	19 589 617	15 497 326	19 589 617	15 497 326
> 365 days	375 645 283	352 228 118	375 645 283	352 228 118
	405 339 997	383 522 950	405 339 997	383 522 950
Refuse				
Current	10 224 948	12 283 751	10 224 948	12 283 751
0 -30 days	5 943 019	5 763 621	5 943 019	5 763 621
31 - 60 days	3 554 235	1 470 363	3 554 235	1 470 363
61 - 90 days	4 260 554	3 974 211	4 260 554	3 974 211
91 - 120 days	4 874 652	11 235 637	4 874 652	11 235 637
121 - 365 days	33 852 941	24 210 277	33 852 941	24 210 277
> 365 days	141 118 967	106 344 071	141 118 967	106 344 071
	203 829 316	165 281 931	203 829 316	165 281 931
Property rental				
Current	9 660 111	342 716	9 660 111	342 716
0 - 30 days	2 516 758	161 278	2 516 758	161 278
31 - 60 days	3 074 136	1 296 976	3 074 136	1 296 976
61 - 90 days	943 999	1 165 939	943 999	1 165 939
91 - 120 days	921 771	898 740	921 771	898 740
121 - 365 days	10 138 367	6 646 137	10 138 367	6 646 137
> 365 days	38 268 242	35 118 697	38 268 242	35 118 697
	65 523 384	45 630 483	65 523 384	45 630 483

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
7. Consumer debtors (continued)				
Summary of debtors by customer classification				
Consumers				
Current	119 738 241	158 133 337	119 738 241	158 133 337
0 - 30 days)	78 723 441	72 660 887	78 723 441	72 660 887
31 - 60 days	43 168 741	14 673 233	43 168 741	14 673 233
61 - 90 days	59 689 902	52 887 066	59 689 902	52 887 066
91 - 120 days	60 508 316	140 604 186	60 508 316	140 604 186
121 - 365 days	461 196 516	274 614 060	461 196 516	274 614 060
> 365 days	2 059 752 417	1 630 096 168	2 059 752 417	1 630 096 168
	2 882 777 574	2 343 668 937	2 882 777 574	2 343 668 937
Industrial/ commercial				
Current	148 811 952	153 209 347	148 811 952	153 209 347
0 - 30 days	43 953 353	71 168 571	43 953 353	71 168 571
31 - 60 days	31 565 113	1 922 241	31 565 113	1 922 241
61 - 90 days	12 921 618	14 145 947	12 921 618	14 145 947
91 - 120 days	12 048 062	22 109 465	12 048 062	22 109 465
121 - 365 days	68 076 541	39 450 208	68 076 541	39 450 208
> 365 days	194 287 881	164 640 354	194 287 881	164 640 354
	511 664 520	466 646 133	511 664 520	466 646 133
National and provincial government				
Current	29 263 375	25 460 779	29 263 375	25 460 779
0 - 30 days	6 041 774	11 891 621	6 041 774	11 891 621
31 - 60 days	3 108 020	(45 367)	3 108 020	(45 367)
61 - 90 days	3 218 056	4 757 582	3 218 056	4 757 582
91 - 120 days	3 231 034	11 175 848	3 231 034	11 175 848
121 - 365 days	11 711 187	9 150 824	11 711 187	9 150 824
> 365 days	26 622 054	26 280 280	26 622 054	26 280 280
	83 195 500	88 671 567	83 195 500	88 671 567
Total				
Current	297 813 568	336 803 463	297 813 568	336 803 463
0 - 30 days	128 718 568	155 721 079	128 718 568	155 721 079
31 - 60 days	77 841 875	16 550 107	77 841 875	16 550 107
61 - 90 days	75 829 576	71 790 595	75 829 576	71 790 595
91 - 120 days	75 787 412	173 889 499	75 787 412	173 889 499
121 - 365 days	540 984 244	323 215 092	540 984 244	323 215 092
> 365 days	2 280 662 351	1 819 016 802	2 280 662 351	1 821 016 802
	3 477 637 594	2 896 986 637	3 477 637 594	2 898 986 637
Less allowance for impairment	(2 025 769 236)	(1 615 616 565)	(2 025 769 236)	(1 615 616 565)
Reconciliation of allowance for impairment				
Balance at beginning of the year	(1 615 616 565)	(2 086 949 297)	(1 615 616 565)	(2 086 949 297)
(Increase)/decrease in impairment contribution	(410 152 671)	471 332 732	(410 152 671)	471 332 732
Balance at end of year	(2 025 769 236)	(1 615 616 565)	(2 025 769 236)	(1 615 616 565)
Consumer debtors pledged as security				
There are no consumer debtors pledged as security for overdraft facilities of the municipality.				

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

7. Consumer debtors (continued)

Consumer debtors impaired

Consumer debtors impaired R 2 025 769 236 (2019: R 1 615 616 565).

Presented on note 69 Prior period error are adjustments addressing qualification matters.

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
8. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	28 525	58 661	25 595	50 925
Bank balances	82 736 481	30 429 269	82 649 858	30 348 782
Short-term deposits	436 211 961	277 707 315	434 980 687	274 649 124
	518 976 967	308 195 245	517 656 140	305 048 831

Average rate of return is based on average interest rate on all bank and investment accounts 3.60 % (2019: 6.79%)

Due to the short term nature of these investments, no amortisation was performed.

No cash and cash equivalents were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash except for unspent conditional grants and receipts.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
FNB - Primary - 50941827782	56 060 058	11 687 594	62 178 200	12 590 819
FNB - Electronic transfers - 50940058750	-	-	(67 666)	-
FNB - Market - 50941840627	1 170 875	3 276 208	1 170 875	3 276 208
FNB - Airport - 62069378539	2 027 885	1 063 538	2 027 885	1 063 538
FNB/Post Office - Account - 62006041157	-	-	16 646 029	13 348 925
FNB - Salaries - 62003432846	694 536	69 291	694 536	69 291
FNB - Traffic fines - 62045272143	-	-	-	-
FNB - Call (Airport Development Fund) - 62548639725	22 851	2 981 779	22 851	2 981 779
FNB - Call (MIG Grant) - 62548629403	57 832 300	17 299 699	57 832 300	17 299 699
FNB - Call (Unspent Conditional Grant) - 62548623231	254 777 653	103 110 455	254 777 653	103 110 455
FNB - No: Housing Projects: Principal-Agent -62856957588	23 154 917	-	23 154 917	-
FNB - Call (Insurance Fund) - 62548634460	534 611	17 246 717	534 611	17 246 717
FNB - Call (MHOA) - 62548632901	46 933 331	47 166 754	46 933 331	47 166 754
FNB - Call (Housing Accreditation) - 62548630822	31 887 885	44 420 702	31 887 885	44 420 702
FNB - Call (Vat Recovery on Grants) - 62551687563	823 918	343 132	823 918	343 132
FNB - Call (Vat Refunds - CRR) - 62600253984	700 933	40 992 378	700 933	40 992 378
ABSA - 7 day notice - 9317549203	1 152 538	1 087 509	1 152 538	1 087 509
Standard Bank No:COID Call 268799725 008	17 159 749	-	17 159 749	-
FNB - current account - 62035467978	86 623	80 487	86 623	80 487
FNB - money market - 62035942392	1 231 274	3 058 191	1 231 274	3 058 191
Total	496 251 937	293 884 434	518 948 442	308 136 584

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

9. Agricultural assets

Economic entity	2020			2019		
	Cost / Valuation	Fair value adjustments	Carrying value	Cost / Valuation	Fair value adjustments	Carrying value
Biological assets - Consumable	79 700 000	(6 600 000)	73 100 000	63 863 790	15 836 210	79 700 000

Controlling entity	2020			2019		
	Cost / Valuation	Fair value adjustments	Carrying value	Cost / Valuation	Fair value adjustments	Carrying value
Biological assets - Consumable	79 700 000	(6 600 000)	73 100 000	63 863 790	15 836 210	79 700 000

Reconciliation of Agricultural assets - Economic entity - 2020

	Opening balance	Fair value adjustments	Total
Biological assets - Consumable	79 700 000	(6 600 000)	73 100 000

Reconciliation of Agricultural assets - Economic entity - 2019

	Opening balance	Fair value adjustments	Total
Biological assets - Consumable	63 863 790	15 836 210	79 700 000

Reconciliation of Agricultural assets - Controlling entity - 2020

	Opening balance	Fair value adjustments	Total
Biological asset - Consumable	79 700 000	(6 600 000)	73 100 000

Reconciliation of Agricultural assets - Controlling entity - 2019

	Opening balance	Fair value adjustments	Total
Biological assets - Consumable	63 863 790	15 836 210	79 700 000

Pledged as security

No agricultural assets have been pledged as security

Non-financial information

The municipality owns a plantation forest that produces felled trees for timber production, separately disclosed as consumable biological assets.

There was a harvest of timber to the value of R14 400 000 as at 30 June 2020

There were fire incidents that occurred during the current year and the value of the timber lost was R799 500.

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.

Refer to note 78 for risk management strategies on agricultural assets.

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

9. Agricultural assets (continued)

Restrictions imposed by regulations

There are no agricultural assets whose use or capacity to sell is subject to restrictions imposed by regulations.

Methods and assumptions used in determining fair value

The valuation at 30 June 2020 was performed by Malcolm Gardiner.

Malcolm Gardiner is a member of the South African Council for Property Valuers Profession (SACPVP), and has the required qualifications and expertise in the valuation of agricultural assets.

The valuations conform to South African Valuation Standards and were arrived at by reference to market evidence of transaction prices.

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.

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand

10. Heritage assets

Economic entity

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Artworks	237 531 364	(6 811 330)	230 720 034	239 346 775	(6 809 930)	232 536 845
Crematoriums	8 181 348	-	8 181 348	8 181 348	-	8 181 348
Jewellery	1 185 000	-	1 185 000	1 185 000	-	1 185 000
Museums and art gallery	23 315 796	(22 973)	23 292 823	23 315 796	(22 973)	23 292 823
Other	2 095 896	-	2 095 896	1 785 373	-	1 785 373
Parks	2 487 908	-	2 487 908	2 487 908	-	2 487 908
Stadiums	3 961 963	-	3 961 963	3 961 963	-	3 961 963
Total	278 759 275	(6 834 303)	271 924 972	280 264 163	(6 832 903)	273 431 260

Controlling entity

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Artworks	237 531 364	(6 811 330)	230 720 034	239 346 775	(6 809 930)	232 536 845
Crematoriums	8 181 348	-	8 181 348	8 181 348	-	8 181 348
Jewellery	1 185 000	-	1 185 000	1 185 000	-	1 185 000
Museums and art gallery	23 315 796	(22 973)	23 292 823	23 315 796	(22 973)	23 292 823
Other	2 095 896	-	2 095 896	1 785 373	-	1 785 373
Parks	2 487 908	-	2 487 908	2 487 908	-	2 487 908
Stadiums	3 961 963	-	3 961 963	3 961 963	-	3 961 963
Total	278 759 275	(6 834 303)	271 924 972	280 264 163	(6 832 903)	273 431 260

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

10. Heritage assets (continued)

Reconciliation of heritage assets Economic entity - 2020

	Opening balance	Additions	Transfers	Devaluation	Impairment losses recognised	Total
Artworks	232 536 845	78 998	-	(1 894 409)	(1 400)	230 720 034
Crematorius	8 181 348	-	-	-	-	8 181 348
Jewellery	1 185 000	-	-	-	-	1 185 000
Museums and art gallery	23 292 823	-	-	-	-	23 292 823
Other	1 785 373	-	310 523	-	-	2 095 896
Parks	2 487 908	-	-	-	-	2 487 908
Stadiums	3 961 963	-	-	-	-	3 961 963
	273 431 260	78 998	310 523	(1 894 409)	(1 400)	271 924 972

Reconciliation of heritage assets Economic entity - 2019

	Opening balance	Additions	Revaluation	Total
Artworks	187 194 446	262 900	45 079 499	232 536 845
Crematoriums	8 181 348	-	-	8 181 348
Jewellery	763 000	-	422 000	1 185 000
Museums and art gallery	23 292 823	-	-	23 292 823
Other	1 785 373	-	-	1 785 373
Parks	2 487 908	-	-	2 487 908
Stadiums	3 961 963	-	-	3 961 963
	227 666 861	262 900	45 501 499	273 431 260

Reconciliation of heritage assets Controlling entity - 2020

	Opening balance	Additions	Transfers	Devaluation	Impairment losses recognised	Total
Artworks	232 536 845	78 998	-	(1 894 409)	(1 400)	230 720 034
Crematoriums	8 181 348	-	-	-	-	8 181 348
Jewellery	1 185 000	-	-	-	-	1 185 000
Museums and art gallery	23 292 823	-	-	-	-	23 292 823
Other	1 785 373	-	310 523	-	-	2 095 896
Parks	2 487 908	-	-	-	-	2 487 908
Stadiums	3 961 963	-	-	-	-	3 961 963
	273 431 260	78 998	310 523	(1 894 409)	(1 400)	271 924 972

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

10. Heritage assets (continued)

Reconciliation of heritage assets Economic entity - 2019

	Opening balance	Additions	Revaluation	Total
Artworks	187 194 446	262 900	45 079 499	232 536 845
Crematoriums	8 181 348	-	-	8 181 348
Jewellery	763 000	-	422 000	1 185 000
Museums and art gallery	23 292 823	-	-	23 292 823
Other	1 785 373	-	-	1 785 373
Parks	2 487 908	-	-	2 487 908
Stadiums	3 961 963	-	-	3 961 963
	227 666 861	262 900	45 501 499	273 431 260

Restrictions on heritage assets

There are no ownership and disposal restrictions on heritage assets.

There are no contractual commitments for the acquisitions, maintenance and restoration of heritage assets

Pledged as security

No heritage assets have been pledged as security for any financial liabilities.

Revaluations

Heritage assets

Artworks and jewellery whose fair value can be measured reliably are carried at the revalued amount, being their fair value at the date of valuation less any subsequent impairment losses.

Artworks has been valued on 30 June 2020.

According to the municipality's accounting policy, artworks are revalued every 4 years.

Jewellery was last valued in the 2018/19 financial year.

The valuation of artworks was performed by Harriet Marry Gilfillan who is an independent professional appraiser and has experience in the valuation of artworks and jewellery.

The valuations were arrived at by reference to market analysis, market records and trends relating to each artist and type of artwork was researched in order to arrive at a fair value.

Msunduzi Local Municipality and its Municipal Entity

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

10. Heritage assets (continued)

Heritage assets which fair values cannot be reliably measured

The following heritage assets were not recognised due to a reliable measurement not being possible on initial recognition is as follows:

The following heritage assets were not recognised due to a reliable measurement not being possible on initial recognition is as follows:

Legal Deposit collection at the Bessie Head Library

In 1916, the Natal Society Library (now the Msunduzi Municipal Library – Bessie Head Library) was identified as one of five libraries in South Africa accorded Legal Deposit status. This privilege helped make it into one of South Africa's major research and information libraries. Legal Deposit libraries play a unique and very important role as custodians, in perpetuity, of this country's cultural wealth and information. They also have to make this information available, as widely as possible, to the citizens of South Africa. The Legal Deposit Collection has become an important asset. Since 1916, the Msunduzi Municipal Library has amassed a huge collection of South African books, pamphlets, periodicals, maps and newspapers which it has to preserve for future generations. Due to the nature of the class of heritage assets, the Department of Arts and Culture has confirmed that there is no monetary value as there is no active market.

Expenditure incurred to repair and maintain heritage assets

There were no repairs and maintenance costs incurred in the current year.

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Intangible assets

Economic entity

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	107 713 190	(77 816 623)	29 896 567	107 616 190	(67 362 073)	40 254 117
Servitudes	803 846	-	803 846	803 846	-	803 846
Total	108 517 036	(77 816 623)	30 700 413	108 420 036	(67 362 073)	41 057 963

Controlling entity

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	107 713 190	(77 816 623)	29 896 567	107 616 190	(67 362 073)	40 254 117
Servitudes	803 846	-	803 846	803 846	-	803 846
Total	108 517 036	(77 816 623)	30 700 413	108 420 036	(67 362 073)	41 057 963

Reconciliation of intangible assets - Economic entity - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	40 254 117	97 000	(10 454 550)	29 896 567
Servitudes	803 846	-	-	803 846
	41 057 963	97 000	(10 454 550)	30 700 413

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	51 305 639	800 000	(11 851 522)	40 254 117
Servitudes	803 846	-	-	803 846
	52 109 485	800 000	(11 851 522)	41 057 963

Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	40 254 117	97 000	(10 454 550)	29 896 567
Servitudes	803 846	-	-	803 846
	41 057 963	97 000	(10 454 550)	30 700 413

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	51 305 639	800 000	(11 851 522)	40 254 117
Servitudes	803 846	-	-	803 846
	52 109 485	800 000	(11 851 522)	41 057 963

Pledged as security

No intangible assets have been pledged as security for any financial liabilities.

Restricted title

There are no intangible assets whose title is restricted.

Msunduzi Local Municipality and its Municipal Entity

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	2020	2019	2020	2019

11. Intangible assets (continued)

Details of valuation

Intangible assets were assessed for impairment using the depreciated replacement cost method.

Servitudes have an infinite useful life as they are rights held by the Municipality to property.

Msunduzi Local Municipality and its Municipal Entity

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12. Investment property

Economic entity

	2020			2019		
	Valuation at the beginning of the year	Fair value adjustments	Carrying value	Valuation at the beginning of the year	Fair value adjustments	Valuation at the end of the year
Investment property	841 503 435	(19 832 000)	821 671 435	800 660 512	(21 593 000)	779 067 512

Controlling entity

	2020			2019		
	Valuation at the beginning of the year	Fair value adjustments	Valuation at the end of the year	Valuation at the beginning of the year	Fair value adjustments	Valuation at the end of the year
Investment property	841 503 435	(19 832 000)	821 671 435	800 660 512	(21 593 000)	779 067 512

Reconciliation of investment property - Economic entity - 2020

	Opening balance	Work in progress	Fair value adjustments	Total
Investment property	779 067 512	62 435 923	(19 832 000)	821 671 435

Reconciliation of investment property - Economic entity - 2019

	Opening balance	Work in progress	Fair value adjustments	Total
Investment property	768 525 422	32 135 090	(21 593 000)	779 067 512

Reconciliation of investment property - Controlling entity - 2020

	Opening balance	Work in progress	Fair value adjustments	Total
Investment property	779 067 512	62 435 923	(19 832 000)	821 671 435

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12. Investment property (continued)

Reconciliation of investment property - Economic entity - 2019

	Opening balance	Work in progress	Fair value adjustments	Total
Investment property	768 525 422	32 135 090	(21 593 000)	779 067 512

Pledged as security

No investment property has been pledged as security for any financial liabilities.

Investment property in the process of being constructed or developed

Included within investment property

Opening balance	51 608 511	19 473 421	51 608 511	19 473 421
Additions	62 435 923	32 135 090	62 435 923	32 135 090
	114 044 434	51 608 511	114 044 434	51 608 511

Carrying value of Investment property that is taking a significantly longer period of time to complete than expected

Jika Joe Housing Delays in completion of the project due to the lockdown.	114 044 434	51 608 511	114 044 434	51 608 511
	114 044 434	51 608 511	114 044 434	51 608 511

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

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	2020	2019	2020	2019

12. Investment property (continued)

The effective date of the revaluations was 30 June 2020. Revaluations were performed by an independent valuer, R.M. Fitchet and has recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

Adjustments to the valuation is attributable to change in market value of investment property.

These assumptions are based on current market conditions.

R.M Fitchet is a member of the South African Council for Property Valuers Profession (SACPVP), and has the required qualifications and expertise in the valuation of investment properties. The valuations conform to South African Valuation Standards and were arrived at by reference to market evidence of transaction prices for similar properties.

Investment property has been accounted for in terms of GRAP 16 and comprises both land and buildings owned by Msunduzi Municipality. Investment property is not depreciated but annually valued at year end in order to determine their fair value as prescribed in GRAP 16.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	2 535 634	1 111 112	2 535 634	1 111 112
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The municipality does not hold any operating property interest.

There were no repairs, maintenance and direct operating expenses related to investment property incurred in the current year.

Tenants are responsible for repairs and maintenance.

Included in Investment property is vacant land which has been invaded/illegally occupied. The land has fair value of R38 853 000.

The illegally occupied land is not considered impaired by management as the service potential is not considered affected as this land is addressed by the Rapid urbanisation management within the parameters of the approved land use scheme.

Land appointed in terms of legislation which entity controls without legal ownership or custodianship

Msunduzi Local Municipality and its Municipal Entity

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13. Living resources

Economic entity

	2020			2019		
	Cost / Valuation	Net movement for the year	Carrying value	Cost / Valuation	Net movement for the year	Carrying value
Game animals	948 425	121 825	1 070 250	928 494	19 931	948 425

Controlling entity

	2020			2019		
	Cost / Valuation	Net movement for the year	Carrying value	Valuation	Net movement for the year	Carrying value
Game animals	948 425	121 825	1 070 250	928 494	19 931	948 425

Reconciliation of living resources - Economic entity -2020

	Opening balance	Additions	Disposals	Total
Game animals	948 425	170 500	(48 675)	1 070 250

Reconciliation of living resources - Economic entity - 2019

	Opening balance	Additions	Fair value adjustments	Disposals	Total
Game animals	928 494	207 375	(170 644)	(16 800)	948 425

Reconciliation of living resources - Controlling entity - 2020

	Opening balance	Additions	Disposals	Total
Game animals	948 425	170 500	(48 675)	1 070 250

Reconciliation of living resources - Economic entity - 2019

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13. Living resources (continued)

	Opening balance	Additions	Fair value adjustments	Disposal	Total
Game animals	928 494	207 375	(170 644)	(16 800)	948 425

Pledged as security

No living resources have been pledged as security for any financial liabilities.

General Information

The Msunduzi Municipality Bisley Nature Reserve's main purpose is the conservation of a representative system of biodiversity encompassing fauna, flora and unique scenery within the nature reserve. The municipality does not manage the reserve for reproduction of biodiversity.

The municipality is involved in biological transformation of fauna and flora primarily as a service to the community for the main purpose of recreation rather than for sale.

Other information

The living animals assets have been measured at fair value.

A physical verification of living animals assets was performed by the conservation department from 15 April to 10 June 2020.

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 valuation as at 30 June 2020 was performed internally, using values provided by Ezemvelo KZN Wildlife as a guide.

