

MSUNDUZI LOCAL MUNICIPALITY

Policy Name:	SEGMENT REPORTING POLICY
Policy Number:	
Status:	FINAL
Date:	25 February 2026
Approved By:	
Date Approved:	
Date Last Amended:	25 February 2026
Date for Next Review:	25 February 2027
Date Published on Intranet:	



The Msunduzi Municipality

SEGMENT REPORTING POLICY

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1. Introduction

This policy applies to the Msunduzi Local Municipality and it all municipal officials making decisions on behalf of the municipality or managing its resources. This policy is applied in accordance with GRAP 18 Segment Reporting.

2. Objectives of the policy

The objective of this policy is aimed at providing guidance for segment reporting within the municipality as prescribed by GRAP 18 segment reporting.

This policy will affect the preparation and presentation of annual financial statements, consolidated financial statements and management accounts reporting.

Segment reporting is aimed to provide information about the specific operational objectives and major activities of an entity as well as the resources devoted to and costs of these objectives and activities.

3. Scope

This policy shall outline the following:

- Responsibility / Accountability;
- Basis of accounting;
- Reportable segments;
- Segment Disclosure Requirements;
- Segment Reporting procedures;
- Commencement date

4. Responsibility / Accountability

- 4.1. The City Manager as the Accounting Officer of the municipality is accountable for Segment Reporting of the municipality in accordance the GRAP 18.
- 4.2. The municipal council must approve a policy directing procedures required to ensure efficient and effective management of reporting per segment for financial reporting.
- 4.3. Segment reporting will ensure the management to be able to:-
 - 4.3.1. Evaluate nature and financial effects of activities or segments of the municipality,
 - 4.3.2. Understand past financial performance of the municipality's activities,
 - 4.3.3. Evaluate economic environment of the municipality and
 - 4.3.4. Enhance transparency of financial reporting.

5. Basis of accounting

The segment reporting in the municipality is applied in accordance with GRAP standards, which requires the segment reporting on the accrual basis of accounting. Segment reporting policy applies to the municipality's individual financial statements, as well as the consolidated financial statements.

6. Reportable segments

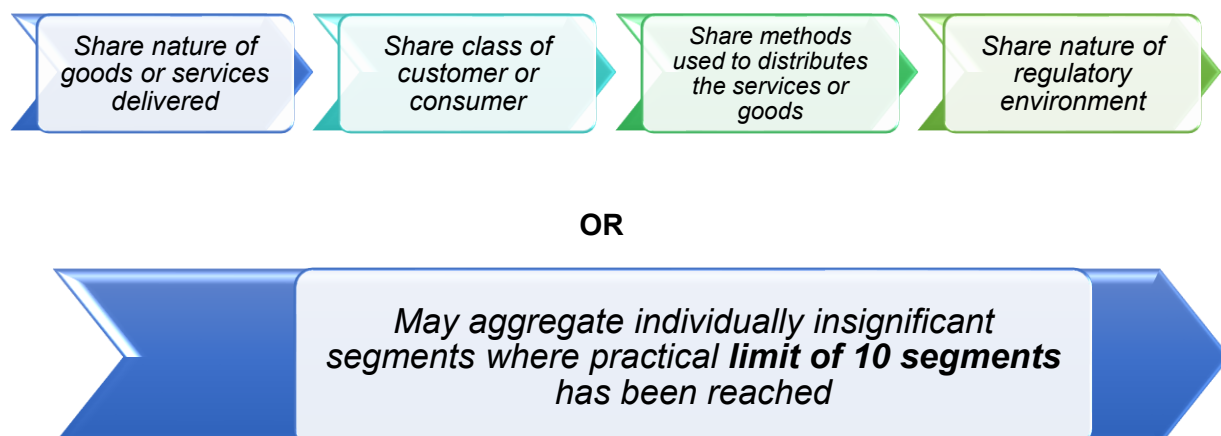
The reportable segments of the municipality have been identified in accordance with the GRAP 18.

The segments of the Msunduzi Local Municipality has been identified as those activities of the municipality that generate economic benefits or service potential whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing it's performance and for which separate financial information is available.

6.1. Aggregation of municipality's segments

The Municipality has aggregated some segments in accordance with GRAP 18.

GRAP 18 paragraph 15 states, that the municipality may combine segments if the segments have the similar economic characteristics and share a majority of the following aggregation criteria as listed in paragraph 16 of the standard.



The municipality has identified the following economic activities or segments:

1. Electricity
2. Water
3. Waste Water
4. Refuse
5. Airport
6. Market
7. Forestry
8. Property Rates
9. Support Services, which are traffic, cemetery, landfill, fire and emergency, library, Municipal facilities hire, Art Gallery and all other goods and services not included on the above segments.

6.2. *Change in segment*

The Municipality shall review the existing reportable segments of the municipality if the organisational structure changes in the manner that result in the composition of its reportable segments to change, then the previously reported information must be restated in accordance with GRAP standards.

The restatement of previously reported information shall be done in the financial year in which the change occurs.

7. Segment Disclosure Requirements

The Municipality shall disclose the segment information in the financial statements in accordance with GRAP 18 standards.

The Municipality shall disclose the reportable segments, **segment specific disclosures and geographic disclosures** as prescribed by GRAP 18.

The Municipality must report on the following for segment specific disclosures:-

- General information should be disclosed about the basis of segmentation and aggregation (if applicable). Details about products and services provided per segment should also be disclosed.
- Disclosures about segment surplus or deficit and specific required items.
- Disclosures about segment assets.
- Disclosures about segment liabilities.
- Reconciliations of segment information to entity information as presented in the statement of financial performance and statement of financial position.
- Explanations of segment measurements when not apparent from reconciliations.

The Municipality must report on the following for segment geographic disclosures:-

- Entity wide disclosures of geographical areas of operations including revenues, expenditures and non-current assets attributable to those areas. Information based on information used to develop entity financial statements. **Only if it is costs are feasible to achieve this reporting.**
- In accordance with GRAP 18.32 the municipality's financial information shall be disclosed and used in the financial statements, if the necessary information is not available and the cost to develop it would be to excessive, that fact shall be disclosed.

8. Segment Reporting Requirements

The segment reports shall be prepared and presented to council on a quarterly basis in accordance with GRAP 18.

9. *Commencement date*

This policy shall commence as at 1 July 2026.