Msunduzi Local Municipality and its Municipal Entity

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14. Property, plant and equipment

Economic entity

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	1 227 935 566	(312 099 420)	915 836 146	1 219 804 485	(290 042 380)	929 762 105
Infrastructure	8 041 013 767	(3 254 997 386)	4 786 016 381	7 812 880 926	(2 938 987 513)	4 873 893 413
Community	796 998 311	(357 301 199)	439 697 112	786 138 836	(335 768 178)	450 370 658
Other assets	1 069 391 913	(622 047 044)	447 344 869	972 283 316	(568 692 100)	403 591 216
Total	11 135 339 557	(4 546 445 049)	6 588 894 508	10 791 107 563	(4 133 490 171)	6 657 617 392

Controlling entity

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	1 227 935 566	(312 099 420)	915 836 146	1 219 804 485	(290 042 380)	929 762 105
Infrastructure	8 041 013 767	(3 254 997 386)	4 786 016 381	7 812 880 926	(2 938 987 513)	4 873 893 413
Community assets	796 998 311	(357 301 199)	439 697 112	786 138 836	(335 768 178)	450 370 658
Other assets	1 049 238 984	(612 496 617)	436 742 367	951 606 593	(559 652 529)	391 954 064
Total	11 115 186 628	(4 536 894 622)	6 578 292 006	10 770 430 840	(4 124 450 600)	6 645 980 240

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

Msunduzi Local Municipality and its Municipal Entity

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14. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers	Work in progress	Depreciation	Impairment loss	Total
Land and buildings	929 762 105	297 155	-	(4 030 144)	11 864 070	(22 057 040)	-	915 836 146
Infrastructure	4 873 893 413	55 162 477	-	17 244 985	155 725 352	(314 105 987)	(1 678 682)	4 786 016 381
Community	450 370 658	2 070 588	-	(2 603 413)	11 883 646	(21 532 267)	(627)	439 697 112
Other assets	403 591 216	7 365 250	(246 287)	(13 300 693)	103 389 457	(50 026 085)	(3 873 676)	447 344 869
	6 657 617 392	64 895 470	(246 287)	(2 689 265)	282 862 525	(407 721 379)	(5 552 985)	6 588 894 508

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

	Opening balance	Additions	Disposals	Transfers	Work in progress	Depreciation	Impairment loss	Total
Land and buildings	942 330 698	579 542	-	(1 062 351)	10 308 920	(22 394 704)	-	929 762 105
Infrastructure	4 822 237 431	172 580 098	-	2 821 940	210 121 524	(330 746 904)	(3 120 676)	4 873 893 413
Community	445 871 017	7 882 627	-	(1 253 571)	23 411 634	(25 539 699)	(1 350)	450 370 658
Other assets	442 686 443	26 756 709	(379 171)	(897 469)	2 455 454	(64 678 323)	(2 597 726)	403 591 216
	6 653 125 589	207 798 976	(379 171)	(391 451)	246 297 532	(443 359 630)	(5 719 752)	6 657 617 392

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

	Opening balance	Additions	Transfers	Work in progress	Depreciation	Impairment loss	Total
Land and buildings	929 762 105	297 155	(4 030 144)	11 864 070	(22 057 040)	-	915 836 146
Infrastructure	4 873 893 413	55 162 477	17 244 985	155 725 352	(314 105 987)	(1 678 682)	4 786 016 381
Community assets	450 370 658	2 070 588	(2 603 413)	11 883 646	(21 532 267)	(627)	439 697 112
Other assets	391 954 064	7 320 236	(13 300 693)	103 389 457	(49 189 338)	(3 873 676)	436 742 367
	6 645 980 240	64 850 456	(2 689 265)	282 862 525	(406 884 632)	(5 552 985)	6 578 292 006

Msunduzi Local Municipality and its Municipal Entity

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14. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers	Work in progress	Depreciation	Impairment loss	Total
Land and buildings	942 330 698	579 542	-	(1 062 351)	10 308 920	(22 394 704)	-	929 762 105
Infrastructure	4 822 237 431	172 580 098	-	2 821 940	210 121 524	(330 746 904)	(3 120 676)	4 873 893 413
Community	445 871 016	7 882 627	-	(1 253 571)	23 411 634	(25 539 699)	(1 349)	450 370 658
Other assets	430 510 506	26 718 744	(379 171)	(897 469)	2 455 454	(63 856 274)	(2 597 726)	391 954 064
	6 640 949 651	207 761 011	(379 171)	(391 451)	246 297 532	(442 537 581)	(5 719 751)	6 645 980 240

Pledged as security

No property, plant and equipment has been pledged as security for any financial liabilities.

Other information

Refer to Appendix A for detailed property, plant and equipment schedule.

During the year the municipality undertook a conditional assessment of fixed assets, which culminated in the additional decreases/increases in remaining useful lives of assets.

The municipality applies the depreciated replacement cost method to calculate impairment.

Property plant and equipment were impaired by R5 552 410 (2019 :R5 719 754) as result of conditional assessment.

Presented on note 68 Prior period error are adjustments addressing qualification matters.

Msunduzi Local Municipality and its Municipal Entity

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	2020	2019	2020	2019

14. Property, plant and equipment (continued)

Invaded land

Included in Property, plant and equipment is vacant land which has been invaded/illegally occupied. The land has a carrying value R19 530 480. The illegally occupied land is not considered impaired by management as the service potential is not considered affected as this land is addressed by the Rapid urbanisation management within the parameters of the approved land use scheme.

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14. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Economic entity

Reconciliation of Work-in-Progress 2020

	Included within Buildings	Included within Infrastru ctu	Included within community assets	Included within other PPE	Total
Opening balance	49 338 757	1 055 655 061	73 642 313	15 535 170	1 194 171 301
Additions	11 864 070	155 725 352	11 883 646	103 389 457	282 862 525
Transferred to completed assets	(7 136 879)	(484 971 257)	(22 693 765)	(14 484 791)	(529 286 692)
	54 065 948	726 409 156	62 832 194	104 439 836	947 747 134

Reconciliation of Work-in-Progress Economic entity - 2019

Reconciliation of Work-in-Progress 2019

	Included within buildings	Included within Infrastructure	Included within community assets	Included within other assets	Total
Opening balance	40 227 741	1 097 033 680	63 924 797	27 433 635	1 228 619 853
Additions	10 308 921	210 121 524	23 411 634	2 455 454	246 297 533
Transferred to completed assets	(1 197 905)	(251 500 143)	(13 694 118)	(14 353 919)	(280 746 085)
	49 338 757	1 055 655 061	73 642 313	15 535 170	1 194 171 301

Msunduzi Local Municipality and its Municipal Entity

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14. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Controlling entity - 2020

	Included within Buildings	Included within Infrastructure	Included within community assets	Included within other PPE	Total
Opening balance	49 338 757	1 055 655 061	73 642 313	15 535 170	1 194 171 301
Additions	11 864 070	155 725 352	11 883 646	103 389 457	282 862 525
Transferred to completed assets	(7 136 879)	(484 971 257)	(22 693 765)	(14 484 791)	(529 286 692)
	54 065 948	726 409 156	62 832 194	104 439 836	947 747 134

Reconciliation of Work-in-Progress Economic entity - 2019

	Included within buildings	Included within Infrastructure	Included within community assets	Included within other assets	Total
Opening balance	40 227 741	1 097 033 680	63 924 797	27 433 635	1 228 619 853
Additions	10 308 921	210 121 524	23 411 634	2 455 454	246 297 533
Transferred to completed assets	(1 197 905)	(251 500 143)	(13 694 118)	(14 353 919)	(280 746 085)
	49 338 757	1 055 655 061	73 642 313	15 535 170	1 194 171 301

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

14. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Included in Statement of Financial Performance

Aircondition service	29 959	-	-	-
Camera repair	36 955	-	-	-
Computer service	3 552	18 022	3 552	18 022
Computer equipment maintenance	694	-	-	-
Contracted services	42 110 883	104 941 470	42 110 883	104 941 470
Internal charges - Labour	-	27 885 696	-	27 885 696
Inventory consumed	7 996 279	10 336 673	7 996 279	10 336 673
Motor vehicle service	19 110	-	-	-
Operating leases	1 337 084	3 590 436	1 337 084	3 590 436
	51 534 516	146 772 297	51 447 798	146 772 297

Projects taking a significantly longer period of time to complete than expected

	Reasons	2020	2019
IRPTN project	This is a multi year project. The delays were due to: a) The relocation of houses and infrastructure currently built on road reserve. b). Community strike action and objections to relocations and compensation. c). Land acquisition for relocations and road reserves. d). Procurement disputes of local subcontractors and court Interdicts.	358 208 410	255 852 938
Station road bridge	Project delayed due to: a). Escalation of electricity relocation costs by Eskom. b). Sporadic construction of relocations by Eskom as opposed to the agreed upon plan. c). Community unrest due to interruption of services by Eskom. d). Contractual disputes with contractor over payments.	-	22 804 829

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
14. Property, plant and equipment (continued)				
Youth Enterprise Park		The project was not fully funded in the current financial year by COGTA and the preapproved site for the project lacked the necessary infrastructure.	829 350	829 350
Unit H		Project delayed due to contractual disputes with originally appointed contractor	26 418 953	23 006 905
Rehabilitation of roads in Ashdown		Project delayed due to political unrest.	5 576 860	2 213 450
Upgrade gravel roads - Edendale - Ward		Project delays due to the contractor being unable to meet contractual obligations as a result of financial difficulties.	-	744 849
Upgrade road in Peace Valley		Project delays due to community protests and strike action by employees of contractor over non payment of salaries.	7 306 288	6 920 537
Ward 3 Vulindlela		Contractor abonded site, contractual dispute	9 559 284 13 718 701	- 3 604 542
			421 617 846	315 977 400
Projects halted		Reasons	2020	2019
The Hollingwood cemetery project		The community boycotted the project	4 874 038	4 874 038
Edendale Town Centre		Legal complexities, expropriation and relocation of Informal settlements caused the project to be halted until the issues are resolved.	3 100 603	3 100 603
Mayor's Walk road widening		Budget constraints	1 435 825	1 435 825
			9 410 466	9 410 466

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.

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	2020	2019	2020	2019
15. Other financial assets				
At amortised cost				
Housing selling scheme loans	14 264 928	14 680 909	14 264 928	14 680 909
	14 264 928	14 680 909	14 264 928	14 680 909
Impairments	(14 264 928)	(12 037 912)	(14 264 928)	(12 037 912)
Total other financial assets	-	2 642 997	-	2 642 997
Non-current assets				
At amortised cost	-	2 642 997	-	2 642 997
16. Consumer deposits				
Building plans and wayleaves	483	483	483	483
Electricity	87 078 635	82 002 737	87 078 635	82 002 737
Market buyer's card	1 170 875	1 892 143	1 170 875	1 892 143
Poster applications	180 785	180 785	180 785	180 785
Refuse	11 800	7 100	11 800	7 100
Rental properties	2 394 337	2 135 598	2 394 337	2 135 598
Valuation appeal	8 907	8 907	8 907	8 907
Sewer	4 500	3 500	4 500	3 500
Water	22 988 593	20 998 049	22 988 593	20 998 049
	113 838 915	107 229 302	113 838 915	107 229 302
17. Other financial liabilities				
At amortised cost				
DBSA loan	398 736 254	480 602 288	398 736 254	480 602 288
DBSA - funding required for capital expenditure. Loans bear interest rates between 6.75% and 16.50% (2018: 6.75% and 16.50%). Loans are repayable over a period between 10 to 20 years, repayments are made quarterly and bi-annually.				
During the reporting period the municipality did not default on any of the interest or capital repayments of the external loans.				
Non-current liabilities				
At amortised cost	285 317 996	366 291 537	285 317 996	366 291 537
Current liabilities				
At amortised cost	113 418 258	114 310 751	113 418 258	114 310 751
Reconciliation of other financial liabilities				
Opening balance	480 602 288	565 114 605	480 602 288	565 114 605
Interest capitalised	12 188 527	10 454 050	12 188 527	10 454 050
Repayments	(94 054 561)	(94 966 367)	(94 054 561)	(94 966 367)
	398 736 254	480 602 288	398 736 254	480 602 288

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

18. Transfers payable (non-exchange)

Advance receipts - Transfers	22 991 872	24 448 776	22 991 872	24 448 776
Beneficiary Audit and Transfers				
Balance at beginning of year	6 858 629	9 602 390	6 858 629	9 602 390
Current year interest received	392 663	584 949	392 663	584 949
Payments to date	(565 229)	(3 328 710)	(565 229)	(3 328 710)
Balance in terms for the advance receipt	6 686 063	6 858 629	6 686 063	6 858 629

Funding provided by Department of Human Settlements as part of the restoration programme to assist in fast tracking the issuing of title deeds to the people of Msunduzi. The funding is provided for the appointment of social facilitators and a panel of conveyancers to undertake this process.

Military Veterans - Houses

Balance at beginning of year	8 624 156	8 624 156	8 624 156	8 624 156
Payments to date	(1 371 293)	-	(1 371 293)	-
Balance in terms of the advance receipt	7 252 863	8 624 156	7 252 863	8 624 156

Intervention and funding to undertake planning and servicing of 180 proposed residential sites for the military veterans in the Msunduzi Municipal area of jurisdiction. Funding provided by Department of Human Settlements for this project.

Site 11

Balance at beginning of year	-	-	-	-
Current year receipts	223 756	-	223 756	-
Payments to date	(223 756)	-	(223 756)	-
Balance in terms of the advance receipt	-	-	-	-

Funding provided by Department of Human Settlements for the construction of 252 top structures in Woodlands Site 11 housing project in accordance with the technical specifications and drawings.

Thamboville

Balance at beginning of year	-	-	-	-
Current year receipts	(321 954)	-	(321 954)	-
Payments to date	321 954	-	321 954	-
Balance in terms of the advance receipt	-	-	-	-

Funding provided by Department of Human Settlements for the construction of 416 top structures in Glenwood Thamboville housing project in accordance with the technical specifications and drawings.

Title Deeds Restoration Programme

Balance at beginning of year	8 965 991	-	8 965 991	-
Current year receipts	-	8 965 991	-	8 965 991
Payments to date	(163 045)	-	(163 045)	-
Balance in terms of the advance receipt	8 802 946	8 965 991	8 802 946	8 965 991

Funds provided by the Provincial Department of Human Settlements to assist the municipality to ensure that people approved through the enhanced extended discount benefit scheme and the housing delivery programme, their ownership is confirmed through this title deeds restoration grant.

Title Deeds Restoration Advertisement for Missing Beneficiaries

Balance at beginning of year	-	-	-	-
Current year receipts	250 000	-	250 000	-

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	2020	2019	2020	2019
18. Transfers payable (non-exchange) (continued)				
Balance in terms of the advance receipt	250 000	-	250 000	-
19. Payables from exchange transactions				
Trade payables	135 853 442	78 629 872	139 124 966	78 629 853
Accrued leave pay	120 401 469	107 539 694	120 111 046	107 318 504
Retention liability	31 528 947	30 137 573	31 528 947	30 137 573
Accruals	255 876 957	319 122 753	255 861 834	319 060 640
Credit balances in debtors	104 476 100	103 944 718	104 476 100	103 944 718
Accrued Interest	726 158	5 057 976	726 158	5 057 976
Advance payments	4 067 742	3 616 545	4 067 742	3 616 545
Auditor General	444 019	178 230	444 019	178 230
Water bulk purchases	199 793 607	77 149 902	199 793 607	77 149 902
Electricity bulk purchases	383 516 063	209 470 837	383 516 063	209 470 837
Unallocated deposits	1 599 345	1 630 125	1 599 345	1 630 125
Payroll related	204 463	-	204 463	-
	1 238 488 312	936 478 225	1 241 454 290	936 194 903

Msunduzi Local Municipality and its Municipal Entity

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

20. Provisions

Reconciliation of provisions - Economic entity - 2020

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement	Total
Bonus	510 784	517 160	(484 122)	-	-	543 822
Landfill rehabilitation	69 408 932	-	-	6 746 548	(52 787 641)	23 367 839
Litigation	3 094 596	23 725	-	-	-	3 118 321
	73 014 312	540 885	(484 122)	6 746 548	(52 787 641)	27 029 982

Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Bonus	403 396	510 784	(403 396)	-	510 784
Landfill rehabilitation	64 670 705	2 390 680	-	2 347 547	69 408 932
Litigation	2 943 084	151 512	-	-	3 094 596
	68 017 185	3 052 976	(403 396)	2 347 547	73 014 312

Reconciliation of provisions - Controlling entity - 2020

	Opening Balance	Additions	Change in discount factor	Reduction due to re-measurement	Total
Landfill rehabilitation	69 408 932	-	6 746 548	(52 787 641)	23 367 839
Litigation	3 094 596	23 725	-	-	3 118 321
	72 503 528	23 725	6 746 548	(52 787 641)	26 486 160

Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Additions	Change in discount factor	Total
Landfill rehabilitation	64 670 705	2 390 680	2 347 547	69 408 932
Litigation	2 943 084	151 512	-	3 094 596
	67 613 789	2 542 192	2 347 547	72 503 528
Non-current liabilities	23 367 839	62 662 384	23 367 839	62 662 384
Current liabilities	3 662 143	10 351 928	3 118 321	9 841 144
	27 029 982	73 014 312	26 486 160	72 503 528

Statement of Financial Performance

Excess in provision liability (Landfill rehabilitation)

Reduction due to measurement	52 787 641	-	52 787 641	-
Costs incurred to rehabilitate the site	(14 999 405)	-	(14 999 405)	-
Reduction deducted against the cost of the Landfill site asset as at 30 June 2020	(7 287 192)	-	(7 287 192)	-
Excess in provision liability recognised in surplus	30 501 044	-	30 501 044	-

The excess in provision liability is the amount by which the liability provision exceeds the carrying amount of the provision asset and is recognised in the Statement of Financial Performance in terms of paragraph 5 (b) of IGRAP 2 .

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20. Provisions (continued)

Landfill rehabilitation

The landfill rehabilitation provision represents management's best estimate of the municipality's rehabilitation liability based on a valuation provided by an external consultant on the remaining useful life of the landfill site.

Environmental and Sustainability Solutions CC was appointed to provide the provision for the programme for closure of the New England Road landfill site. At the end of the life of the landfill site, the municipality is expected to restore the landfill site to the condition it was before its use.

According to the National Environmental Management Act, Act 107 of 1998, the operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof. The landfill site provision was created to ensure that the site is environmentally and publicly acceptable and suited to the implementation of the proposed end-use. The estimated remaining life of the landfill site is ten years.

The key assumptions used by the experts were:

Net discount rate 5%

The landfill is a general landfill.

Total area of the landfill site(square metres) 343 074

Estimated used area(square metere) 82 994

Size class of the landfill site is classified as large

Alien vegetation provision

According to the National Environmental Management Act, 1998 (Act No. 107 of 1998) the municipality was encouraged to recognise a provision in this regard.

The Department of Agriculture has since 2006 provided considerable support to the municipality in terms of clearing listed alien invasive plants.

The municipality's involvement and responsibility is effectively operational support to the Department of Agriculture for the clearing of listed alien invasive plants.

No work has been carried out during the current reporting period.

Litigation

Litigations against the Municipality recognized as provisions are those that the appointed attorneys have considered probable that the Municipality is liable and an outflow of economic benefits associated with the litigation is expected and the costs can be measured reliably.

Key assumptions provided by legal counsel are -

Net effective discount rate varies case by case and range from prime rate to 15.5%

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21. Employee benefit obligations

Defined contribution plan

The Council provides retirement benefits to its employees by contributing to either a Provident fund, Retirement Pension Fund or Superannuation Pension Fund.

Membership to either a pension or provident fund is compulsory for all permanent employees.

The majority of the members and the Council contributes to the Natal Joint Municipal Pension and Provident funds (NJMP), employees contributes to the South African Local Authorities Pension Fund (SALA) and, Associated Institution Pension Fund (AIPF), Pietermaritzburg Provident Fund and Government Employees Pension Fund (GEPF). Employees contributing to SALA, AIPF, Pietermaritzburg Provident Fund and GEPF make up the minority of members contribution to the pension funds. The municipality's liability in these funds cannot be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each contributing employer. The majority of personnel are members of the following pension funds:

Kwa-Zulu-Natal Joint Municipal Provident Fund

An actuarial valuation was performed on 31 March 2019 by SNG Argen Actuarial Solutions. The market value of the fund's assets was R 4 841 597 000 as at 31 March 2019.

Results of the valuation

The Fund self-insures its risk benefits in excess of the full benefit. It therefore maintains a Risk Reserve Account as a measure of protection against volatility in claims experience. The amount of R23 767 000 required to be held in the Risk Reserve Account.

The Fund is financially sound as at the valuation date.

Benefits of the fund:

- 1) Pension age - 65 years
- 2) Earliest retirement age - 58 years (55 years if more than 10 years continuous service)
- 3) Full benefit - Initial transfer plus member's contributions plus employer's contributions for full benefits plus investment earnings and bonuses.
- 4) Member's portion of full benefits - Initial transfer plus members contributions plus local authorities contributions for full benefits plus interim, special and final bonuses.
- 5) Benefit on retirement after earliest retirement age or pension age - full benefit.
- 6) Benefit on retirement because of ill health - full benefit.
- 7) Benefit on death in service - Full benefit plus 0.7% of annual pensionable salary for each month of potential service to a maximum of 2.1 years salary

Contributions to the fund

Members may choose to contribute at a rate of 5%, 7% or 9.25% of their pensionable emoluments in terms of regulation 14(a).

Local Authorities Contributions

Participating employers contribute at a rate of 1.95 times of the rate of members contribution in terms of regulation 17(1)(b).

Benchmark:

Investments:

Domestic Investments R3 713 426 000
International Investments R1 268 485 000
Risk Reserve Account R 23 767 000
Membership 16 830

Liabilities and reserves

Member share account R4 421 538 000
Reserves and accounts R158 084 000

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21. Employee benefit obligations (continued)

Defined Benefit Plans

Natal Joint Municipal Pension Fund: (Superannuation) actuarial valuation

An actuarial valuation was performed on 31 March 2019 by SNG Argen Actuarial Solutions.

The market value of the fund's assets was R 12 157 870 000 as at 31 March 2019.

The regulations of the fund have been amended with effect from 1 July 2004, so that the Committee of Management is able to levy a separate surcharge on local authorities which grant excessive salary increases, thereby causing a financial strain on the fund to the detriment of other stakeholders.

The employers are no longer permitting members to join the Fund, so that it is effectively closed to new members. This means that the average age will increase over time which, in turn, means that the required rate of contribution will also increase. Thus, once the surcharge ceases, the underlying rate of contribution will not be sufficient to meet the cost of the benefits. It is necessary to set aside a reserve to hold assets equal to the expected shortfall. For this reason a "Contribution Reserve is held equal to the present value of the shortfall in terms of the Financial Services Board's Circular PF117 for the 5 years to 2015 when it is expected that the surcharge will cease.

Benefits of the fund:

- 1) Members Contributions - 9.25% of pensionable salaries.
- 2) Pension age 65 years.
- 3) Final average salary - average annual pensionable salaries during the last year of service.
- 4) Pension on retirement at pension age - 2.2% of final average emoluments per year of continuous service.
- 5) Lump sum on retirement at pension age - 8.25% of final average emoluments per year of service.
- 6) Pension on retirement because of ill-health (minimum ten years continuous service) - pension as for retirement at pension age.
- 7) Lump sum on retirement because of ill-health (minimum 10 years continuous service) - lump sum as for retirement at pension age.
- 8) Lump sum on retirement because of ill health (less than ten years continuous service) - the greater of the resignation benefit or twice the members contributions.
- 9) Surviving spouses pension on death in service - 1,2% of final average emoluments per year of continuous service that the member would have had at the pension age.
- 10) Surviving spouses pension on death of pensioner - 1,2% (0,77% in the case of a pensioner who retired before 1 July 1999) of final average emoluments per year of continuous service.
- 11) Lump sum on death in service - Annual pensionable emoluments.10.75% of final average salaries.
- 12) Withdrawal - members contribution plus 5/12% for each month of continuous service (the addition is approximately equal to compound interest at 10% a year) and increased by 5% for each complete year of service up to a maximum of 20 years.

Benchmark

Investments

Domestic R 8 748 944 000

International R3 470 526 000

Membership 3 855

Liabilities and reserve

Accrued liability R10 651 812 000

Risk reserve R185 129 000

Solvency reserve R539 346 000

Balance of assets R469 002 000

Contribution reserve R43 605 000

Prescribed minimum benefits R268 976 000

Natal Joint Municipal Pension Fund: (Retirement) actuarial valuation

An actuarial valuation was performed on 31 March 2019 by SNG Argen Actuarial Solutions.

The market value of the fund's assets was R 4 190 519 000 as at 31 March 2019.

The regulations of the fund have been amended with effect from 1 July 2004, so that the Committee of Management is able to levy a separate surcharge on local authorities which grant excessive salary increases, thereby causing a financial strain on the

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21. Employee benefit obligations (continued)

fund to the detriment of other stakeholders.

Legislation does not oblige a fund to hold a Solvency Reserve for purposes of financial soundness. However, being financially sound only on the "best estimate" basis means that there is still a 50% chance of the Fund being in deficit in the future. Provisions of PF 117, the Circular issued by the FSCA setting out the level of solvency reserves that the FSCA considers reasonable as well as the guidelines set out in PF Notice No. 2 of 2016 were applied.

Benefits of the fund:

- 1) Members Contributions - 7 % of pensionable salaries.
- 2) Pension age 65 years.
- 3) Final average salary - average annual pensionable salaries during the last year of service.
- 4) Pension on retirement at pension age - 2.1% of final average emoluments per year of continuous service.
- 5) Lump sum on retirement at pension age - 5.5% of final average emoluments per year of service.
- 6) Pension on retirement because of ill-health (minimum ten years continuous service) - pension as for retirement at pension age.
- 7) Ill health retirement (minimum 10 years continuous service) - Same as normal retirement.
- 8) Ill health retirement (less than ten years continuous service) - the greater of the of the resignation benefit or twice the member's contributions.
- 9) Surviving spouses pension on death in service - 1,05% of final average pensionable salaries per year of continuous service at date of death and 75% of potential service to the pension age.
- 10) Surviving spouses pension on death of pensioner - 1,2% (0,77% in the case of a pensioner who retired before 1 July 1999) of final average emoluments per year of continuous service.
- 11) Lump sum on death in service - Annual pensionable emoluments. 10.75% of final average salaries.
- 12) Withdrawal - members contribution plus 5/12% for each month of continuous service (the addition is approximately equal to compound interest at 10% a year) and increased by 5% for each complete year of service up to a maximum of 20 years.

Benchmark

Investments

Domestic R 2 994 775 000

International R1 229 939 000

Membership 1 598

Liabilities and reserve

Accrued liability R3 545 273 000

Risk reserve R85 840 000

Solvency reserve R125 069 000

Balance of assets R308 496 000

Prescribed minimum benefits R260 912 000

The employees of the Council as well as the Council as employer contribute to municipal pension, retirement and various provident funds as listed below:

Associated Institution Pension Fund	143 676	132 942	143 676	132 942
Councillors Pension Fund	7 693 643	7 444 202	7 693 643	7 444 202
Government Employees Pension Fund	2 901 621	3 032 679	2 901 621	3 032 679
Natal Joint Pension Fund	98 485 365	100 127 887	98 485 365	100 127 887
Natal Joint Provident Fund	115 230 795	103 901 170	115 230 795	103 901 170
South African Local Authorities Pension Fund	444 988	391 860	444 988	391 860
	224 900 088	215 030 740	224 900 088	215 030 740

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21. Employee benefit obligations (continued)

Employment benefit obligations

Post employment medical aid

The municipality's employees and councillors are members on 6 accredited medical aid schemes, namely:

- 1) Bonitas
- 2) Discovery Health
- 3) Hosmed
- 4) Key-Health,
- 5) LA Health
- 6) SAMWU Med

Pensioners continue on the option they belonged to on the day of their retirement.

The latest actuarial valuation was performed by Arch Actuarial Consulting for the period ended 30 June 2020.

The valuation undertaken in accordance with the requirements of Professional Guidance Note (PPN) 301 of the Actuarial Society of South Africa.

The expert is independent and an approved pension fund valuator and a member of the Actuarial Society of South Africa (ASSA).

According to the last valuation the accrued liability amounted to R 470 193 001 (2019: R 526 821 870).

A reconciliation of the municipality's accrued liability for the period ending 30 June 2020 is set out below:

The amounts recognised in the Statement of Financial Position are as follows:

Carrying value

Post employment medical aid	(470 193 001)	(526 821 870)	(470 193 001)	(526 821 870)
Long services awards	(75 821 000)	(71 457 540)	(75 821 000)	(71 457 540)
	(546 014 001)	(598 279 410)	(546 014 001)	(598 279 410)
Non-current liabilities	(507 812 001)	(562 080 514)	(507 812 001)	(562 080 514)
Current liabilities	(38 202 000)	(36 198 896)	(38 202 000)	(36 198 896)
	(546 014 001)	(598 279 410)	(546 014 001)	(598 279 410)
Current				
Post employment medical aid	(28 339 000)	(26 751 131)	(28 339 000)	(26 751 131)
Long service awards	(9 863 000)	(9 447 765)	(9 863 000)	(9 447 765)
	(38 202 000)	(36 198 896)	(38 202 000)	(36 198 896)
Non current				
Post employment medical aid	(441 854 001)	(500 070 739)	(441 854 001)	(500 070 739)
Long service awards	(65 958 000)	(62 009 775)	(65 958 000)	(62 009 775)
	(507 812 001)	(562 080 514)	(507 812 001)	(562 080 514)

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

21. Employee benefit obligations (continued)

Changes in the present value of post employment medical aid benefit obligation are as follows:

Opening balance	(526 821 870)	(629 854 699)	(526 821 870)	(629 854 699)
Current service cost	(13 311 075)	(20 528 209)	(13 311 075)	(20 528 209)
Interest cost	(47 469 740)	(58 758 277)	(47 469 740)	(58 758 277)
Benefits paid	26 216 342	26 610 741	26 216 342	26 610 741
Actuarial gain	91 193 342	155 708 574	91 193 342	155 708 574
	(470 193 001)	(526 821 870)	(470 193 001)	(526 821 870)

Changes in the present value of long service awards obligation are as follows:

Opening balance	(74 457 540)	(74 165 465)	(71 457 540)	(74 165 465)
Past service cost	-	(2 332 793)	-	(2 332 793)
Interest cost	(5 392 802)	(5 868 453)	(5 392 802)	(5 868 453)
Current service cost	(6 638 503)	(6 352 108)	(6 638 503)	(6 352 108)
Actuarial gain	298 453	6 445 095	298 453	6 445 095
Benefits paid	7 369 392	(10 816 184)	7 369 392	(10 816 184)
	(75 821 000)	(71 457 540)	(75 821 000)	(71 457 540)

The total post employment medical aid benefit obligation decreased by R56 628 869 (11%) from the previous valuation attributed to the actuarial gain.

The significant actuarial gain arose chiefly due to the reasons stated below:

- 1) On average, members bought down to cheaper medical aid options.
- 2) There were more exits than expected since the last valuation.

Net expense recognised in the Statement of Financial Performance(Post employment medical aid)

Current service cost	(13 311 075)	(20 528 209)	(13 311 075)	(20 528 209)
Interest cost	(47 469 740)	(58 758 277)	(47 469 740)	(58 758 277)
Actuarial gains	91 193 342	155 708 574	91 193 342	155 708 574
	(30 412 527)	(76 422 088)	(30 412 527)	(76 422 088)

Net expense recognised in the Statement of Financial Performance(Long service awards)

Past service cost	-	(2 332 793)	-	(2 332 793)
Interest cost	(5 392 802)	(5 868 453)	(5 392 802)	(5 868 453)
Current service cost	(6 638 503)	(6 352 108)	(6 638 503)	(6 352 108)
Actuarial (gain)/losses	298 453	6 445 095	298 453	6 445 095
	12 329 758	20 998 449	12 329 758	20 998 449

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	2020	2019	2020	2019

21. Employee benefit obligations (continued)

Key assumptions used(Post employment medical aid)

Assumptions used at the reporting date:

Discount rates used	9,99 %	9,24 %	9,99 %	9,24 %
Health care inflation rate	6,24 %	6,74 %	6,24 %	6,74 %
Maximum subsidy inflation rate	4,31 %	4,68 %	4,31 %	4,68 %
Proportion with a spouse dependent at retirement	60,00 %	60,00 %	60,00 %	60,00 %
Continuation of membership at retirement	75,00 %	75,00 %	75,00 %	75,00 %

The average retirement age is : 62 years.

Mortality during employment : SA 85 -90.

Mortality post-employment : PA(90) -1 with a 1% mortality improvement p.a. from 2010

The projected unit credit method is used as the standard valuation methodology for the valuation of the liability at the reporting date.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change is assumed in healthcare care inflation and discount rates changes and would have the following effect liability:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Health care inflation rate (8%/-8% change)	506 148 000	430 748 000	506 148 000	430 748 000
Discount rate(-10%/10% change)	421 270 000	529 679 000	421 270 000	529 679 000

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	470 193 000	526 822 000	629 855 000	631 619 000	646 841 000
Surplus (deficit)	(526 822 000)	(526 822 000)	(629 855 000)	(631 619 000)	(646 841 000)
Experience adjustments on plan liabilities	(16 924 000)	(22 837 000)	(17 781 000)	(4 119 000)	(22 463 000)

Total contribution to medical aid (employer and employees)

Bonitas	26 696 523	24 078 313	26 696 523	25 078 313
Discovery	446 044	233 501	446 044	233 501
Hosmed	466 584	516 562	466 584	516 562
Key Health	29 746 569	30 329 878	29 746 569	30 329 878
LA Health	74 367 636	64 740 981	74 367 636	64 740 981
Profmed	162 168	128 452	162 168	128 452
Samwumed	3 385 786	3 106 895	3 385 786	3 106 895
	135 271 310	123 134 582	135 271 310	124 134 582

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

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	2020	2019	2020	2019

21. Employee benefit obligations (continued)

Key assumptions used(Long service awards)

The long service awards provision represents the amount of money that should be set aside in present day terms to cover all expected long service awards for current employees.

The long service award provision is created to ensure adherence to SALGA collective agreement requirements. The liability was estimated by an Actuary in terms of GRAP 25 (Employee Benefits).

Long service awards payments are expected on the anniversary of appointment for all the qualifying employees.

At the reporting date there were no future events that could affect the future payment costs for long service awards.

As at 30 June 2020, the liability was estimated by experts, Arch Actuarial Consulting.

The key assumptions used by the experts were:

Net effective discount rate- 3.07%

Average retirement age- 62 years

Mortality during employment- SA 85-90

The projected unit credit method is used as the standard valuation methodology for the valuation of the liability at the reporting date.

22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Energy Efficiency Demand Side Management Grant	664	-	664	-
Greater Edendale Development Initiative	14 436 497	260 234	14 436 497	260 234
Housing Accreditation Funding	29 829 350	42 192 231	29 829 350	42 192 231
Jika Joe Community Residential Units	24 872 619	10 515 927	24 872 619	10 515 927
Library	221 889	7 872 161	221 889	7 872 161
Manaye Area Precinct Upgrade	204 370	2 719 215	204 370	2 719 215
Market	-	167 184	-	167 184
Municipal Disaster Relief Grant	1 192 000	-	1 192 000	-
Municipal Infrastructure Grant	10 712 543	15 480 869	10 712 543	15 480 869
Neighbourhood Development Partnership Grant	43 336	13 828 445	43 336	13 828 445
Operation Dlulisumlando	1 500 000	1 500 000	1 500 000	1 500 000
Public Transportation Infrastructure Grant	94 578 574	-	94 578 574	-
Tatham Art Gallery	395 076	537 142	395 076	537 142
Water Services Infrastructure Grant	248 151	-	248 151	-
Youth Enterprise Park	2 616 061	8 436 694	2 616 061	8 436 694
	180 851 130	103 510 102	180 851 130	103 510 102

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	2020	2019	2020	2019
22. Unspent conditional grants and receipts (continued)				
Movement during the year				
Balance at the beginning of the year	103 510 102	104 123 018	103 510 102	104 123 018
Funds paid back to National Treasury	(29 308 000)	(33 614 849)	(29 308 000)	(33 614 849)
Current year receipts	623 456 101	525 869 757	623 456 101	525 869 757
Current year interest received	4 382 720	5 516 001	4 382 720	5 516 001
VAT recovered from national grants as per MFMA circular 58	(42 935 818)	(46 570 842)	(42 935 818)	(46 570 842)
Refund to grant provider	-	(86 311)	-	(86 311)
Prior year expenditure recovered from current allocation	-	(7 096 415)	-	(7 096 415)
Conditions met - transferred to revenue	(478 253 975)	(444 630 257)	(478 253 975)	(444 630 257)
	180 851 130	103 510 102	180 851 130	103 510 102

The extent of government grants recognised in the Statement of Financial Performance relates to the extent of the grant conditions having been met.

Refer to Appendix D for details of Unspent Conditional Grants, Receipts and Transfers from National, Provincial, Government and other departments.

See note 40 for reconciliation of grants from National/Provincial Government.

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

23. VAT payable

VAT payable	181 875 292	144 822 890	181 454 567	144 464 969
VAT Reconciliation				
Accrued output tax	274 534 619	225 112 546	274 534 619	225 112 545
Accrued input tax	(105 334 074)	(67 574 658)	(105 334 074)	(67 572 546)
VAT refund (due)/payable (from)/to SARS	12 674 747	(12 714 998)	12 254 022	(13 075 030)
	181 875 292	144 822 890	181 454 567	144 464 969

VAT is claimed on a payment basis.

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

Only once an invoice is paid is VAT claimed and receivable from SARS.

24. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2020

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	2020	2019	2020	2019

24. Accumulated surplus (continued)

	Accumulated surplus	Insurance reserve	COID reserve	Total
Opening balance	7 463 662 448	25 625 640	15 924 551	7 505 212 639
Cash utilised for capital expenditure	39 572 027	-	-	39 572 027
Interest earned on COID	(1 235 199)	-	1 235 199	-
Interest on CRR	(633 525)	-	-	(633 525)
Interest on HDF	(2 766 822)	-	-	(2 766 822)
Interest earned - Insurance reserve	(287 894)	287 894	-	-
Transfer out of Insurance reserve	6 123 489	(6 123 489)	-	-
Correction in surplus	(16 607 100)	-	-	(16 607 100)
Surplus/(Deficit)	223 780 153	-	-	223 780 153
	7 711 607 577	19 790 045	17 159 750	7 748 557 372

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2019

	Accumulated surplus	Insurance reserve	COID reserve	Total
Opening balance	6 671 736 764	43 280 978	8 869 457	6 723 887 199
Prior period error	(386 118 804)	-	-	(386 118 804)
Cash utilised for capital expenditure	65 401 582	-	-	65 401 582
Interest earned on COID	(787 171)	-	787 171	-
Transfer to COID	(6 267 923)	-	6 267 923	-
Interest on CRR	(1 975 422)	-	-	(1 975 422)
Interest on HDF	(3 001 201)	-	-	(3 001 201)
Interest earned - Insurance reserve	(1 473 920)	1 473 920	-	-
Transfer out of insurance	19 129 258	(19 129 258)	-	-
Correction in surplus	8 161 752	-	-	8 161 752
Transfer to/from reserves	(12 095 136)	-	-	(12 095 136)
Surplus/(Deficit)	1 110 952 661	-	-	1 110 952 661
	7 463 662 440	25 625 640	15 924 551	7 505 212 631

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2020

	Accumulated surplus	Insurance reserve	COID reserve	Total
Opening balance	7 450 028 399	25 625 640	15 924 551	7 491 578 590
Cash utilised for capital expenditure	39 572 027	-	-	39 572 027
Interest earned on COID	(1 235 199)	-	1 235 199	-
Interest on CRR	(633 525)	-	-	(633 525)
Interest on HDF	(2 766 822)	-	-	(2 766 822)
Interest earned - Insurance reserve	(287 894)	287 894	-	-
Transfer out of Insurance reserve	6 123 489	(6 123 489)	-	-
Correction in surplus	(16 607 117)	-	-	(16 607 117)
Surplus/(Deficit)	223 395 167	-	-	223 395 167
	7 697 588 525	19 790 045	17 159 750	7 734 538 320

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

24. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2019

	Accumulated Surplus	Insurance reserve	COID reserve	Total
Opening balance	6 658 524 596	43 280 978	8 869 457	6 710 675 031
Prior period error	(386 120 294)	-	-	(386 120 294)
Cash utilised for capital expenditure	65 401 582	-	-	65 401 582
Interest earned on COID	(787 171)	-	787 171	-
Transfer to COID	(6 267 923)	-	6 267 923	-
Interest on CRR	(1 975 422)	-	-	(1 975 422)
Interest on HDF	(3 001 201)	-	-	(3 001 201)
Interest earned - Insurance reserve	(1 473 920)	1 473 920	-	-
Transfer out of insurance	19 129 258	(19 129 258)	-	-
Correction in surplus	8 161 774	-	-	8 161 774
Transfer to/from reserves	(12 095 136)	-	-	(12 095 136)
Surplus/(Deficit)	1 110 532 258	-	-	1 110 532 258
	7 450 028 401	25 625 640	15 924 551	7 491 578 592

25. Capital replacement reserve

Based on the approval by the strategic management committee on the 7th April 2015 the CRR was created by transferring funds of R 151 935 999 from the accumulated surplus. This reserve will be used for the funding of property, plant and equipment.

Included in the reserve is an amount of R 633 525 (2019: R1 975 432) in respect to interest earned on the reserve.

The CRR is a cash backed reserve

Opening balance	40 992 378	92 323 393	40 992 378	92 323 393
Utilised for capital expenditure	(39 572 027)	(65 401 584)	(39 572 027)	(65 401 584)
Interest earned	633 525	1 975 432	633 525	1 975 432
Transfers to/from reserves	-	12 095 137	-	12 095 137
	2 053 876	40 992 378	2 053 876	40 992 378

26. Housing development fund

Accumulative HDF utilisation	59 271 866	56 505 044	59 271 866	56 505 044
Loans extinguished by Government on 1 April 1988	34 256 892	34 256 892	34 256 892	34 256 892
	93 528 758	90 761 936	93 528 758	90 761 936

27. Revaluation reserve

Opening balance	97 158 944	51 657 445	97 158 944	51 657 445
Revaluation/(devaluation) of heritage assets	(1 894 409)	45 501 499	(1 894 409)	45 501 499
	95 264 535	97 158 944	95 264 535	97 158 944

28. Agency services

Commission earned on driver's licenses renewals	1 090 372	1 469 372	1 090 372	1 469 372
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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
29. Interest - consumer debtors and receivables				
Electricity	17 302 673	25 659 786	17 302 673	25 659 786
Property rental	1 325 503	2 513 123	1 325 503	2 513 123
Sanitation	24 889 686	20 311 697	24 889 686	20 311 697
Service charges	34 909 039	18 629 158	34 909 039	18 629 158
Waste management	14 336 012	11 407 509	14 336 012	11 407 509
Water	133 098 058	104 607 802	133 098 058	104 607 802
	225 860 971	183 129 075	225 860 971	183 129 075

Presented on note 69 Prior period error are adjustments addressing qualification matters.

30. Interest received bank, call and investment accounts

Bank	1 547 197	2 113 917	1 404 866	2 113 917
Short term investments	12 711 477	18 393 486	12 711 477	18 264 838
	14 258 674	20 507 403	14 116 343	20 378 755

31. Licences and permits (exchange)

Taxi ranks	155 987	226 352	155 987	226 352
Abnormal loads	277 264	494 461	277 264	494 461
Trading	125 829	102 140	125 829	102 140
Market porters	45 376	6 691	45 376	6 691
	604 456	829 644	604 456	829 644

32. Operational revenue

Administration and handling fees	861 945	709 312	861 945	709 312
Breakages and losses recovered	4 567	2 701	4 567	2 701
Bursary refund	363 000	7 910	363 000	7 910
Collection charges	12 746 390	11 430 735	12 746 390	11 430 735
Commission - transaction handling fees	19 462 451	18 241 326	19 462 451	18 241 326
Commission insurance	736 390	703 269	736 390	703 269
Incidental cash surplus	40 072	193 968	40 072	193 968
Insurance refund	35 203	182 014	35 203	182 014
Landing fees	2 119 150	2 892 171	2 119 150	2 892 171
Merchandising, jobbing and contracts	4 915 967	12 287 438	4 915 967	12 287 438
Passenger levy	3 500 941	5 890 492	3 500 941	5 890 492
Request for information - plan printing and duplicates	8 773	97 810	8 773	97 810
Sale of property	115 000	1 887	115 000	1 887
Skills development levy	2 655 202	2 473 537	2 655 202	2 473 537
Staff recoveries	417	154 076	417	154 076
	47 565 468	55 268 646	47 565 468	55 268 646

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
33. Rental of facilities and equipment				
Premises				
Non-residential	32 339 263	15 207 711	32 339 263	15 207 711
Residential	10 275 572	5 226 127	10 275 572	5 226 127
	42 614 835	20 433 838	42 614 835	20 433 838
Facilities and equipment				
Rental of facilities	982 451	184 072	982 451	184 072
	43 597 286	20 617 910	43 597 286	20 617 910
34. Rendering of services				
Building plan approval	1 881 460	2 483 347	1 881 460	2 483 347
Cemetery and burial fees	2 589 309	3 339 928	2 589 309	3 339 928
Entrance fees	291 408	252 748	291 408	252 748
Fire services	158 645	194 472	158 645	194 472
Legal fees	113	77 461	113	77 461
Management fees	108 177	185 047	108 177	185 047
Parking fees	95 806	114 521	95 806	114 521
Rates clearance certificates	1 145 287	1 159 107	1 145 287	1 159 107
Sign application fee	233 831	205 603	233 831	205 603
Town planning and servitudes	248 702	248 093	248 702	248 093
Wayleave tariffs	55 170	5 031	55 170	5 031
Weighbridge fees	-	328	-	328
	6 807 908	8 265 686	6 807 908	8 265 686
35. Sale of goods				
Cleaning and removal	53 331	65 223	53 331	65 223
Buyer's card	35 048	-	35 048	-
Demolition application fees	156	1 926	156	1 926
Maps	124 697	-	124 697	-
Photocopies and faxes	-	6 900	-	6 900
Posters and charts	761	184	-	97
Sale of scrap and waste	-	18 163	-	18 163
Sub-division and consolidation	71 579	129 692	71 579	129 692
Tender documents	71 170	100 973	71 170	100 973
Timber sales	16 441 902	75 711	16 441 902	75 711
Valuation services	13 122	18 913	13 122	18 913
Waste paper	-	3 444	-	3 444
	16 811 766	421 129	16 811 005	421 042
36. Service charges				
Sale of electricity	2 159 757 821	2 033 345 507	2 159 912 320	2 033 491 560
Sale of water	662 849 315	650 348 076	662 849 315	650 348 076
Sanitation	172 220 502	161 314 224	172 220 502	161 314 224
Refuse removal	109 639 121	99 542 669	109 639 121	99 542 669
	3 104 466 759	2 944 550 476	3 104 621 258	2 944 696 529

Presented on note 69 Prior period error are adjustments addressing qualification matters.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
37. Property rates				
Rates received				
Commercial	289 639 055	280 210 458	289 639 055	280 210 458
Farm properties	1 348 232	1 086 093	1 348 232	1 086 093
Unauthorised use	3 339 586	2 829 103	3 339 586	2 829 103
Small home business	-	2 305 061	-	2 305 061
Industrial	132 844 015	126 105 072	132 844 015	126 105 072
Public benefit organisation	548 349	2 354 257	548 349	2 354 257
Residential	659 762 312	530 968 260	659 762 312	530 968 260
Communal land - other	2 726 245	933 842	2 726 245	933 842
State	751 240	847 291	751 240	847 291
Mining	101 435	89 680	101 435	89 680
Public service purpose	86 047 137	-	86 047 137	-
	1 177 107 606	947 729 117	1 177 107 606	947 729 117

Presented on note 69 Prior period error are adjustments addressing qualification matters.

Valuations

Agriculture	440 783 000	334 162 000	440 783 000	334 162 000
Commercial/Mining/Industrial/Unauthorised	24 800 205 103	21 705 911 424	24 800 205 103	21 705 911 424
Municipal properties	21 574 000	374 191 000	21 574 000	374 191 000
Residential	49 936 867 443	37 340 571 027	49 936 867 443	37 340 571 027
Rural communal land	167 817 000	533 290 000	167 817 000	533 290 000
Public Benefit Organisation	865 362 000	718 876 000	865 362 000	718 876 000
Public Service Infrastructure	210 423 000	114 787 000	210 423 000	114 787 000
Public Service Property	4 812 778 000	-	4 812 778 000	-
Vacant land	2 357 432 700	1 301 533 000	2 357 432 700	1 301 533 000
	83 613 242 246	62 423 321 451	83 613 242 246	62 423 321 451

Rate randage are as follows:

	Rate per category 2020	Rate per category 2019
Agriculture	0,0031	0,0033
Public Service Property	0,0222	-
Residential	0,0026	0,0134
Rural communal land	0,0172	0,0182
Public Benefit Organisation	0,0031	0,0033
Public Service Infrastructure	0,0031	0,0033
Vacant land	0,0229	0,0243
Commercial	0,0222	0,0236
Mining	0,0222	0,0236
Industrial	0,0222	0,0236
Unauthorised	0,0393	0,0418
Municipal property	0,0222	-

Valuations on land and buildings are performed every 4 years in terms of the Municipal Property Rates Act. The last general valuation came into effect on 1 July 2019. Interim/ Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

38. Interest - property rates

Property rates	66 392 640	61 919 523	66 392 640	61 919 523
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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
39. Fines, penalties and forfeits				
Building fines	49 514	24 024	49 514	24 024
Court traffic fines	13 030 970	12 139 550	13 030 970	12 139 550
Law enforcement fines	187 653	374 657	187 653	374 657
Overdue books fines	445	2 913	445	2 913
Tender withdrawal penalties	4 000	16 000	4 000	16 000
	13 272 582	12 557 144	13 272 582	12 557 144

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
40. Government grants and subsidies				
Operating grants				
Equitable Share	546 052 000	505 852 849	546 052 000	505 852 849
Municipal Infrastructure Grant	21 904 477	18 059 880	21 904 477	18 059 880
Expanded Public Works Programme	4 200 000	2 890 000	4 200 000	2 890 000
Finance Management Grant	1 700 000	1 700 000	1 700 000	1 700 000
Public Transport Infrastructure Grant	14 834 432	40 793 385	14 834 432	40 793 385
Housing Accreditation Funding	14 582 180	9 346 841	14 582 180	9 346 841
Greater Edendale Development Initiative	5 050 273	5 489 801	5 050 273	5 489 801
Tatham Art Gallery	242 517	666 982	242 517	666 982
Library	27 665 322	11 220 020	27 665 322	11 220 020
Manaye Area Precinct Upgrade	138 413	205 442	138 413	205 442
Youth Enterprise Park	758 430	1 316 864	758 430	1 316 864
Development of a Single Scheme - COGTA	-	650 000	-	650 000
Oribi Village	-	689 836	-	689 836
	637 128 044	598 881 900	637 128 044	598 881 900
Capital grants				
Manaye Area Precinct Upgrade	2 723 120	1 852 832	2 723 120	1 852 832
Market	-	446 650	-	446 650
Energy Efficiency Demand Side Management Grant	7 999 336	-	7 999 336	-
Municipal Infrastructure Grant	164 899 849	159 775 251	164 899 849	159 775 251
Neighbourhood Development Partnership	9 957 109	1 071 555	9 957 109	1 071 555
Public Transport Infrastructure Grant	117 251 994	158 310 615	117 251 994	158 310 615
Housing Accreditation Funding	-	1 157 486	-	1 157 486
Greater Edendale Development Initiative	6 696 621	10 129 662	6 696 621	10 129 662
Library	1 065 175	2 112 234	1 065 175	2 112 234
Pietermaritzburg Airport	-	54 118	-	54 118
Youth Enterprise Park	5 557 287	492 694	5 557 287	492 694
Water Services Infrastructure	52 751 849	42 760 000	52 751 849	42 760 000
Tatham Art Gallery	400 000	18 319	400 000	18 319
Jika Joe Community Residential Units	60 811 409	27 087 046	60 811 409	27 087 046
	430 113 749	405 268 462	430 113 749	405 268 462
	1 067 241 793	1 004 150 362	1 067 241 793	1 004 150 362

Government grants and subsidies

Included in above are the following grants and subsidies received:

Equitable Share	546 052 000	505 852 849	546 052 000	505 852 849
Operating grants	88 769 211	86 792 233	88 769 211	86 792 233
Capital grants	389 484 764	364 037 924	389 484 764	364 037 924
VAT recovered from National grants - operating	2 306 833	6 236 818	2 306 833	6 236 818
VAT recovered from National grants - capital	40 628 985	41 230 538	40 628 985	41 230 538
	1 067 241 793	1 004 150 362	1 067 241 793	1 004 150 362

Equitable Share

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

In terms of section 227 of the Constitution, the Equitable Share grant provides funding for the municipality to deliver free basic services to poor households and subsidises the cost of administration and other core services for the municipality.

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

40. Government grants and subsidies (continued)

Water Services Infrastructure Grant

Current-year receipts	53 000 000	42 760 000	53 000 000	42 760 000
Conditions met - transferred to revenue	(46 084 092)	(42 573 341)	(46 084 092)	(42 573 341)
Vat recovered from grant	(6 667 757)	(186 659)	(6 667 757)	(186 659)
	248 151	-	248 151	-

Conditions still to be met - remain liabilities (see note 22).

To facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities. Provide interim, intermediate water and sanitation services that ensure provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of boreholes and on-site solutions. To support drought relief projects in affected municipalities.

National Treasury on the 13th February 2020 advised the municipality that following the 2019/20 mid year expenditure reports in terms of section 10 of the Division of Revenue Act and section 72 of the Municipal Finance Management Act, National Treasury intends invoking section 19 of the Division of Revenue Act which provides that the National treasury may in its discretion stop the transfer of a Schedule 4B or 5B allocation or a portion thereof to the municipality if the National Treasury anticipates that the municipality shall substantially underspend on the allocation. National Treasury therefore advised of the intention to stop an amount of R6,2 million from the allocation of R41 million in terms of section 19 of the 2019 Division of Revenue Act. The third tranche of R15million which was to be transferred to the municipality on the 28th February 2020, was received on the 26th March 2020, together with an additional R12 million over and above the 2019/2020 allocation.

Finance Management Grant

Current-year receipts	1 700 000	1 700 000	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 595 351)	(1 562 054)	(1 595 351)	(1 562 054)
VAT recovered from Grant	(104 649)	(137 946)	(104 649)	(137 946)
	-	-	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity in Local Government to implement the Local Government : Municipal Finance Management Act (MFMA).

Municipal Infrastructure Grant

Balance unspent at beginning of year	15 480 869	6 865 802	15 480 869	6 865 802
Grant paid back to National Treasury	(15 480 000)	(6 865 802)	(15 480 000)	(6 865 802)
Current-year receipts	197 516 000	193 316 000	197 516 000	193 316 000
Conditions met - transferred to revenue	(168 992 927)	(155 672 751)	(168 992 927)	(155 672 751)
Vat recovered from grant	(17 811 399)	(22 162 380)	(17 811 399)	(22 162 380)
	10 712 543	15 480 869	10 712 543	15 480 869

Conditions still to be met - remain liabilities (see note 22).

The funding has been provided for addressing specific capital projects for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Tatham Art Gallery

Balance unspent at beginning of year	537 142	719 458	537 142	719 458
Current-year receipts	463 000	441 000	463 000	441 000
Conditions met - transferred to revenue	(642 517)	(685 301)	(642 517)	(685 301)
Current year interest received	37 451	61 985	37 451	61 985

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
40. Government grants and subsidies (continued)	395 076	537 142	395 076	537 142

Conditions still to be met - remain liabilities (see note 22).

Funding provided by the Provincial Department of Arts and Culture for Tatham Art Gallery to provide financial support to the municipality with a focus on the development and maintenance of museum care and preservation of our culture heritage.

Neighbourhood Partnership Development Grant

Balance unspent at beginning of year	13 828 445	603 783	13 828 445	603 783
Current-year receipts	10 000 000	14 900 000	10 000 000	14 900 000
Conditions met - transferred to revenue	(8 658 355)	(424 938)	(8 658 355)	(424 938)
VAT recovered from grant	(1 298 754)	(646 617)	(1 298 754)	(646 617)
Grant paid back to National Treasury	(13 828 000)	(603 783)	(13 828 000)	(603 783)
	43 336	13 828 445	43 336	13 828 445

Conditions still to be met - remain liabilities (see note 22).

Funding provided for to support and facilitate the planning and development of neighbourhood development programs and projects that provide catalytic infrastructure to leverage third party public and private sector development towards improving the quality of life of residents in targeted undeserved neighbourhoods.

National Treasury in June 2019 advised the municipality that the tranche for the Neighbourhood Development Partnership Grant that was due to be released in July 2019 would be withheld. Due to project difficulties experienced on the upgrade of R1 to 3 and R4 to 5 roads within the Edendale Urban Hub, the NDP Unit will withhold the July 2019 tranche. Delays were experienced due to land expropriation process the Municipality had to initiate for the release of land for Edendale Town Centre development. Also the same land in question is highly invaded and an application has been made to Provincial Dept. of Human Settlements for the Housing Relocation project which has not yet been approved by the Department. All approved projects are subjected to the successful implementation of the above processes.

In Dec 2019, National Treasury advised the municipality that a portion of the 2019/20 allocation for the municipality in respect of the Neighbourhood Development Partnership Grant that was gazetted, be stopped due to non performance. The allocation was reduced from R50 million to R10 million for 2019/2020 financial year.

Public Transport Infrastructure Grant

Balance unspent at beginning of year	-	26 145 264	-	26 145 264
Grant paid back to National Treasury	-	(26 145 264)	-	(26 145 264)
Current-year receipts	226 665 000	199 104 000	226 665 000	199 104 000
Conditions met - transferred to revenue	(116 076 558)	(168 570 344)	(116 076 558)	(168 570 344)
Prior year expenditure recovered from current allocation	-	(7 096 415)	-	(7 096 415)
VAT recovered from grant	(16 009 868)	(23 437 241)	(16 009 868)	(23 437 241)
	94 578 574	-	94 578 574	-

Conditions still to be met - remain liabilities (see note 22).

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

40. Government grants and subsidies (continued)

Funding provided for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.

National Treasury on the 13th February 2020 advised the municipality that following the 2019/20 mid year expenditure reports in terms of section 10 of the Division of Revenue Act and section 72 of the Municipal Finance Management Act, National Treasury intends invoking section 19 of the Division of Revenue Act which provides that the National treasury may in its discretion stop the transfer of a Schedule 4B or 5B allocation or a portion thereof to the municipality if the National Treasury anticipates that the municipality shall substantially underspend on the allocation. National Treasury therefore advised of the intention to stop an amount of R77,9 million from the allocation of R194.7 million in terms of section 19 of the 2019 Division of Revenue Act.

In March 2020, the Municipality received the full last tranche, and an amount of R32 million over and above the 2019/2020 allocation.

Housing Accreditation Funding

Balance unspent at beginning of year	42 192 231	36 401 052	42 192 231	36 401 052
Current-year receipts	-	13 596 785	-	13 596 785
Conditions met - transferred to revenue	(14 582 180)	(10 504 327)	(14 582 180)	(10 504 327)
Current year interest received	2 219 299	2 698 721	2 219 299	2 698 721
	29 829 350	42 192 231	29 829 350	42 192 231

Conditions still to be met - remain liabilities (see note 22).

Funding provided for Level 1 accreditation subsidy for the operation of the Housing Delivery Unit within the municipality.

Greater Edendale Development Initiative

Balance unspent at beginning of year	260 234	14 858 423	260 234	14 858 423
Current-year receipts	25 500 000	-	25 500 000	-
Conditions met - transferred to revenue	(11 746 894)	(15 619 463)	(11 746 894)	(15 619 463)
Current year interest received	423 157	1 021 274	423 157	1 021 274
	14 436 497	260 234	14 436 497	260 234

Conditions still to be met - remain liabilities (see note 22).

The funding was provided by the Department of Human Settlements for the following :

1. To support GIS with the interrogation of housing layout against services in Edendale.
2. To support the finalisation of the town planning scheme.
3. For the development of an integrated land use management system for Edendale.
4. To value additional properties which are not within the 5 priority housing projects.
5. For advertising costs for expropriation of properties.
6. For costs relating to tenure conflicts, cadastral and deed office rectification.
7. For Increasing the resources for sales administration with regard to drawing up, signing and managing sales agreements.
8. For the provision of further training for personnel using GIS and property tracking systems.
9. For employment of two planning interns to be employed by the Land Legal Committee for a period of two years.

Library

Balance unspent at beginning of year	7 872 161	811 497	7 872 161	811 497
Current-year receipts	20 052 000	19 559 000	20 052 000	19 559 000
Conditions met - transferred to revenue	(28 730 498)	(13 332 254)	(28 730 498)	(13 332 254)
Current interest received	1 028 226	833 918	1 028 226	833 918
	221 889	7 872 161	221 889	7 872 161

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

40. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 22).

This is a provincial grant whose purpose is to address the constitutional mandate whereby public libraries are an exclusive provincial competency. The funding is for the provision of library services.

Market

Balance unspent at beginning of year	167 184	925 535	167 184	925 535
Conditions met - transferred to revenue	-	(446 650)	-	(446 650)
Current year interest received	2 712	35 502	2 712	35 502
Inter project transfer	(169 896)	(347 203)	(169 896)	(347 203)
	-	167 184	-	167 184

Conditions still to be met - remain liabilities (see note 22).

Funds received from Department of Co-operative Governance and Traditional Affairs for the market. The purpose of this grant is for the renovations and improvement of the fresh produce market which entails short term repairs, maintenance and the upgrading of existing facilities.

Publicity House Renovations

Balance unspent at beginning of year	-	3 108	-	3 108
Inter project transfer	-	(3 191)	-	(3 191)
Current year interest received	-	83	-	83
	-	-	-	-

Funds received from Co-operative Governance and Traditional Affairs to be used for the upgrade of the publicity house due to the building having structurally deteriorated.

Manaye Area Precinct Upgrade

Balance unspent at beginning of year	2 719 215	4 154 687	2 719 215	4 154 687
Conditions met - transferred to revenue	(2 861 532)	(2 058 275)	(2 861 532)	(2 058 275)
Current year interest received	176 790	267 400	176 790	267 400
Inter project transfer	169 897	355 403	169 897	355 403
	204 370	2 719 215	204 370	2 719 215

Conditions still to be met - remain liabilities (see note 22).

Funds received from Cooperative Governance and Traditional Affairs for the Manaye Area Precinct Upgrade in order to assist the municipality in fulfilling the developmental mandate and achieving the outcome of improving the lives of the communities through the implementation of the Corridor Development Programme that contributes towards creating an enabling environment for economic growth and job creation.

Youth Enterprise Park

Balance unspent at beginning of year	8 436 694	9 670 473	8 436 694	9 670 473
Conditions met - transferred to revenue	(6 315 718)	(1 809 558)	(6 315 718)	(1 809 558)
Current year interest received	495 085	575 779	495 085	575 779
	2 616 061	8 436 694	2 616 061	8 436 694

Conditions still to be met - remain liabilities (see note 22).

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	2020	2019	2020	2019

40. Government grants and subsidies (continued)

Funds received from Co-operative Governance and Traditional Affairs for Youth Enterprise Park which emerged to address the challenges of finding appropriate localities for businesses. The concept of the park will be to cluster a purpose built park of 30 to 50 container enterprises in a particular locality either in community, small town or rural district or as part of urban or rural renewal programmes. The programme will also offer on site training facilities and support micro enterprises that operate within the park. The idea is to create a purpose built precinct at scale where the local community is able to take up local economic community opportunities to establish businesses. The Youth Enterprise Park should fundamentally be able to reconnect the economy with communities whose needs offer economic opportunity for its local entrepreneurs.

Expanded Public Works Programme

Current-year receipts	4 200 000	2 890 000	4 200 000	2 890 000
Conditions met - transferred to revenue	(4 200 000)	(2 890 000)	(4 200 000)	(2 890 000)
	-	-	-	-

To incentives municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

1. road maintenance and the maintenance of buildings,
2. low traffic volume roads and rural roads,
3. basic services infrastructure, including water and sewer reticulation, sanitation and pipelines (excluding bulk infrastructure)-other economic and social infrastructure,
4. tourism and cultural industries,
5. waste management,
6. parks and beautification,
7. sustainable land-based livelihoods,
8. social services programmes,
9. health service programmes, and
10. community safety.

National Treasury in June 2019 advised the municipality that the first tranche for the Expanded Public Works Programme that was due in August 2019 would be withheld should the municipality not submit the approved project list with the EPQP Integrated Grant Agreement and the grant will be withheld until the registration and reporting is done on the reporting system. The allocation was released on the 30th August 2019.

National Treasury in October 2019 and again November 2019 advised the municipality that the second tranche for the Expanded Public Works Programme that was due in November 2019 would be withheld as the municipality failed to spend at least 25% of the disbursed first tranche allocation and non-reporting on projects registered in the EPWP reporting system. As at 29th February 2020, the second tranche has still not been received. The third tranche which was due on the 03rd February 2020, was also not received by the 29th February 2020. Both these tranches were received on the 3rd March 2020.

Development of a Single Scheme - Town Planning Scheme

Balance unspent at beginning of year	-	715 102	-	715 102
Conditions met - transferred to revenue	-	(650 000)	-	(650 000)
Refund to grant provider	-	(86 311)	-	(86 311)
Current year interest received	-	21 209	-	21 209
	-	-	-	-

To support the municipality in preparing legally compliant town planning schemes.

Oribi Village

Balance unspent at beginning of year	-	689 836	-	689 836
Conditions met - transferred to revenue	-	(689 836)	-	(689 836)
	-	-	-	-

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40. Government grants and subsidies (continued)

Funding provided by Department of Human Settlements for the preparation of detailed planning, design and construction of Oribi Village.

Electricity Grant - COGTA

Balance unspent at beginning of year	-	4 877	-	4 877
Current year interest received	-	132	-	132
Inter project transfer	-	(5 009)	-	(5 009)
	-	-	-	-

Funding provided by Corporate Governance and Traditional Affairs for the replacement of transformers and installation of solar powered street and traffic lighting.

Pietermaritzburg Airport

Balance unspent at beginning of year	-	54 118	-	54 118
Conditions met - transferred to revenue	-	(54 118)	-	(54 118)
	-	-	-	-

The funding has been provided for the development and construction of a Pietermaritzburg Technology (Science) Park at the Pietermaritzburg airport.

Operation Dlulisumlando

Balance unspent at beginning of year	1 500 000	1 500 000	1 500 000	1 500 000
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	1 500 000	1 500 000	1 500 000	1 500 000

Conditions still to be met - remain liabilities (see note 22).

Funds provided by the Office of the Premier to support both the establishment and implementation of the Dlulisumlando Project, a national historical development initiative and imperative.

Municipal Disaster Relief Grant

Balance unspent at beginning of year	-	-	-	-
Current-year receipts	1 192 000	-	1 192 000	-
	1 192 000	-	1 192 000	-

Conditions still to be met - remain liabilities (see note 22).

Funding received for response and intervention measures for COVID-19 pandemic. The approved funding is meant to augment the resources of the municipality with regard to the following prioritised areas: a) Sanitation; b) Decontamination of specific selected municipal spaces; Personal Protective Equipment, and hygiene packs; and c) Waste management

Jika Joe Community Residential Units

Balance unspent at beginning of year	10 515 927	-	10 515 927	-
Current-year receipts	75 168 101	37 602 972	75 168 101	37 602 972
Conditions met - transferred to revenue	(60 811 409)	(27 087 045)	(60 811 409)	(27 087 045)
	24 872 619	10 515 927	24 872 619	10 515 927

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	2020	2019	2020	2019

40. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 22)

Funds provided by the Provincial Department of Human Settlements for the addressing of the housing backlog in the Municipality, and rental stock has been identified as a strategic intervention in addressing the formal accommodation needs. The Jika Joe project has been identified as a priority to address the Jika Joe informal settlement. The project also aims to relocate the residents from the existing Masukwana Street temporary housing and the removal of the of structures.

Energy Efficiency and Demand Side Management Grant

Current-year receipts	8 000 000	-	8 000 000	-
Conditions met - transferred to revenue	(6 955 944)	-	(6 955 944)	-
VAT recovered from Grant	(1 043 392)	-	(1 043 392)	-
	664	-	664	-

Conditions still to be met - remain liabilities (see note 22).

The energy efficiency and demand-side management grant is provided to implement energy-efficiency projects, with a focus on public lighting and energy-efficient municipal infrastructure.

National Treasury in July 2019 and again in August 2019 advised the municipality that the first tranche for the Energy Efficiency Demand Side Management Grant that was due in July 2019 would be withheld as the municipality failed to submit the required outstanding documents requested. The Municipality experienced delays in finalising and submitting the documentations that were outstanding. However these documents were later submitted and the first tranche was received in October 2019 and the project will be completed within 2019/20 financial year.

National Treasury in February 2020 advised the municipality that the third tranche for the Energy Efficiency Demand Side Management Grant that was due on 31 January 2020 would be withheld because of perennial under-expenditure on the funds already transferred to the municipality. National Treasury advised in their letter that less than 50% of the amount transferred has been spent and this presents a financial risk detrimental to the success of the programme. The third tranche was received on the 13th March 2020.

41. Other transfers

Donations	1 434 881	9 162 557	1 434 881	9 162 557
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The current year donations comprises of artworks(paintings), motor vehicle water tanker and a brush cutter.The previous year's donations were artworks (paintings) donated to the Tatham Art Gallery.

42. Bad debts written off

Bad debts written off	20 930 221	10 345 711	20 930 221	10 345 711
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43. Bulk purchases

Electricity	1 755 899 646	1 575 444 642	1 755 899 646	1 575 444 642
Water	735 226 951	556 728 775	735 226 951	556 728 775
	2 491 126 597	2 132 173 417	2 491 126 597	2 132 173 417

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	2020	2019	2020	2019
44. General expenses				
Air pollution monitoring	652 314	984 781	652 314	984 781
Air traffic control	3 509 811	3 821 549	3 509 811	3 821 549
Animal care	1 322 049	1 248 394	1 322 049	1 248 394
Artists and performers	25 000	320 000	25 000	320 000
Burial services	235 917	204 155	235 917	204 155
Business and financial management services	81 794 728	73 239 589	81 794 728	73 239 589
Catering services	8 016	2 810	8 016	-
Cleaning services	4 534 415	7 049 234	4 534 415	7 049 234
Clearing and grass cutting services	3 006 719	4 586 385	3 006 719	4 586 385
Communications	361 401	925 104	361 401	925 104
Commission- prepaid electricity vendors	2 872 538	2 602 792	2 872 538	2 602 792
Connection/dis-connection	6 388 379	10 539 415	6 388 379	10 539 415
External accounting and internal audit	299 600	373 796	299 600	373 796
External security services	78 105 483	81 184 686	78 105 483	81 184 686
External sewerage services	100 194	233 840	100 194	233 840
Fire protection	-	5 981	-	5 981
Graphic designers	13 200	70 125	13 200	70 125
Infrastructure and planning consultancy	8 470 930	9 498 903	8 470 930	9 498 903
Legal costs	15 329 803	24 997 985	15 329 803	24 997 985
Medical services	134 771	175 376	134 771	175 376
Organisational transformation	12 432 783	16 821 234	12 330 259	16 706 275
Outsourced repairs and maintenance	57 861 914	119 146 763	57 767 768	119 043 043
Project management	11 869 880	27 409 463	11 869 880	27 409 463
Professional valuation services	1 371 761	6 080 839	1 371 761	6 080 839
Quality control - bacteriological	92 215	105 133	71 104	86 971
Refuse removal	9 571 503	1 948 438	9 571 503	1 948 438
Research and advisory	6 454 977	20 560 307	6 454 977	20 560 307
Sewerage services	166 587 508	154 331 903	166 587 508	154 331 903
Transportation	849 450	1 905 175	849 450	1 905 175
	474 257 259	570 374 155	474 039 478	570 134 504

45. Debt impairment

Contribution to debt impairment	567 918 578	(520 406 398)	567 918 578	(520 406 398)
Reconciliation of debt impairment				
Electricity	63 782 352	(162 994 361)	63 782 352	(162 994 361)
Rates	143 846 832	(65 755 592)	143 846 832	(65 755 592)
Refuse	25 144 569	86 238 610	25 144 569	86 238 610
Property rental	19 020 429	(86 164 328)	19 020 429	(86 164 328)
Sanitation	40 338 546	(131 446 757)	40 338 546	(131 446 757)
Water	261 866 774	(176 965 896)	261 866 774	(176 965 896)
Total consumer debtors	261 866 774	(176 965 896)	553 999 502	(537 088 324)
Cash and cash equivalents	-	11 766	-	11 766
Other financial assets	2 227 016	3 162 623	2 227 016	3 162 623
Receivables from exchange - Insurance claims	-	3 020 221	-	3 020 221
Receivables from non - exchange - Traffic fines	11 692 059	10 420 932	11 692 059	10 420 932
Receivables from exchange - land sale debtors	-	66 386	-	66 384
	567 918 577	(520 406 396)	567 918 577	(520 406 398)

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	2020	2019	2020	2019

46. Depreciation and amortisation

Property, plant and equipment	407 996 316	443 383 807	407 159 544	442 537 581
Intangible assets	10 454 550	11 851 522	10 454 550	11 851 522
	418 450 866	455 235 329	417 614 094	454 389 103

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	2020	2019	2020	2019
47. Employee related costs				
Municipal Staff				
Acting allowances	13 332 428	13 550 896	13 332 428	13 550 896
Basic salaries	745 822 614	713 492 677	740 832 517	709 103 039
Bargaining council	361 438	338 887	361 438	338 887
Bonus	61 359 735	56 287 649	60 827 252	55 839 316
Housing benefits and allowances	4 128 372	3 993 688	4 128 372	3 993 688
Leave pay provision	18 610 702	24 970 009	18 610 702	24 970 009
Long-service awards	27 903 119	29 672 398	27 903 119	29 672 398
Medical aid	60 324 132	55 397 988	59 601 206	54 759 404
Other allowances (tools,uniform, telephone etc)	7 624 060	7 036 538	7 568 260	6 981 438
Overtime payments	110 825 234	100 289 618	109 897 994	99 448 148
Pension contribution	154 503 125	147 395 913	154 121 991	147 062 601
Post employment medical aid benefit	60 780 815	79 286 486	60 780 815	79 286 486
Scarcity allowance	6 244 215	5 845 099	6 244 215	5 845 099
SDL	9 653 996	11 120 380	9 585 037	11 053 382
Standby allowance	28 538 036	17 587 575	28 538 036	17 587 575
Travel/Motor vehicle allowance	26 958 168	26 337 075	26 856 168	26 243 075
UIF	5 960 313	6 048 816	5 897 118	5 991 137
WCA	1 475 109	2 411 331	1 450 383	2 386 562
	1 344 405 611	1 301 063 023	1 336 537 051	1 294 113 140

Remuneration of City Manager

Basic salary	578 622	747 413	578 622	747 413
Bargaining council	47	105	47	105
Contributions to UIF, medical and pension funds	40 071	116 509	40 071	116 509
Housing allowance	36 000	216 000	36 000	216 000
Leave pay provision	(399)	36 532	(399)	36 532
Phone allowance	4 400	26 400	4 400	26 400
Travelling allowance	18 091	108 547	18 091	108 547
	676 832	1 251 506	676 832	1 251 506

Remuneration of Chief Finance Officer

Basic salary	1 228 641	1 228 641	1 228 641	1 228 641
Acting allowance	72 906	96 736	72 906	96 736
Bargaining council	112	105	112	105
Bonus	-	60 000	-	60 000
Contributions to UIF, medical and pension funds	121 577	121 577	121 577	121 577
Housing allowance	180 000	180 000	180 000	180 000
Leave pay provision	23 892	42 361	23 892	42 361
Phone allowance	14 400	14 400	14 400	14 400
Travelling allowance	176 493	176 493	176 493	176 493
	1 818 021	1 920 313	1 818 021	1 920 313

Remuneration of Chief Audit Executive

Basic salary	1 091 425	1 000 791	1 091 425	1 000 791
Bargaining council	112	105	112	105
Bonus	90 952	83 399	90 952	83 399
Contributions to UIF, medical and pension funds	233 269	205 980	233 269	205 980
Housing allowance	10 893	10 228	10 893	10 228
Leave pay provision	20 392	31 912	20 392	31 912
Phone allowance	18 200	9 000	18 200	9 000
Travelling allowance	153 262	153 262	153 262	153 262

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	2020	2019	2020	2019

47. Employee related costs (continued)

	1 618 505	1 494 677	1 618 505	1 494 677
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Remuneration of General Manager : Corporate Services

Basic salary	1 291 764	1 291 764	1 291 764	1 291 764
Bargaining council	112	105	112	105
Bonus	414 154	60 000	414 154	60 000
Contributions to UIF, medical and pension funds	234 302	236 330	234 302	236 330
Phone allowance	20 400	16 400	20 400	16 400
Leave pay provision	2 559	23 967	2 559	23 967
Travelling allowance	127 251	127 251	127 251	127 251
	2 090 542	1 755 817	2 090 542	1 755 817

Remuneration of General Manager : Sustainable Development and City Enterprises

Basic salary	934 078	551 399	934 078	551 399
Bargaining council	112	53	112	53
Contributions to UIF, medical and pension funds	55 693	892	55 693	892
Housing allowance	-	48 000	-	48 000
Leave pay provision	3 381	4 030	3 381	4 030
Phone allowance	14 400	8 646	14 400	8 646
Travelling allowance	297 325	60 430	297 325	60 430
	1 304 989	673 450	1 304 989	673 450

Remuneration of General Manager : Community Services

Basic salary	1 136 024	1 296 444	1 136 024	1 296 444
Bargaining council	112	105	112	105
Bonus	135 057	60 000	135 057	60 000
Contributions to UIF, medical and pension funds	72 845	202 139	72 845	202 139
Housing allowance	34 450	82 680	34 450	82 680
Leave pay provision	2 930	24 693	2 930	24 693
Phone allowance	16 200	14 400	16 200	14 400
Travelling allowance	43 427	127 251	43 427	127 251
	1 441 045	1 807 712	1 441 045	1 807 712

General Manager : Safe City

Basic salary	571 380	513 691	-	-
Bonus	54 478	54 747	-	-
Contributions to UIF, medical and pension Funds	27 723	25 592	-	-
Phone allowance	7 200	7 200	-	-
Travelling allowance	30 000	22 000	-	-
	690 781	623 230	-	-

Board members : Safe City

Basic salary	128 652	140 639	-	-
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Total section 57 employees

City Manager	676 832	1 251 506	676 832	1 251 506
Chief Finance Officer	1 818 021	1 920 313	1 818 021	1 920 313
Chief Audit Executive	1 618 505	1 494 677	1 618 505	1 494 677

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	2020	2019	2020	2019
47. Employee related costs (continued)				
General Manager : Sustainable Development and City Enterprises	1 304 989	673 450	1 304 989	673 450
General Manager : Community Services	1 441 045	1 807 712	1 441 045	1 807 712
General Manager : Corporate Services	2 090 542	1 755 817	2 090 542	1 755 817
Board members : Safe City	128 652	140 639	-	-
General Manager : Safe City	690 781	623 230	-	-
Subtotal	9 769 367	9 667 344	8 949 934	8 903 475
Municipal staff	1 344 405 611	1 301 063 023	1 336 537 051	1 294 113 140
Total employee related costs	1 354 174 978	1 310 730 367	1 345 486 985	1 303 016 615
48. Finance costs				
Non-current borrowings	43 664 636	52 421 134	43 664 636	52 421 134
Trade and other payables	52 334	41 250	52 334	41 250
	43 716 970	52 462 384	43 716 970	52 462 384
49. Inventory consumed				
Consumables	55 791 689	52 991 505	55 753 933	52 948 290
Materials and supplies	1 407 658	2 987 375	1 407 658	2 987 375
	57 199 347	55 978 880	57 161 591	55 935 665

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	2020	2019	2020	2019
50. Operational costs				
Achievements and awards	-	112	-	112
Advertising	4 515 036	7 722 360	4 504 470	7 718 652
Bank charges	2 199 812	7 060 512	2 173 754	7 037 296
Bursaries (employees)	594 059	568 702	594 059	568 702
Cash discount	15 338 259	13 070 489	15 338 259	13 070 489
Catering municipal activities	539 126	1 479 882	539 126	1 479 882
Cleaning	365	-	365	-
Communication	12 101 361	12 325 264	12 045 734	12 276 350
Conferences and seminars	19 415	333 506	16 265	333 506
Drivers licenses and permits and other	1 630	6 910	1 630	6 910
Entertainment	1 681	47 857	1 681	47 857
External audit fees	9 988 032	9 947 373	9 471 862	9 445 654
External computer services	12 884 874	10 771 171	12 884 874	10 771 171
Fines and penalties	-	51 601	-	51 601
Learnerships and internships	15 483 941	6 087 296	15 483 941	6 087 296
Litigation provision - contribution	23 724	151 513	23 724	151 513
IT expenses	20 237	25 913	20 237	25 913
Insurance	6 442 133	8 916 266	6 123 489	8 568 753
Interest cost - provisions	6 746 548	2 347 547	6 746 548	2 347 547
Management fees	4 541 107	4 736 758	4 539 503	4 736 758
Motor vehicle expenses	4 828 220	5 128 457	4 823 890	5 125 024
Municipal services	19 354 049	14 872 256	19 354 049	14 872 256
Office decorations	2 350	786	2 350	786
Printing, publication and books	2 169 845	2 988 168	2 169 845	2 988 168
Signage	176 783	68 855	176 783	68 855
Storage of files	3 677	6 290	3 677	6 290
Subscriptions and membership fees	18 405 768	13 562 842	18 405 768	13 562 842
Title deed search fees	4 934	78 883	4 934	78 883
Travel - local	357 022	2 329 058	353 517	2 329 058
Parking fees	3 032	3 032	-	-
Postage and courier	1 389	1 577	-	-
	136 748 409	124 691 236	135 804 334	123 758 124
51. Operating leases				
Premises				
Contractual amounts	-	1 114 817	-	1 114 817
Motor vehicles				
Contractual amounts	16 707 181	20 646 561	16 707 181	20 646 561
Equipment				
Contractual amounts	6 342 221	12 186 089	6 330 083	12 174 649
	23 049 402	33 947 467	23 037 264	33 936 027

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
52. Remuneration of councillors				
Mayor	1 297 412	1 286 979	1 297 412	1 286 979
Deputy Mayor	1 052 768	1 048 643	1 052 768	1 048 643
Speaker	1 043 547	1 048 643	1 043 547	1 048 643
Chief Whip	957 439	967 080	957 439	967 080
Executive Committee Members	7 751 500	7 736 824	7 751 500	7 736 824
Municipal Public Account Committee chairperson	967 080	967 080	967 080	967 080
Councillors	30 689 576	31 075 432	30 689 576	31 075 432
Total Remuneration of Councillors	43 759 322	44 130 681	43 759 322	44 130 681
Remuneration of Mayor				
Basic salary	1 075 069	1 199 687	1 075 069	1 199 687
Pension Contributions	130 430	-	130 430	-
Medical aid contributions	47 156	42 042	47 156	42 042
Phone allowance	44 757	45 250	44 757	45 250
	1 297 412	1 286 979	1 297 412	1 286 979
Remuneration of Deputy Mayor				
Basic salary	831 938	732 913	831 938	732 913
Medical aid contributions	24 715	-	24 715	-
Pension contributions	124 791	109 937	124 791	109 937
Phone allowance	44 567	45 250	44 567	45 250
Travelling allowance	26 757	160 543	26 757	160 543
	1 052 768	1 048 643	1 052 768	1 048 643
Remuneration of Speaker				
Basic salary	771 628	809 907	771 628	809 907
Medical aid contributions	45 541	-	45 541	-
Pension contributions	115 744	121 486	115 744	121 486
Phone allowance	44 567	45 250	44 567	45 250
Travelling allowance	66 067	72 000	66 067	72 000
	1 043 547	1 048 643	1 043 547	1 048 643
Remuneration of Chief Whip				
Basic salary	804 104	717 999	804 104	717 999
Medical aid contributions	17 783	20 913	17 783	20 913
Pension contributions	15 898	107 700	15 898	107 700
Phone allowance	26 612	26 400	26 612	26 400
Travelling allowance	93 042	94 068	93 042	94 068
	957 439	967 080	957 439	967 080
Remuneration of Executive Committee Members				
Basic salary	5 584 662	5 518 205	5 584 662	5 518 205
Housing allowance	6 374	38 246	6 374	38 246
Medical aid contributions	211 172	207 119	211 172	207 119
Out of pocket expenses	5 530	-	5 530	-
Pension contributions	820 955	713 196	820 955	713 196
Phone allowance	211 412	211 200	211 412	211 200
Travelling allowance	911 395	1 048 858	911 395	1 048 858
	7 751 500	7 736 824	7 751 500	7 736 824
Remuneration of other councillors				
Basic salary	20 608 239	20 704 227	20 608 239	20 704 227

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	2020	2019	2020	2019
52. Remuneration of councillors (continued)				
Housing allowance	128 679	88 492	128 679	88 492
Medical aid contributions	1 306 883	1 244 730	1 306 883	1 244 730
Pension contributions	2 720 622	2 744 149	2 720 622	2 744 149
Phone allowance	1 669 872	1 689 096	1 669 872	1 689 096
Travelling allowance	4 255 281	4 604 738	4 255 281	4 604 738
	30 689 576	31 075 432	30 689 576	31 075 432
Municipal Public Accounts Committee Chairperson				
Basic salary	581 019	583 078	581 019	583 078
Medical aid contributions	37 338	34 970	37 338	34 970
Pension contributions	87 153	87 462	87 153	87 462
Phone allowance	26 400	26 400	26 400	26 400
Travelling allowance	235 170	235 170	235 170	235 170
	967 080	967 080	967 080	967 080
In-kind benefits				
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time.				
Each is provided with an office and secretarial support at the cost of the Council.				
The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.				
The Mayor has three full-time bodyguards. The Deputy Mayor and Speaker have two full-time bodyguards.				
53. Transfers and subsidies				
Grants paid to municipal entity				
Safe City Msunduzi NPC	-	-	11 379 199	10 271 084
Other subsidies				
Grant in aid	8 730 326	12 115 893	8 730 326	12 115 893
Injury on duty	1 734 087	1 974 417	1 734 087	1 974 417
Post retirement benefits	2 887 705	(437 052)	2 887 705	(437 052)
Arbitration awards	575 361	2 166 533	575 361	2 166 533
	13 927 479	15 819 791	13 927 479	15 819 791
	13 927 479	15 819 791	25 306 678	26 090 875
54. Actuarial gains/ (losses)				
Long service	298 453	6 445 095	298 453	6 445 095
Post retirement benefit - medical aid	91 193 342	155 708 574	91 193 342	155 708 574
	91 491 795	162 153 669	91 491 795	162 153 669
55. Fair value adjustments on investment property				
Investment property (fair value model)	(19 832 000)	(32 810 000)	(19 832 000)	(32 810 000)
56. Fair value on agricultural assets and gain on living resources				
Fair value on agricultural assets and gain on living resources	8 721 325	15 856 141	8 721 325	15 856 141

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
57. Impairment loss				
Impairments				
Property, plant and equipment	(5 552 410)	(5 719 754)	(5 552 410)	(5 719 754)
The procedure used to determine if the asset was impaired was to physically inspect the asset and determine if the asset was impaired and what factors contributed to the impairment and then comparing the condition, age and cost of the asset to the current records in the asset register and if there was a change this was then adjusted.				
Agricultural assets	799 500	-	799 500	-
The procedure used to determine if the asset was impaired was to physically inspect the asset and determine if the asset was impaired and what factors contributed to the impairment.				
Heritage assets	(1 400)	-	(1 400)	-
A grading system which reflects the condition of each asset in relation to a monetary value whereby 0 indicated a 100% loss of value and 5 signified 100% retention of value with a sliding scale for the degree of damage apropos value was used to arrive at the impairment value.				
	(6 353 310)	(5 719 754)	(6 353 310)	(5 719 754)
58. Inventory losses				
Inventory losses	(7 356 148)	(16 453 277)	(7 356 148)	(16 453 277)

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
59. Cash generated from operations				
Surplus for year	223 780 153	1 110 952 659	223 395 163	1 110 532 258
Adjustments for:				
Depreciation and amortisation	418 450 866	455 235 329	417 614 094	454 389 103
(Gain) /Loss on sale of assets	14 646 287	(2 876 825)	14 400 000	(2 876 825)
Excess in provision liability	(30 501 044)	-	(30 501 044)	-
Fair value adjustments	19 832 000	32 810 000	19 832 000	32 810 000
Impairment loss	6 353 310	5 719 754	6 353 310	5 719 754
Debt impairment	567 918 578	(520 406 398)	567 918 578	(520 406 398)
Bad debts written off	20 930 221	10 345 711	20 930 221	10 345 711
Movements in retirement benefit assets and liabilities	(52 265 409)	(105 740 754)	(52 265 409)	(105 740 754)
Movements in provisions	(45 915 098)	7 928 807	(46 017 368)	7 832 823
Tax received	-	1 488	-	-
Fair value on agricultural assets and gain on living resources	(8 721 325)	(15 856 141)	(8 721 325)	(15 856 141)
Inventory losses	7 356 148	16 453 277	7 356 148	16 453 277
Donations-non cash	(1 434 881)	(9 162 557)	(1 434 881)	(9 162 557)
Changes in working capital:				
Inventories	(5 641 785)	22 407 390	(5 641 785)	22 407 390
Receivables from exchange transactions	(13 353 129)	24 125 978	(13 261 337)	24 080 963
Consumer debtors	(594 570 836)	(589 901 570)	(594 570 836)	(589 901 571)
Statutory receivables	(272 124 827)	(169 762 560)	(272 124 827)	(169 762 561)
Payables from exchange transactions	302 003 673	36 987 607	305 259 375	36 606 145
VAT	36 989 598	60 805 381	36 989 598	60 805 381
Transfers payable (non-exchange)	(1 456 904)	24 448 776	(1 456 904)	24 448 776
Unspent conditional grants and receipts	77 341 028	(18 839 460)	77 341 028	(18 839 460)
Consumer deposits	6 609 613	(1 580 031)	6 609 613	(1 580 031)
	676 226 237	374 095 861	678 003 412	372 305 283

60. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	921 881	888 615	921 881	888 615
Amount paid - current year	(921 881)	(888 615)	(921 881)	(888 615)
	-	-	-	-

Audit fees

Opening balance	154 977	98 491	154 977	98 491
Current year fee	9 988 032	9 947 373	9 471 862	9 445 654
Amount paid - current year	(9 601 928)	(9 890 887)	(9 085 758)	(9 389 168)
Amount paid - previous years	(154 977)	-	(154 977)	-
Closing balance	386 104	154 977	386 104	154 977

PAYE and UIF

Opening balance	14 638 770	12 926 180	14 638 770	12 926 180
Current year PAYE and UIF	160 593 275	146 585 430	159 630 890	145 763 488
Amount paid - current year	(157 889 102)	(144 872 840)	(156 926 717)	(144 050 898)
Closing balance	17 342 943	14 638 770	17 342 943	14 638 770

Statutory payments are due by the 7th of the following month.

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

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

Pension and medical aid deductions

Opening balance	28 597 864	27 219 671	28 597 864	27 219 671
Current year contributions	302 572 676	284 343 490	301 442 677	283 347 787
Amount paid - current year	(301 039 685)	(282 965 297)	(299 909 686)	(281 969 594)
Closing balance	30 130 855	28 597 864	30 130 855	28 597 864

Total medical aid and pension contributions are payable by the 4th and 7th of the following month respectively.

VAT

VAT payable	(181 875 292)	(144 822 890)	(181 454 567)	(144 464 969)
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Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days.

30 June 2020

	Outstanding more than 90 days R
SD Mkhize	185 433
Nomalady Dlela	88 845
Michael Ntshangase	83 245
Siphiwe Ndawonde	30 108
Tholakele Dlamini	15 938
Sandile Dlamini	17 866
Siphamandla Madlala	6 573
Dumisani Phungula	836
Mzimkhulu Thebolla	1 041
Bongumusa Cyril Nhlabathi	5 159
Hamilton Zondi	259
	435 303

30 June 2019

	Outstanding more than 90 days R
Mduduzi Njilo	302
Prudence Msimang	1 588
Sandile Dlamini	23 026
Siphiwe Ndawonde	31 662
Vusumuzi Magubane	89 996
Sphamandla Madlala	250
Sandra Lyne	25
	146 849

Normal credit control procedures have been applied for the recovery of all outstanding debt.

Councillors have made arrangements to re-pay outstanding debt.

Included in the consumer debtors impairment (Refer to note 7 and 45) is Councillors in arrears outstanding debt. The total councillors' impairment is R332 767 (2019 : R305 625)

Bad debts recognised in the Statement of Financial Performance relating to Councillors amounts to R14 201 (2019 nil).

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

61. Non - compliance with the Municipal Finance Management Act

The Municipality did not comply with section 65(2)(e) of the MFMA.

There were instances of non-compliance wherein some suppliers were not paid within 30 days.

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

62. Supply Chain Management regulation 45 of the MFMA

Awards to close family members of persons in the service of the state

Name of the service provider	Employee name	Job title	Organ of state	Amount paid
The Borain Brothers cc T/A Borain Leyland	Mchunu Nomvula Teressa	General Worker Infra Structure	Msunduzi Municipality	556 509
Mathew Francis Inc	Brenden Sivparsad	Senior Manager Water and Sanitation	Msunduzi Municipality	4 161 164
Eka GP Trading Enterprise	Nhlakanipho Wiseman Gini Dlamini	General Assistant Mechanical Workshop	Msunduzi Municipality	-
Valimbo Primary Co-Operative	Mzwenzhlanhla Wiseman Khoza	General Assistant Waste Management	Msunduzi Municipality	-
Ekuseni Investment Holdings Gibb (Pty) Ltd	Sandile Dlamini K. Pillay P. Pillay Alan Moon	Councillor Data Capturer Educator Head :	Department of Education Department of Education City of Cape Town	221 850 593 894
	John Watson	Director - Accounting Support and Reporting	National Treasury	-
	Leigh Stolworthy	Principle : Professional IRT System Planning	Department of Education	-
	Sonnika Cilliers Nokuthula Mkhize	Educator Accounting Clerk	Department of Education National Department of Water Affairs and Forestry	-
	Jeanne Mare	Senior Educator	Department of Education	-
	Imra Brink Nkosinathi Mzayiya	Educator Correctional Officer	Department of Education Department of Correctional Services	-
	Jacqueline Gooch	Head of Department	Department of Transport	-
	Unathi Lekonyana	Deputy Director : Grant Monitoring and Analysis	Deputy Director: Grant Monitoring and Analysis	-
	Douglas Kiewiet	Area Manager (North)	National Department of Water Affairs and Forestry	-
	Rajiv Beharie	Senior Engineer	Eskom	-
	M B Haq	Architect / Town Planner	City of Cape Town	-

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
62. Supply Chain Management regulation 45 of the MFMA (continued)				
Isibuko Development Planners	Mrs Hlongwa	Assistant Director	Department of Social Development	393 658
SMEC South Africa	Yvonne Pinky Phosa	Member of National Assembly, Chairman - standing Committee on appropriation	National Assembly - Standing Committee on Appropriations	270 174
Govert Vetten	S. Vetten	Forensic investigator	Western Cape Department of Health	5 060 140
				11 257 389

Msunduzi Local Municipality and its Municipal Entity

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

63. Deviation from supply chain management regulations

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

Regulation 36 of the Municipal SCM Regulations of 2005 permits the Accounting Officer to "dispense with official procurement processes established by the policy and to procure any required goods or services through any convenient process".

This would typically include urgent and emergency cases, single-source/sole providers of goods and services, and any other cases where it is impractical to follow normal SCM process. In the event of such a decision, the Accounting Officer is required to report this to the next council meeting for noting.

Deviations per category

Computer expenditure	-	11 806 989	-	11 806 989
Health and safety	6 135 000	-	6 135 000	-
Other	27 049 650	4 379 086	27 049 650	4 369 543
Repairs and maintenance	-	259 895	-	259 895
Repairs to motor vehicles	9 327 945	6 323 596	9 327 945	6 323 596
Rate based contracts	16 799 622	9 418 143	16 799 622	9 418 143
Service delivery	350 233	846 980	350 233	846 980
Forensic services	-	4 350	-	4 350
Water testing	217 500	-	217 500	-
	59 879 950	33 039 039	59 879 950	33 029 496

Reasons for deviations

Contact no	Contract name	Description of contract	Reasons for deviation	2020 Contract amount
Contract No.11/S36 of 19/20	Surg SUT Pty Ltd	Alleviating health hazards and restoration of new england road landfill site	Urgent need to alleviate health hazards and restoration of New England landfill site	7 924 800
Contract No.10/S36 of 19/20	Inzama Contractors	Disposal of timber (standing sale) for the Msunduzi forestry company	Urgent disposal of timber for the Msunduzi Forestry Company	18 908 186
Contract No.13/S36 of 19/20	Yeshua Aquajet	Appointment of a service provider for the fumigation of Msunduzi taxi ranks, halls and amenities	Urgent need for Fumigation of Msunduzi taxi ranks, halls and amenities due to Covid-19	4 435 000

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
Contract No.15/S36 of 19/20	YSF Property Fund	Refurbishment of transnet offices, AF Wood hall and old municipal offices used to accommodate homeless people	Urgent need for refurbishment of old Transnet offices, AF Wood Hall and old municipal offices used to accommodate homeless people due to Covid-19	1 700 000
Contract No.8/S36 of 19/20	Gaba and KK Construction and Civils (Pty) Ltd	Restoration of concrete and steel palisade fencing, installation of new razor wire	Urgent need to restore concrete and steel palisade fencing including installation of Razor Wire to sustain Security	216 662
Contract No.3/S36 of 19/20	Yeshua Aquajet	Unblocking of storm water drains, sewer pipes, manholes by pressure jetting, removing & de-sludging all silt, waste, grease, debris from basement taxi rank	Urgent need to unblock Storm water drainage and de-sludge all waste including oil.	217 500
Contract No.2/S36 of 19/20	Hi-Glen Construction	Refurbishment of the freedom square taxi rank	Urgent need to refurbish and secure Freedom Square Taxi rank to alleviate crime	350 233
Various	Various	Repairs to motor	Urgent repairs to various council's fleet	9 327 947
Contract No.9/S36 of 19/20	Takelaw contracting trading	Appointment of security service provider for the provision of VIP protection services		6 775 000
Contract No.17/S36 of 19/20	Manavi electrical	Urgent supply and delivery of electricity and assorted items	Urgent repairs and maintenance of airport ground-lightning system	669 960

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
Contract No.18/S36 of 19/20	Diya valves international	Urgent supply and delivery of electricity assorted items	Urgent material require dfor Landfill site during outbreak of Fire	88 449
Contract No.14/S36 of 19/20	Masiqhame trading 1244	Supply and delivery of cover material for the new england landfill site	Urgent supply of Covid-19 PPE during lockdown	3 400 000
Contract No.16/S36 of 19/20	Into Engalali Trading Enterprise	Urgent supply and delivery of electricity assorted items	Urgent supply of wiring for the homeless safety place during Covid-19 lockdown	184 080
Contract No.16/S36 of 19/20	Lukhona project and development	Supply and delivery of covid-19 personal protective equipment	Urgent supply of Covid-19 PPE	93 950
Contract No.16/S36 of 19/20	Maduvane Trading Enterprise	Supply and delivery of covid-19 personal protective equipment	Urgent supply of wiring for the homeless safety place during Covid-19 lockdown	267 828
Contract No.16/S36 of 19/20	MBX packaging and allied services	Supply and delivery of covid-19 personal protective equipment	Urgent supply of wiring for the homeless safety place during Covid-19 lockdown	333 000
Contract No.16/S36 of 19/20	Zathamis	Supply and delivery of covid-19 personal protective equipment	Urgent supply and repairs of Water supplies during Covid-19 lockdown	525 000
Contract No.17/S36 of 19/20	ARB electrical wholesalers	Supply and delivery of electric lamps and accessories	Urgent supply and repairs of electricity supplies during Covid-19 lockdown	293 756
Contract No.20/S36 of 19/20	Amabhansi, Orap medical supplies, XQZ IT Construction and related projects	Supply and delivery of covid-19 personal protective equipment	Urgent supply of PPE during Covid-19 lockdown	4 168 599
				59 879 950

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
64. Commitments				
Authorised capital expenditure				
• Approved and contracted	623 141 228	315 441 122	623 141 228	315 441 122
Total capital commitments				
Already contracted for but not provided for	623 141 228	315 441 122	623 141 228	315 441 122
Authorised operational expenditure				
• Approved and contracted	396 607 503	500 303 809	396 607 503	500 303 809
Total operational commitments				
Already contracted for but not provided for	396 607 503	500 303 809	396 607 503	500 303 809
Total commitments				
	1 019 748 731	815 744 931	1 019 748 731	815 744 931
Operational expenditure - not yet contracted (Department of Human Settlement has not yet approved the funding)	809 843 756	810 151 756	809 843 756	810 151 756

The future commitments will be financed through council own funding, national and provincial grants in terms of DORA. Commitments are exclusive of Value Added Taxation.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	4 734 689	4 661 712	4 734 689	4 661 712
- in second to fifth year inclusive	10 164 449	9 323 424	10 164 449	9 323 424
	14 899 138	13 985 136	14 899 138	13 985 136

Operating lease payments represent rentals payable by the municipality for certain office equipment.

65. Contingencies

The municipality is defending various litigation and claim cases against it.

Should the litigation and claims against the municipality be successful the total estimated liability of all the cases is approximately R174 528 407 (2019:R152 922 193).

Prior year contingencies were restated owing to the reassessment of the cases.

Refer to Appendix E for further details.

Msunduzi Local Municipality and its Municipal Entity

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

66. Related parties

Relationships

Municipal entity	Safe City Msunduzi NPC
Controlling entity	Msunduzi Local Municipality
Close family member of key management	Ekuseni Investment Holdings
Members of key management	City Manager: Madoda P Khathide Chief Financial Officer: Nelisiwe M. Ngcobo Acting General Manager Community Services: Mbongeni Mathe General Manager Corporate Services: Mosa L.I Molapo Acting General Manager Infrastructure Services: Brenden Sivparsad General Manager Sustainable Development and City Enterprises: Felix Nxumalo Chief Audit Executive: Petrus J. Mahlaba General Manager : L. Holtzhausen (Safe City Msunduzi NPC)
Safe City Msunduzi NPC - board of directors	Chairperson : D. Sokhela Vice Chairperson : G Moody Director : V. Biggs Director : R. Singh Director : S Ako-nai Director : K Basson

Councillor Sandile Dlamini is a brother of a Director of Ekuseni Investment holdings.

In kind benefits

The salary and benefits of the Ministerial representative are paid by the Department of Cooperative Governance and Traditional Affairs. The municipality has not been charged to the services rendered by the Municipal representative.

Safe City Msunduzi NPC makes use of the Msunduzi Municipality's audit committee and internal audit services, these services in kind were also considered not significant.

Safe City Msunduzi NPC makes use of the Msunduzi Municipality's accounting system - SAP. This is therefore deemed a service-in-kind.

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

Mathew Francis Inc	(1 209 306)	(6 282 921)
Safe City Msunduzi NPC	(3 271 520)	-
Ekuseni Investment Holdings	(255 128)	-

There are no guarantees given or received with regards to the related party balances outstanding.

Refer to note Note 59 for Councillors' arrear consumer accounts for further details on outstanding balances.

The Safe City Msunduzi NPC balance relates to the outstanding last quarter payment.

Impairment relating to outstanding balances with related parties

Councillors in arrears	332 767	305 625
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Expenses recognised in respect of bad debts

Councillors in arrears	14 201	-
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Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

66. Related parties (continued)

Related party transactions

Grants paid to related parties

Safe City Msunduzi NPC - Safe City is an entity of the Municipality. 11 379 198 10 271 084

Services from related parties

Matthew Francis - Senior manager water and sanitation is a spouse of the Matthew Francis Director. The Municipality conducts business with Matthew Francis on a regular basis. 4 161 164 28 160 132

Ekuseni Investment Holdings - Councillor is brother of the employee of the service provider. 221 850 -

Service charges paid received from related parties

Safe City Msunduzi NPC - Safe City is an entity of the Municipality. 154 499 146 053

The terms of transactions were the same for all suppliers.

Transactions are at arm's length with related parties.

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand

66. Related parties (continued)

Remuneration of management

Councillors

2020

Name	Basic salary	Phone allowance	Housing allowance	Travelling allowance	Pension	Medical aid	Other long-term benefits	Total
Mayor	1 075 069	44 757	-	-	130 430	47 156	-	1 297 412
Deputy mayor	831 938	44 567	-	26 757	124 791	24 715	-	1 052 768
Speaker	771 628	44 567	-	66 067	115 744	45 541	-	1 043 547
Chief whip	804 104	26 612	-	93 042	15 898	17 783	-	957 439
MPAC chair	581 019	26 400	-	235 170	87 153	37 338	-	967 080
Executive committee members	5 584 662	211 412	6 374	911 395	820 955	211 172	5 530	7 751 500
Other councillors	20 608 239	1 669 872	128 679	4 255 281	2 720 622	1 306 883	-	30 689 576
	30 256 659	2 068 187	135 053	5 587 712	4 015 593	1 690 588	5 530	43 759 322

2019

Name	Basic salary	Phone allowance	Housing allowance	Travelling allowance	Pension	Medical aid	Total
Mayor	1 199 687	45 250	-	-	-	42 042	1 286 979
Deputy mayor	732 913	45 250	-	160 543	-	109 937	1 048 643
Speaker	809 907	45 250	-	72 000	121 486	-	1 048 643
Chief whip	717 999	26 400	-	94 067	107 700	20 914	967 080
MPAC chair	583 078	26 400	-	235 170	87 462	34 970	967 080
Executive committee members	5 518 205	211 200	38 246	1 048 858	713 196	207 119	7 736 824
Other councillors	20 704 227	1 689 096	88 492	4 604 738	2 744 149	1 244 730	31 075 432
	30 266 016	2 088 846	126 738	6 215 376	3 773 993	1 659 712	44 130 681

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

66. Related parties (continued)

Executive management

2020

Name	Basic salary	Phone allowance	Housing allowance	Travelling allowance	Pension	Medical aid	Acting allowance	Bonus	Other	Total
City Manager	578 622	4 400	36 000	18 091	39 327	-	-	-	392	676 832
Chief Financial Officer	1 228 641	14 400	180 000	176 493	119 792	-	72 906	-	25 789	1 818 021
Chief Audit Executive	1 091 425	18 200	10 893	153 262	196 457	35 028	-	90 952	22 288	1 618 505
Internal audit										
General Manager : Corporate Services	1 291 764	20 400	-	127 251	232 518	2 559	-	414 154	1 896	2 090 542
General Manager : Community services	1 136 024	16 200	34 450	43 427	60 393	10 668	-	135 057	4 826	1 441 045
General Manager : Sustainable Development and City Enterprises	934 078	14 400	-	297 325	-	53 908	-	-	5 278	1 304 989
Chairperson : D. Sokhela (Safe City Msunduzi NPC)	30 521	-	-	-	-	-	-	-	-	30 521
Vice Chairperson : G. Moody (Safe City Msunduzi NPC)	26 710	-	-	-	-	-	-	-	-	26 710
Director : V. Biggs (Safe City Msunduzi NPC)	13 226	-	-	-	-	-	-	-	-	13 226
Director : R Singh (Safe City Msunduzi NPC)	21 162	-	-	-	-	-	-	-	-	21 162
Director : S .Ako-nai (Safe City Msunduzi NPC)	13 226	-	-	-	-	-	-	-	-	13 226
Director : K. Basson (Safe City Msunduzi NPC)	23 807	-	-	-	-	-	-	-	-	23 807
General Manager : L. Holtzhausen	571 380	7 200	-	30 000	-	25 938	-	54 478	1 785	690 781
	6 960 586	95 200	261 343	845 849	648 487	128 101	72 906	694 641	62 254	9 769 367

Msunduzi Local Municipality and its Municipal Entity

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Figures in Rand

66. Related parties (continued)

2019

Name	Basic salary	Phone allowance	Housing allowance	Travelling allowance	Pension	Medical aid	Bonus	Acting allowance	Other	Total
City Manager	747 413	26 400	216 000	108 547	114 725	-	-	-	38 421	1 251 506
Chief Financial Officer	1 228 641	14 400	180 000	176 493	119 792	-	60 000	96 736	44 251	1 920 313
Chief Audit Executive - Internal audit	1 000 791	9 000	10 228	153 262	180 142	24 053	83 399	-	33 802	1 494 677
General Manager : Corporate Services	1 291 764	16 400	-	127 251	232 518	2 028	60 000	-	25 856	1 755 817
General Manager : Community services	1 296 444	14 400	82 680	127 251	176 965	23 390	60 000	-	26 582	1 807 712
General Manager : Sustainable Development and City Enterprises	551 399	8 646	48 000	60 430	-	-	-	-	4 975	673 450
Chairperson : D. Sokhela (Safe City Msunduzi NPC)	33 930	-	-	-	-	-	-	-	-	33 930
Vice Chairperson : G. Moody (Safe City Msunduzi NPC)	33 748	-	-	-	-	-	-	-	-	33 748
Director : V. Biggs (Safe City Msunduzi NPC)	10 306	-	-	-	-	-	-	-	-	10 306
Director : R. Singh (Safe City Msunduzi)	20 749	-	-	-	-	-	-	-	-	20 749
Director : S. Ako-nai (Msunduzi Safe City NPC)	18 241	-	-	-	-	-	-	-	-	18 241
Director : K. Basson (Safe City Msunduzi)	23 665	-	-	-	-	-	-	-	-	23 665
General Manager : L. Holtzhausen (Safe Msunduzi NPC)	513 691	7 200	-	22 000	-	23 808	54 747	-	1 784	623 230
	6 770 782	96 446	536 908	775 234	824 142	73 279	318 146	96 736	175 671	9 667 344

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

67. Accounting by principals and agents

The Municipality is party to principal-agent arrangements.

Details of the arrangements are as follows:

Department of Human Settlements KwaZulu Natal (Housing Projects)

The Municipality is Level 1 accredited Municipality and in terms of the Implementation Protocol. Msunduzi Local Municipality is accredited in terms of section 10 of the Housing Act to Administer all the National programmes on behalf of the Provincial Department of Human Settlements. The Municipality is authorised within its municipal area to manage and administer all Housing programmes as per Para 7 of the Implementation Protocol.

Sale of Prepaid Electricity

The municipality utilises the service of an agent for provision of supply, delivery, installation and commissioning of an online hosted prepayment electricity vending and revenue management system for the Msunduzi Local Municipality.

There is a binding arrangement where Contour Technology (Pty) Ltd (agent) undertakes transactions with 3rd parties, on behalf of, and for benefit of, Msunduzi Local Municipality (principal).

Terms and conditions are as per the contract and no changes occurred during the reporting period.

No risks as the Municipality is able to access the Contour prepaid electricity and is able to reconcile monies paid to the municipality by the agent to the actual sales as per the reports for correctness.

Department of Transport (Driver's licences)

The municipality acts as an agent of the Kwa-Zulu Natal Department of Transport for the following services:

- 1) Application for renewal of driving licence;
- 2) Issue of credit card format driving licence, including eye test and fingerprints;
- 3) Issue of duplicate credit card format driving licence, where required;
- 4) Renewal of credit card format driving licence, including eye test and fingerprints;
- 5) Issue of temporary driving licence
- 6) Issue of professional driving permit, including eye test and fingerprints;
- 7) Issue of duplicate professional driving permit, where required;
- 8) Substitution of Foreign Driving licence and issue of Credit Card Format Driving licence card, including eye test and fingerprints;
- 9) Verification of driving licence particulars;
- 10) Referral of all queries to the Departmental employee specified by the RTI contact person within two working days of a query or lodging of a complaint or dispute.

The agreement is valid for the period from 1st June 2017 to 31 May 2020. Terms and conditions are as per the contract and no changes occurred during the reporting period.

The purpose of the principal-agent relationship is to ensure greater access to clients throughout the province. No significant risks have been identified in this relationship.

Msunduzi Local Municipality and its Municipal Entity

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	2020	2019	2020	2019

67. Accounting by principals and agents (continued)

Municipality as an agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

There are no resources held on behalf of principals.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is :

Driver's Licenses and professional driver's permits	1 090 372	1 469 372	1 090 372	1 469 372
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Liabilities and corresponding rights of reimbursement recognised as assets

There are no corresponding rights of reimbursement that have been recognised as assets.

Additional information to municipality as an agent

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Amount of revenue received on behalf of the principal during the reporting period

Driver's licences and Professional driver's permits	397 528	501 018	397 528	501 018
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Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Department of Human Settlements (Housing Settlements)

Opening balance	24 448 776	18 226 547	24 448 776	18 226 547
Amount transferred by the principal	795 710	8 965 991	795 710	8 965 991
Interest earned on behalf of the principal	392 663	584 948	392 663	584 948
Cash paid on behalf of the principal	(2 645 277)	(3 328 710)	(2 645 277)	(3 328 710)
	22 991 872	24 448 776	22 991 872	24 448 776

Department of Transport (Driver's licences)

Opening balance	-	-	-	-
Revenue received on behalf of the principal (unpaid)	17 696	-	17 696	-
	17 696	-	17 696	-

All categories

Opening balance	24 448 776	18 226 547	24 448 776	18 226 547
Amount transferred by the principal	795 710	8 965 991	795 710	8 965 991
Interest earned on behalf of the principal	392 663	584 948	392 663	584 948
Cash paid on behalf of the principal	(2 645 277)	(3 328 710)	(2 645 277)	(3 328 710)
Revenue received on behalf of the principal	17 696	-	17 696	-
	23 009 568	24 448 776	23 009 568	24 448 776

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

67. Accounting by principals and agents (continued)

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

There are no municipal resources under the custodianship of the agent.

Fee paid

Fee paid as compensation to the agent -Prepaid electricity	2 872 538	2 365 680	2 872 538	2 365 680
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Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

None

Msunduzi Local Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

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	2020	2019	2020	2019

68. Events after the reporting date

There was fire at the landfill on the 20th of July 2020 and the cause of the fire is still being investigated as it was an alleged arson attempt which saw a case being opened by the Municipality. Management worked on the fire with internal and external stakeholder to extinguish the fire. The air pollution was also tested. At the time of the fire a contractor was on site rehabilitating the landfill site in accordance with the conditions of the license as issued by Department of Economic Development, Tourism and Environmental Affairs, and to enhance the useful life of the landfill site.

Due this section 30 incident a lot was learned by the municipality in terms of section 30 assessment analysis as well as section 30 risk mitigation methods in terms of day to day landfill operations. As part of monitoring the progress in terms of the New England Landfill site compliance as per the compliance notice issued in terms of section 31L of the National Environmental Management Act 107 of 1998.

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

69. Prior-year period error

Presented below are those items contained in the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement that have been affected by prior-year adjustments:

Statement of Financial Position

Economic entity - 2019

	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Accumulated surplus	(6 639 611 022)	(865 601 613)	-	-	(7 505 212 635)
Cash and cash equivalents	308 202 578	441 919	-	(449 252)	308 195 245
Consumer debtors	454 837 531	1 241 804 311	(413 271 770)	-	1 283 370 072
Receivables from non - exchange	2 568 619	-	(2 568 619)	-	-
Statutory receivables	-	4 168 577	415 840 389	-	420 008 966
Inventories	329 159 386	(235 868 858)	-	242 054 219	335 344 747
Heritage assets	272 674 007	757 253	-	-	273 431 260
Investment property	816 690 000	(80 356 000)	-	42 733 512	779 067 512
Property, plant and equipment	7 003 790 703	(61 385 581)	-	(284 787 730)	6 657 617 392
Receivables from exchange transactions	5 002 845	-	-	449 252	5 452 097
Transfers payable (non-exchange)	-	-	(24 448 776)	-	(24 448 776)
Unspent conditional grants and receipts	(127 958 878)	-	24 448 776	-	(103 510 102)
Payables from exchange transactions	(935 345 680)	(1 132 535)	-	-	(936 478 215)
Provisions - current	(7 257 332)	(3 094 596)	-	-	(10 351 928)
VAT payable	(145 090 018)	267 128	-	-	(144 822 890)
	1 337 662 739	-	-	-	1 337 662 745

Accumulated surplus

As previously reported	- (6 639 611 018)	- (6 625 976 981)
Correction of consumer debtors with credit balances that have met the prescription criteria	- 26 330 006	- 26 330 006
Consumer debtors - correction of incorrectly charged interest	- (31 124 320)	- (31 124 320)
Correction of lift maintenance accrual 17/18	- 61 897	- 61 897
Correction of unallocated deposits	- (449 250)	- (449 250)
Matching gross consumer debtors and debtors listing per category of service for - 2018/19	- 1 873 177	- 1 873 177
Correction of debt impairment 2018/19 due to revision of impairment policy	- (1 207 582 533)	- (1 207 582 533)
Depreciation correction from the reclassification of Lamontville land asset from building to land	- (1 387 609)	- (1 387 609)
Recognition of ERF 1820 assets derecognised at incorrect values	- (11 465 775)	- (11 465 775)
Correction of ERF 1820 inventory values after further verification	- 6 705 168	- 6 705 168
Correction of ERF1820 PPE values after further verification	- 7 780 775	- 7 780 775
Derecognition of ERF 1820 privately owned properties at correct values	- 3 685 000	- 3 685 000
Derecognition of Erf1820 properties previously recognised at incorrect values in the fixed assets register	- 93 444 356	- 93 444 356
Recognition of property, plant and equipment remaining Erf 1820 properties as per the valuation report	- (8 175 556)	- (8 175 556)
Recognition of IDT furniture previously not recognised in the fixed assets register	- (221 283)	- (221 283)

Msunduzi Local Municipality and its Municipal Entity

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
69. Prior-year period error (continued)				
Capitalisation of IDT capital costs previously incorrectly expensed to work in progress assets	-	(17 602 979)	-	(17 602 979)
Correction of Consumer debtors(Prescribed debt)	-	(23 889 892)	-	(23 889 892)
Recognition of artworks previously not recognised	-	(561 480)	-	(561 480)
Correction of values of heritage assets as per the valuation report	-	(325 520)	-	(325 520)
Depreciation correction-review of useful lives	-	(44 537)	-	(44 530)
Accrual: First works - inv inf10286/8/9	-	374 661	-	374 661
Derecognition of duplicated artworks in the fixed assets register	-	129 745	-	129 745
Capitalisation of IDT capital costs previously incorrectly expensed to completed phases	-	(7 298 269)	-	(7 298 269)
Derecognition of assets previously disposed by auction but remaining on the fixed assets register	-	1 509	-	1 509
Reallocation of amount to correct account	-	7 332	-	7 332
Derecognition of duplicate properties between investment property and inventory	-	54 405 000	-	54 405 000
Recognition of assets found on the floor without barcodes not in the fixed assets register	-	(1 617 028)	-	(1 617 028)
Recognition of assets found on the floor with barcodes not in the fixed assets register	-	(3 064 558)	-	(3 064 558)
Recognition of rental stock properties previously not recognised	-	(6 325 000)	-	(6 325 000)
Derecognition of privately owned properties and costs incorrectly capitalised	-	34 456 091	-	34 456 091
Depreciation correction for work in progress projects completed in the prior year	-	10 905 664	-	10 905 664
Raising prior year litigation provision - prior years	-	2 943 082	-	2 943 082
Raising prior year litigation provision - 2018/19	-	151 512	-	151 512
Writing back to revenue unallocated deposits which have met prescription criteria	-	(180 951)	-	(180 951)
Correction of accruals not raised 18/19	-	868 004	-	868 004
Correction of Inventory gain adjustment	-	(4 076 309)	-	(4 076 309)
Correction of assets found on the floor	-	(269 475)	-	(269 475)
Correction of consumer debtors interest 2018/19 and 2017/18	-	(11 837 520)	-	(11 837 520)
Correction of IDT assets not previously capitalised	-	(5 464 752)	-	(5 464 752)
Derecognition of Improved Provincial State properties (Category 1) previously classified as Inventory	-	233 240 000	-	233 240 000
Restated		- (7 505 212 635)		- (7 491 578 591)
Cash and cash equivalents				
As previously reported	-	308 202 578	-	305 056 164
Correction of EFT unallocated deposits	-	449 252	-	449 252
Reclassification to receivables	-	(449 252)	-	(449 252)
Reallocation of amount to correct account	-	(7 333)	-	(7 333)
Restated		- 308 195 245		- 305 048 831
Consumer debtors				
As previously reported	-	454 837 531	-	454 837 531
Correction of consumer debtors with credit balances that have met the prescription criteria	-	(2 698 305)	-	(2 698 305)
Correction of incorrectly charged interest	-	31 124 321	-	31 124 321
Matching gross consumer debtors and debtors listing per category of service for - 2018/19	-	(1 873 179)	-	(1 873 179)
Correction of debt impairment 2018/19 due to revision of impairment policy	-	1 207 582 533	-	1 207 582 533

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
69. Prior-year period error (continued)				
Change in accounting policy (Refer to note 70)	-	(413 271 771)	-	(413 271 771)
Correction of consumer debtors interest 2017/18	-	1 771 521	-	1 771 521
Correction of consumer debtors interest 2018/19	-	5 897 421	-	5 897 421
Restated		- 1 283 370 072		- 1 283 370 072
Receivables from exchange transactions				
As previously reported	-	5 002 845	-	5 000 345
Reclassification of balances due from third parties	-	449 252	-	449 252
Restated		- 5 452 097		- 5 449 597
Payables from exchange transactions				
As previously reported	-	(935 345 676)	-	(935 062 361)
Correction of accrual 2017/18	-	(70 835)	-	(70 835)
Accrual: First works - inv inf10286/8/9	-	(374 650)	-	(374 655)
Writing back to revenue unallocated deposits which have met prescription criteria	-	180 950	-	180 950
Correction of accruals not raised 18/19	-	(868 004)	-	(868 004)
Restated		- (936 478 215)		- (936 194 905)
VAT payable				
As previously reported	-	(145 090 018)	-	(144 732 097)
Correction of consumer debtors	-	258 192	-	258 192
Correction of prior year accruals	-	8 936	-	8 936
Restated		- (144 822 890)		- (144 464 969)
Inventories				
As previously reported	-	329 159 387	-	329 159 387
Correction of values for Erf 1820 properties as per the valuation report	-	(6 705 168)	-	(6 705 168)
Edendale properties to be transferred to beneficiaries transferred to inventory from investment property	-	8 800 000	-	8 800 000
Reclassification of land to be transferred to provincial government from PPE to Inventory	-	233 254 219	-	233 254 219
Correction of Inventory gain adjustment	-	4 076 309	-	4 076 309
Derecognition of Improved Provincial State properties (Category 1) previously classified as Inventory	-	(233 240 000)	-	(233 240 000)
Restated		- 335 344 747		- 335 344 747
Property, plant and equipment				
As previously reported	-	7 003 790 702	-	6 992 153 550
Depreciation correction from the reclassification of Lamontville land asset from building to land	-	1 387 609	-	1 387 609
Recognition of ERF 1820 assets derecognised at incorrect values	-	11 465 775	-	11 465 775
Correction of ERF1820 PPE values after further verification	-	(7 780 775)	-	(7 780 775)
Derecognition of ERF 1820 privately owned properties at correct values	-	(3 685 000)	-	(3 685 000)
Derecognition of Erf1820 properties previously recognised at incorrect values in the fixed assets register	-	(93 444 356)	-	(93 444 356)
Recognition of property, plant and equipment remaining Erf 1820 properties as per the valuation report	-	8 175 556	-	8 175 556

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
69. Prior-year period error (continued)				
Recognition of IDT furniture previously not recognised in the fixed assets register	-	221 284	-	221 284
Capitalisation of IDT capital costs previously incorrectly expensed to work in progress assets	-	17 602 979	-	17 602 979
Depreciation correction-review of useful lives	-	44 530	-	44 530
Capitalisation of IDT capital costs previously incorrectly expensed to completed phases	-	7 298 270	-	7 298 270
Derecognition of assets previously disposed by auction but remaining on the fixed assets register	-	(1 509)	-	(1 509)
Recognition of assets found on the floor without barcodes not in the fixed assets register	-	1 617 028	-	1 617 028
Recognition of assets found on the floor with barcodes not in the fixed assets register	-	3 064 558	-	3 064 558
Properties previously misclassified now being transferred from investment property	-	75 000	-	75 000
Derecognition of privately owned properties and costs incorrectly capitalised	-	(2 180 091)	-	(2 180 091)
Depreciation correction for work in progress projects completed in the prior year	-	(10 905 664)	-	(10 905 664)
Reclassification of land to be transferred to provincial government from property, plant and equipment to Inventory	-	(233 254 219)	-	(233 254 219)
Reclassification of work in progress rental properties from property, plant and equipment to investment property	-	(51 608 512)	-	(51 608 512)
Correction of assets found on the floor	-	269 475	-	269 475
Correction of IDT assets not previously capitalised	-	5 464 752	-	5 464 752
Restated	-	6 657 617 392	-	6 645 980 240
Transfers payable (non-exchange)				
As previously reported	-	-	-	-
Change in accounting policy (Refer to note 70)	-	(24 448 776)	-	(24 448 776)
Restated	-	(24 448 776)	-	(24 448 776)
Unspent conditional grants and receipts				
As previously reported	-	(127 958 878)	-	(127 958 878)
Change in accounting policy (Refer to note 70)	-	24 448 776	-	24 448 776
Restated	-	(103 510 102)	-	(103 510 102)
Heritage assets				
As previously reported	-	272 674 006	-	272 674 006
Recognition of artworks previously not recognised	-	561 480	-	561 480
Correction of values of Heritage assets as per the valuation report	-	325 520	-	325 520
Derecognition of duplicated artworks in the fixed assets register	-	(129 746)	-	(129 746)
Restated	-	273 431 260	-	273 431 260
Investment property				
As previously reported	-	816 690 000	-	816 690 000
Derecognition of duplicate properties between investment property and inventory	-	(54 405 000)	-	(54 405 000)
Recognition of rental stock properties previously not recognised	-	6 325 000	-	6 325 000

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	2020	2019	2020	2019
69. Prior-year period error (continued)				
Edendale properties to be transferred to beneficiaries transferred from investment property to inventory	-	(8 800 000)	-	(8 800 000)
Properties previously misclassified now being transferred to property, plant and equipment	-	(75 000)	-	(75 000)
Derecognition of privately owned properties	-	(27 880 000)	-	(27 880 000)
Derecognition of Relayed out properties	-	(4 396 000)	-	(4 396 000)
Reclassification of work in progress rental properties from property, plant and equipment to investment property	-	51 608 512	-	51 608 512
Restated	-	779 067 512	-	779 067 512
Provisions - current				
As previously reported	-	(7 257 332)	-	(6 746 548)
Raising litigation provision - not previously recognised in prior years	-	(2 943 084)	-	(2 943 084)
Raising litigation provision - 2018/19	-	(151 512)	-	(151 512)
Restated	-	(10 351 928)	-	(9 841 144)
Receivables from non-exchange transactions				
As previously reported	-	2 568 619	-	2 568 619
Change in accounting policy GRAP 108 - traffic fines (Refer to note 70)	-	(2 568 619)	-	(2 568 619)
Restated	-	-	-	-
Statutory receivables				
As previously reported	-	-	-	-
Change in accounting policy GRAP 108 - traffic fines (Refer to note 70)	-	2 568 619	-	2 568 619
Change in accounting policy GRAP 108 - property rates (Refer to note 70)	-	413 271 770	-	413 271 770
Correction of consumer debtors interest 2017/18	-	532 572	-	532 572
Correction of consumer debtors interest 2018/19	-	3 636 005	-	3 636 005
Restated	-	420 008 966	-	420 008 966

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69. Prior-year period error (continued)

Statement of Financial Performance

Economic entity - 2019

	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Surplus/deficit for the year	(140 769 241)	1 251 721 906	-	-	1 110 952 665
Agency services	1 970 390	-	(501 018)	-	1 469 372
Interest consumer debtors and receivables	218 926 060	22 486 533	(58 283 518)	-	183 129 075
Property rates	930 980 085	16 749 032	-	-	947 729 117
Service charges	2 942 462 111	2 088 365	-	-	2 944 550 476
Interest -property rates	-	3 636 005	58 283 518	-	61 919 523
Operational revenue	55 087 695	180 951	-	-	55 268 646
Government grants and subsidies	1 007 479 072	-	(3 328 710)	-	1 004 150 362
General expenses	(573 766 833)	17 999	3 328 710	-	(570 420 124)
Inventory consumed	(56 479 898)	-	501 018	-	(55 978 880)
Debt impairment	(697 521 846)	1 207 582 533	-	10 345 711	520 406 398
Bad debts written off	-	-	-	(10 345 711)	(10 345 711)
Operational costs	(124 539 723)	(151 513)	-	-	(124 691 236)
Operating leases	(33 079 463)	(868 004)	-	-	(33 947 467)
Surplus for the year	3 530 748 409	2 503 443 807	-	-	6 034 192 216

Surplus/(deficit)

As previously reported	-	(140 769 234)	-	(141 189 641)
Correction of consumer debtors interest	-	16 589 110	-	16 589 110
Correction of accruals	-	18 000	-	18 000
Consumer debtors - impairment correction 2018/19	-	1 207 582 533	-	1 207 582 533
Change in accounting policy (GRAP 109) -Government grants	-	3 328 710	-	3 328 710
Change in accounting policy (GRAP 109) -General expenditure	-	(3 328 710)	-	(3 328 710)
Consumer debtors - Prescribed debt	-	18 837 395	-	18 837 395
Litigation provision charge correction - 2018/19	-	(151 513)	-	(151 513)
Writing back to revenue unallocated deposits which have met prescription criteria	-	180 951	-	180 951
Correction of accruals not raised 18/19	-	(868 004)	-	(868 004)
Correction of interest on consumer debtors 2018/19	-	9 533 427	-	9 533 427
Restated	-	1 110 952 665	-	1 110 532 258

Interest - consumer debtors and receivables

As previously reported	-	(218 926 060)	-	(218 926 060)
Interest on consumer debtors compounded erroneously	-	(16 589 110)	-	(16 589 110)
Change in accounting policy (Refer to note 70)	-	58 283 518	-	58 283 518
Correction of consumer debtors interest - 2018/19	-	(5 987 423)	-	(5 987 423)
Restated	-	(183 219 075)	-	(183 219 075)

General expenses

As previously reported	-	(573 766 833)	-	(573 481 213)
Reimbursement of overpayment	-	17 999	-	17 999
Change in accounting policy (Refer to note 70)	-	3 328 710	-	3 328 710
Restated	-	(570 420 124)	-	(570 134 504)

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
69. Prior-year period error (continued)				
Debt impairment				
As previously reported	-	(697 521 846)	-	(697 521 846)
Correction of consumer debt impairment - 2018/19	-	1 207 582 533	-	1 207 582 533
Reclassification to bad debts written off	-	10 345 711	-	10 345 711
Restated	-	520 406 398	-	520 406 398
Government grants and subsidies				
As previously reported	-	1 007 479 072	-	1 007 479 072
Change in accounting policy (Refer to note 70)	-	(3 328 710)	-	(3 328 710)
Restated	-	1 004 150 362	-	1 004 150 362
Property rates				
As previously reported	-	930 980 085	-	930 980 085
Correction of prescribed debt	-	16 749 032	-	16 749 032
Restated	-	947 729 117	-	947 729 117
Service charges				
As previously reported	-	2 942 462 111	-	2 942 608 164
Correction of prescribed debt	-	2 088 365	-	2 088 365
Restated	-	2 944 550 476	-	2 944 696 529
Agency services				
As previously reported	-	1 970 390	-	1 970 390
Change in accounting policy (Refer to note 70)	-	(501 018)	-	(501 018)
Restated	-	1 469 372	-	1 469 372
Inventory consumed				
As previously reported	-	(56 479 898)	-	(56 436 683)
Change in accounting policy (Refer to note 70)	-	501 018	-	501 018
Restated	-	(55 978 880)	-	(55 935 665)
Operational costs				
As previously reported	-	(124 539 723)	-	(123 606 611)
Litigation provision charge - 2018/19	-	(151 513)	-	(151 513)
Restated	-	(124 691 236)	-	(123 758 124)
Operational revenue				
As previously reported	-	55 087 695	-	55 087 695
Writing back to revenue unallocated deposits which have met prescription criteria	-	180 951	-	180 951
Restated	-	55 268 646	-	55 268 646
Operating leases				
As previously reported	-	(33 079 463)	-	(33 068 023)
Correction of accruals not raised 2018/19	-	(868 004)	-	(868 004)
Restated	-	(33 947 467)	-	(33 936 027)
Interest -property rates				
As previously reported	-	-	-	-
GRAP 108 reclassification - Interest from consumer debtors	-	58 283 518	-	58 283 518
Correction of consumer debtors interest - 2018/19	-	3 636 005	-	3 636 005
Restated	-	61 919 523	-	61 919 523

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	2020	2019	2020	2019
69. Prior-year period error (continued)				
Cash flow statement				
Economic entity - 2019				
		As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services	3 478 167 925	119 803 579	3 597 971 504	
Government grants and subsidies	1 040 688 595	(8 965 988)	1 031 722 607	
Suppliers	(2 865 452 678)	(80 518 562)	(2 945 971 240)	
Employee costs	(1 272 475 817)	(19 515 457)	(1 291 991 274)	
Finance costs	(47 404 408)	(7 714 932)	(55 119 340)	
	333 523 617	3 088 640	336 612 257	
Cash flow from investing activities				
Purchase of property, plant and equipment	(477 407 058)	(3 095 978)	(480 503 036)	

70. Changes in accounting policy

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior 12 months except for the adoption of the following new standards.

- GRAP 108 - Statutory Receivables
- GRAP 109 - Accounting by principals and agents
- GRAP 20 - Related Parties

Other information - GRAP 20

During the year, the municipality changed its accounting policy with respect to the treatment of GRAP 20, to adhere to the treatment for Related Parties. The municipality now included all the additional disclosures that were prescribed by the accounting standard. Refer to note 66.

Other information GRAP 108

Receivables/payables from non contractual/compulsory arrangements have been removed or excluded from financial instruments disclosure, ie Property rates debtors, traffic fines debtors, Transfers payable and unspent conditional grants. Statutory receivables/Payables are not financial instruments, as they arise not as a result of a contract, entered into by willing parties to the arrangement but rather a statutory or legislative arrangement. The change provides reliable and more information.

GRAP 108 requires disclosure that enables users of its financial statements to evaluate the significance of statutory receivables on its financial position and performance. This should suffice to allow reconciliation of information presented in the notes to the line items presented in the financial statements. Consequently property rates and traffic fines were reclassified to a new category on the face of the statement of financial position ie Statutory receivables.

Other Information GRAP 109

During the year, the municipality changed its accounting policy with respect to the treatment of Funding from Department of Human Settlements where the municipality is a project manager. In order to conform with requirements of GRAP 109. The municipality now accounts for Funding received as advances rather than unspent conditional grants as there is a principal - agency relationship in essence. Management believes this change provides reliable and more relevant information.

The aggregate effect of the changes in accounting policy on the consolidated annual financial statements for the 12 months ended 30 June 2019 is as follows:

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70. Changes in accounting policy (continued)				
Statement of Financial Position				
Transfers payable (non - exchange)				
Previously stated	-	-	-	-
GRAP 109 - Advances	-	(24 448 776)	-	(24 448 776)
Restated	-	(24 448 776)	-	(24 448 776)
Unspent conditional grants and receipts				
Previously stated	-	(127 958 878)	-	(127 958 878)
GRAP 109 -Advances	-	24 448 776	-	24 448 776
Restated	-	(103 510 102)	-	(103 510 102)
Receivables from non-exchange transactions				
Previously stated	-	2 568 619	-	2 568 619
GRAP 108 - reclassification of traffic fines to statutory receivables	-	(2 568 619)	-	(2 568 619)
Restated	-	-	-	-
Statutory receivables				
Previously stated	-	-	-	-
GRAP 108 - reclassification from receivables from non exchange to statutory receivables	-	2 568 619	-	2 568 619
GRAP 108 - reclassification from consumer debtors to statutory receivables	-	413 271 770	-	413 271 770
Correction of consumer debtors interest 2017/18	-	532 572	-	532 572
Correction of consumer debtors interest 2018/19	-	3 636 005	-	3 636 005
Restated	-	420 008 966	-	420 008 966

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	2020	2019	2020	2019
70. Changes in accounting policy (continued)				
Statement of Financial Performance				
Interest - Property rates				
Previously stated	-	-	-	-
GRAP 108 reclassification	-	58 283 518	-	58 283 518
Correction of consumer debtors interest - 2018/19	-	3 636 005	-	3 636 005
Restated	-	61 919 523	-	61 919 523
Government grants and subsidies				
Previously stated	-	1 007 479 072	-	1 007 479 072
GRAP 109 reversal of advance expenditure treated as revenue	-	(3 328 710)	-	(3 328 710)
Restated	-	1 004 150 362	-	1 004 150 362
General expenses				
Previously stated	-	(573 481 213)	-	(573 481 213)
Correction of error (Refer to note 69)	-	18 000	-	18 000
GRAP 109 reversal of advance expenditure treated as revenue	-	3 328 709	-	3 328 709
Restated	-	(570 134 504)	-	(570 134 504)
Agency services				
Previously stated	-	1 970 390	-	1 970 390
GRAP 109 - Revenue collected on behalf of the principal(Department of transport)	-	(501 018)	-	(501 018)
Restated	-	1 469 372	-	1 469 372
Inventory consumed				
Previously stated	-	(56 436 683)	-	(56 436 683)
GRAP 109 - Revenue collected on behalf of the principal(Department of transport)	-	501 018	-	501 018
Restated	-	(55 935 665)	-	(55 935 665)

71. Prior period error - disclosures

Presented below are those items contained in the disclosure notes that have been affected by prior-year adjustments:

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

Contingencies

As previously disclosed	-	99 521 553	-	99 521 553
Adjustments made	-	53 400 640	-	53 400 640
Restated	-	152 922 193	-	152 922 193

Adjustment made to the disclosed contingencies is due to the reassessment of the cases .

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71. Prior period error - disclosures (continued)

Additional MFMA disclosures

PAYE and UIF

	Previously disclosed	Adjustments	Restated
Opening balance	-	12 926 180	12 926 180
Current year PAYE and UIF	173 328 438	(27 564 950)	145 763 488
Amount paid - current year	(173 328 438)	29 277 540	(144 050 898)
Closing balance	-	14 638 770	14 638 770

Pension and medical aid deductions

	Previously disclosed	Adjustments	Restated
Opening balance	-	27 219 671	27 219 671
Current year contributions	339 165 322	(55 817 535)	283 347 787
Amount paid - current year	(339 165 322)	57 195 728	(281 969 594)
Closing balance	-	28 597 864	28 597 864

Adjustments were made to the above disclosures to reflect the third party payments which are only paid the following month of the deductions.

VAT

As previously disclosed	-	145 090 018	-	144 732 097
Adjustments made (Refer to note 69)	-	(267 128)	-	(267 128)
Restated	-	144 822 890	-	144 464 969

72. Change in accounting estimate

Property, plant and equipment

GRAP 17: Property, plant and equipment requires that the review of the remaining useful life of an item of property, plant and equipment be conducted at least at each reporting period. The municipality performed this review as at 30 June 2020 and the following results were achieved:

Based on the condition assessment and utilisation of assets ascertained during the physical verification exercise, the remaining useful lives of assets were reviewed.

The impact of the adjustment is that depreciation charges on property, plant and equipment decreased by R45 141 470 (2019: R23 960 454).

It is impractical to determine the amount of the effect in future periods.

Depreciation before the review of useful life	(462 755 564)	(478 349 556)	(462 755 564)	(478 349 556)
Depreciation after the review of useful life	417 614 094	454 389 102	417 614 094	454 389 102
Increase/decrease	(45 141 470)	(23 960 454)	(45 141 470)	(23 960 454)

Property, Plant and Equipment - Landfill rehabilitation provision

Landfill rehabilitation provision is created to ensure that the municipality will be able to restore the landfill site to its original condition at the end of its life. The provision represents management's best estimate of the municipality's liability with regards to aforementioned restoration costs. The effect of the current year's revision was a decrease of R46 041 093 due to change in discount factor and effect of re-measurement.

Employment benefit obligation

The municipality provides post-employment medical benefits to certain staff members. The provision represents management's best estimate of the municipality's liability with regards to aforementioned post-employment medical benefits. The effect of the current year's revision is a decrease of R56 628 869 to R470 193 001 owing to the net effect of the actuarial gain, current service and interest costs for the reporting period ended 30 June 2020.

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	2020	2019	2020	2019

72. Change in accounting estimate (continued)

Leave accrual

The leave pay accrual is created to ensure adherence to SALGA collective agreement requirements. It states that at the end of a leave cycle, an employee may not have more than 48 days annual leave to their credit. The effect of this revision has increased the accrual by R12 861 775 to R 120 401 469.

Long service awards

In terms of the SALGA conditions of service collective agreement, employees qualify for long service leave upon completion of specified periods in the agreement. The provision was created to comply with the agreement. The effect of the current year's revision is an increase by R4 363 460 to R75 821 000 attributed to the net effect of the actuarial gain, benefits vesting, current service, past service and interest costs for the reporting period ended 30 June 2020.

73. Irregular expenditure

Opening balance as previously reported	511 925 660	318 063 079	511 122 090	317 359 765
Opening balance as restated	511 925 660	318 063 079	511 122 090	317 359 765
Add: Irregular expenditure - relating to prior year	11 857 631	100 816 590	11 857 631	100 816 590
Add: Irregular expenditure - relating to current year	40 900 625	93 045 991	40 504 697	92 945 735
Less: irregular expenditure written off	(58 608 368)	-	(57 804 798)	-
Closing balance	506 075 548	511 925 660	505 679 620	511 122 090

Analysis of expenditure awaiting Council's decision for write off or recovery per age classification

2008/2009	4 077 827	4 077 827	4 077 827	4 077 827
2009/2010	5 458 355	5 458 355	5 458 355	5 458 355
2010/2011	3 551 576	3 551 576	3 551 576	3 551 576
2011/2012	38 200	38 200	38 200	38 200
2013/2014	11 000	11 000	11 000	11 000
2014/2015	708 444	708 444	708 444	708 444
2016/2017	151 255 689	151 074 069	150 552 375	150 552 375
2015/2016 and 2016/2017 written off	(58 608 368)	-	(57 804 798)	-
2017/2018	152 961 988	153 143 608	152 961 988	152 961 988
2018/2019 plus comparative periods identified in current year	193 862 581	193 862 581	193 762 325	193 762 325
2019/2020	52 758 256	-	52 362 328	-
	506 075 548	511 925 660	505 679 620	511 122 090

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

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	2020	2019	2020	2019

73. Irregular expenditure (continued)

Cases under investigation

Irregular expenditure has not been off or condoned.

Section 32(4) of the Municipal Finance Management Act requires that Council can deal with these matters in the manner prescribed.

In the case of irregular and fruitless and wasteful expenditure, it is only after an investigation has been conducted that irregular expenditure can be certified as a irrecoverable and written off by council, hence there were no movement between financial years 2008/2009 to 2017/2018 as the investigations are still open and as soon as they are closed council will write off or condone this expenditure.

Bids not advertised within 30 days	1 145 537	9 781 311	1 145 537	9 781 311
Expired contract	1 159 596	544 213	1 159 596	544 213
Security contract as per SIU preliminary irregularity	-	67 035 851	-	67 035 851
Invalid deviations	-	3 108 022	-	3 108 022
Non compliance with regulation 31	28 232 673	8 942 958	28 232 673	8 942 958
Invalid extension reg 32 (2018/2019 plus comparative periods identified in current year)	-	104 349 970	-	104 349 970
Payment to employee without contract	62 007	-	62 007	-
Security payment exceeding contract amount	1 215 195	-	1 215 195	-
VIP security without threat assessment	8 689 690	-	8 689 690	-
	40 504 698	193 762 325	40 504 698	193 762 325

74. Comparative figures

Certain comparative figures have been reclassified and restated.

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75. Fruitless and wasteful expenditure

Opening balance as restated	31 566 755	28 024 100	31 553 039	28 010 384
Add: fruitless and wasteful expenditure - relating to current year	5 381 020	3 542 655	5 381 020	3 542 655
Less: Amount written off - prior period	(13 716)	-	-	-
Closing balance	36 934 059	31 566 755	36 934 059	31 553 039

Analysis of expenditure awaiting Council's decision for write off or recovery per age classification

2006/2007	92 967	92 967	92 967	92 967
2008/2009	15 167	15 167	15 167	15 167
2009/2010	2 696 668	2 696 668	2 696 668	2 696 668
2010/2011	235 478	235 478	235 478	235 478
2011/2012	879 143	879 143	879 143	879 143
2012/2013	36 490	36 490	36 490	36 490
2013/2014	162 279	162 279	162 279	162 279
2014/2015	449 104	449 104	449 104	449 104
2015/2016	242 977	242 977	242 977	242 977
2016/2017	11 455 538	11 469 254	11 455 538	11 455 538
2017/2018	11 744 573	11 744 573	11 744 573	11 744 573
2018/2019	3 542 655	3 542 655	3 542 655	3 542 655
2019/2020 (Comparative periods identified in current year)	5 381 020	-	5 381 020	-
	36 934 059	31 566 755	36 934 059	31 553 039

Details of fruitless and wasteful expenditure

Cancelled tenders	217 492	325 648	217 492	325 648
Interest on late payments: Eskom	1 512	4 060	1 512	4 060
Interest on late payments: SARS	-	55 900	-	55 900
Interest on late payments: Telkom	50 810	32 044	50 810	32 044
Office of the Auditor General	-	847	-	847
Salaries and wages for suspended employees with unresolved cases within prescribed timeframe	5 111 206	2 151 671	5 111 206	2 151 671
Remuneration of an employee not physically verified (Comparative periods identified in current year)	-	689 506	-	689 506
Councillor - non attendance of meetings	-	282 979	-	282 979
	5 381 020	3 542 655	5 381 020	3 542 655

Fruitless and wasteful expenditure has not been written off or condoned.

Section 32(2)(b) of the Municipal Finance Management Act requires that Council can deal with these matters in the manner prescribed.

In the case of irregular and wasteful and fruitless expenditure, it is only after an investigation has been conducted that irregular expenditure can be certified as irrecoverable and written off by Council hence there is no movement between financial years 2008/2009 to 2019/2020 except for Safe City as the investigations are still open and as soon as they are closed Council will write off or condone this expenditure

A system has been put in place to stream-line the payment process to ensure non occurrence of interest costs.

Staff have been advised on possible recovery of costs due to negligence.

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76. Unauthorised expenditure

Opening balance as previously reported	772 305 577	602 303 535	772 305 577	602 303 535
Opening balance as restated	772 305 577	602 303 535	772 305 577	602 303 535
Expenditure identified - current year	564 658 354	170 002 042	564 658 354	170 002 042
Closing balance	1 336 963 931	772 305 577	1 336 963 931	772 305 577

Analysed as follows: non-cash

Debt impairment	523 070 206	120 738 765	523 070 206	120 738 765
Inventory losses	21 756 148	16 453 277	21 756 148	16 453 277
Fair value adjustments on investment property	19 832 000	32 810 000	19 832 000	32 810 000
	564 658 354	170 002 042	564 658 354	170 002 042

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

Non cash	564 658 354	170 002 042	564 658 354	170 002 042
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77. Electricity and water losses

Electricity losses

Units purchased - kWh	1 701 305 905	1 786 351 025	1 701 305 905	1 786 351 025
Units sold - kWh	(1 392 325 844)	(1 537 755 297)	(1 392 325 844)	(1 537 755 297)
Loss - kWh	308 980 061	248 595 728	308 980 061	248 595 728

Electricity loss as a percentage	18,16	13,92	18,16	13,92
Costs per kWh in cents	0,57765	0,99848	0,57765	0,99848
Electricity losses in rand value	178 487 194	248 217 863	178 487 194	248 217 863

The significant electricity losses of 308 980 061 kWh occurred during the year under review, which resulted in material revenue losses to the municipality.

The increase of losses from previous financial year may be as a result of the following:

1) Lockdown due to covid 19 impacted on the Municipality in conducting disconnections during the last quarter.

Some of the main contributing factors to increased electricity losses are:

Non –Technical Losses

- 1) Illegal connections.
- 2) Infrastructure vandalism.
- 3) Metering inaccuracies (due to faulty meters).
- 4) Unmetered energy (meter tempering or bypassing the meter at the customer meter).

Technical losses (these are inherent in the distribution networks and cannot be eliminated):

- 1) Ageing infrastructure that results in increased power dissipation during transmission and distribution on lines, cables and transformers in the system.
- 2) Overloading.

How are these non technical and technical losses being addressed

Strategy to minimize electricity losses has been developed and is being implemented in line with available resources.

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77. Electricity and water losses (continued)

Water losses

Units purchased (kl)	74 032 140	71 425 786	74 032 140	71 425 786
Units sold (kl)	(51 913 926)	(51 307 317)	(51 913 926)	(51 307 317)
Real losses (kl)	17 915 753	14 763 105	17 915 753	14 763 105
Apparent losses	4 202 461	5 355 364	4 202 461	5 355 364
Total water losses (kl)	22 118 214	20 118 469	22 118 214	20 118 469
Water loss as a percentage	29,90	28,20	29,90	28,20
Cost per kl in cents	9,454	7,814	9,454	7,814
Water loss in rand value	209 112 231	157 205 719	209 112 231	157 205 719

MFMA circular dictates that real losses and apparent losses be considered jointly as total water losses.

A calculated outcome of 22 118 214 kl was identified as a material water loss for the 2019/2020 year under review.

Progressive deterioration, illegal water connections, aging and increasing levels of fragility in the bulk water infrastructure is progressively contributing to increase in water losses.

Non-water initiatives undertaken for the duration of the 2019/2020 financial

- 1) The hydraulic model for the entire Vulindlela system was completed.
- 2) A Domestic meter replacement contract was awarded and commenced in the 2019/2020 financial year.
- 3) A pipeline replacement contract was awarded and commenced in the 2019/2020 financial year.
- 4) The review of the Non-Revenue Water Master inclusive of ward 39 was completed in 2019/2020 financial year.

78. Risk management

Financial risk management

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

Liquidity risk

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

The municipality is exposed to the following liquidity risks:

Other financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At 30 June 2020				
Borrowings	113 418 258	81 573 484	203 744 512	398 736 254
At 30 June 2019				
Borrowings	114 310 751	80 973 541	285 317 996	480 602 288

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	2020	2019	2020	2019

78. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality.

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

Trade receivables comprise mainly water, sanitation, refuse, rates, property rental, electricity and other service charges, dispersed across different industries and geographical areas. Management evaluated credit risk relating to customers financial conditions on an ongoing basis, and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored. Sales to consumers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The carrying amount of financial assets recorded in the financial statements that represent the municipality's maximum exposure to credit risk obtained details - Refer to note 80 - Financial instruments disclosure.

As at the end of the reporting period, no collateral was being held as a means of mitigating the risk of financial loss from default 2020 - nil (2019 - nil).

Credit quality

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed, the Municipality did not apply any methods to evaluate the credit quality.

The credit quality of receivables from exchange transactions are neither past due nor impaired except for land sale debtors, insurance claims and IDT.

The analysis of the age of receivables that are past due but not impaired for the Municipality (Refer to note 7 - consumer debtors) for the analysis and details.

Market risk

Risk from agricultural assets

The municipality is exposed to financial risks arising from changes in timber prices. The economic entity does not anticipate that the timber prices will decline significantly in the foreseeable future. The economic entity has not entered into derivative contracts to manage the risk of a decline in milk prices. The municipality reviews its outlook for timber prices regularly in considering the need for active financial risk management.

Interest rate risk

As the economic entity has no significant interest-bearing assets, the economic entity's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

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	2020	2019	2020	2019

79. Going concern

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

The Provincial Executive Council of KwaZulu-Natal and MEC for Department of Co-operative Governance and Traditional Affairs, resolved to intervene in terms of Section 139 (1) (b) of the Constitution at the municipality and appointed the Ministerial representative. The appointment became effective on 14 April 2019 to 31 March 2021. The terms of reference specified the functions of the Ministerial representative which also include the implementation of governance systems and procedures including oversight of the administration including the ratification of decisions taken by the Municipal Council, the Executive Committee, Municipal Manager and Section 56 Managers in terms of the authority.

The Provincial intervention does not have an impact on the municipality's ability to continue as a going concern.

In assessing the going concern, management identified indicators casting doubt to the municipality's ability to continue operating as a going concern. These indicators are summarised below :

- 1) Impact of Covid 19 pandemic on municipal finance and operations.
- 2) Adverse liquidity ratios.
- 3) Below norm cash cost coverage ratio.
- 4) The outstanding gross debtors balance has increased significantly and the majority of the debtors have been outstanding for over 365 days.
- 5) The reserves of the municipality have also decreased due to below norm collection rates from debtors.
- 6) Successive deficits previous financial years
- 7) Deteriorating creditors days.
- 8) The increase in net debtors balances.

The following measures are being implemented by management as part of the revenue enhancement strategy and cost containment strategy:

- 1) The expenditure committee was formed to monitor the implementation of the cost containment strategy and to ensure economically efficient spending.
- 2) The revenue enhancement task team was appointed to implement and monitor the revenue enhancement strategy and identification of additional revenue streams.
- 3) The dispute resolution committee was formed to speed up the process of dealing with consumer appeals.
- 4) The debt recovery plan was developed and approved by Council.
- 5) The debt collectors were appointed to recover long outstanding debtor.
- 6) The financial recovery plan was adopted and monitored on a monthly basis.
- 7) Management is monitoring and implementing safety precautions provided by World Health Organisation to minimise the risk of covid 19.

Despite the above negative indicators, the municipality continues to adopt the going concern assumption as it is management's view that the municipality will continue to operate in its present form in the foreseeable future, as it is primarily funded by government grants and will continue to be funded from the DoRA in the foreseeable future. In addition, management has embarked on an aggressive programme of debt recovery to ensure improved future cash inflows. The improvement by and large from the previous financial year position is encouraging and testament to the measures put in place.

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

80. Financial instruments disclosure

Categories of financial instruments

Economic entity

Financial assets

At amortised cost

Short term investment	-	15 674 518	-	15 674 518
Receivables from exchange transactions	18 452 302	5 452 097	18 358 010	5 449 597
Consumer debtors	1 451 868 358	1 283 370 072	1 451 868 358	1 283 370 072
Cash and cash equivalents	518 976 967	308 195 245	517 656 140	305 048 831
Other financial assets	-	2 642 997	-	2 642 997
	1 989 297 627	1 615 334 929	1 987 882 508	1 612 186 015

Financial liabilities

At amortised cost

Payables from exchange transactions	1 238 488 312	936 478 225	1 241 454 290	936 194 903
Consumer deposits	113 838 915	107 229 302	113 838 915	107 229 302
Other financial liabilities	398 736 254	480 602 288	398 736 254	480 602 288
	1 751 063 481	1 524 309 815	1 754 029 459	1 524 026 493

Other information

Receivables/payables from non contractual/compulsory arrangements have been removed or excluded from financial instruments disclosure, ie Property rates debtors, traffic fines debtors, transfers payable and unspent conditional grants. Statutory receivables/Payables are not financial instruments, as they arise not as a result of a contract, entered into by willing parties to the arrangement but rather a statutory or legislative arrangement. Refer to Note 69

Msunduzi Local Municipality and its Municipal Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

81. Variance analysis comparison of budget against actual

Material differences between budget and actual amounts

Material variances between the final budget and actual amounts are explained (Actual versus budget) below: Refer to page xxx