



Ntabankulu Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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VAT	Value Added Tax
EXCO	Executive Council
INEP	Intergrated National Electrification Programme
GRAP	Generally Recognised Accounting Practice
DEDEAT	Department of Economic Development, Environmental Affairs & Tourism
DSRAC	Department of Sport, Recreation, Arts and Culture
FBE	Free Basic Electricity
EPWP	Expanded Public Works Programme
COGTA	Cooperative Governance and Traditional Affairs
SDL	Skills Development Levy
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
LED	Local Economic Development
IPD	Infrastructure, Planning and Development
MSIG	Municipal Systems Improvement Grant

Ntabankulu Local Municipality

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General Information

Legal form of entity	Municipality
Nature of business and principal activities	Ntabankulu Local Municipality is a South African Category B municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations.
Mayoral committee	
Mayor	Mayor: Cllr T Sobuthongo - Elected 08 June 2018 Mayor: Cllr V Mgoduka - Resigned 31 May 2018
Councillors	Cllr V Matwasa: Speaker Cllr S Menziwa: Chief Whip Elected 08 June 2018 Cllr S Sophaqa: Chief Whip - Resigned 31 May 2018 EXCO Members Cllr S Menziwa: Porfolio Head: Infrastructure, Planning and Development Cllr N Pikwa: Portfolio Head: Community Services Cllr S Sophaqa: Portfolio Head: Corporate Services Cllr M Ndabeni: Portfolio Head: Local Economic Development Cllr N T Mbonomtsha: Portfolio Head Budget and Treasury Services Other Councillors Cllr B Betwayo Cllr M Madadasa Cllr F Ntshela Cllr Z Makhosonke Cllr M Nqwazi Cllr M Dinwayo Cllr P Mafilika Cllr B Ndlebe Cllr B Ndamase Cllr M Gweqani Cllr T Msuthu Cllr N Sobuthongo Cllr Ncekana Cllr K Nomanzoyiya Cllr E Diko Cllr T Lubisi Cllr N Daniel Cllr Z Mtyaphi Cllr N Fundakubi Cllr N Sithunzi Cllr F Mdolo - Resigned on 31 August 2017 Cllr N Pezisa - Appointed on 22 September 2017 Cllr Marawu - Resigned on 30 September 2017 Cllr M Tshaka - Appointed on 15 December 2017
Grading of the Municipality	3
Acting Chief Financial Officer (CFO)	Ms N Mduyana from 01 July 2017 to 30 November 2017 Ms N Gixane from 01 December 2017 to 30 June 2018

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Accounting Officer	Mr L. Matiwane - Acted from 01.06.2018 Mr S. Nodo - Acted from 01.01.2018 to 31.05.2018 Mr S. Matiwane - Acted from 8.08.2018 to 31.12.2018
Registered office	Erf 85 Main Street Ntabankulu 5130
Business address	Erf 85 Main Street Ntabankulu 5130
Postal address	P.O. Box 234 Ntabankulu 5130
Bankers	First National Bank 151 York Road, Mthatha
Auditors	Auditor General of South Africa Registered Auditors 63 Frere Road Vincent Park

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report.

It is the responsibility of the accounting officer to ensure that the Annual Financial Statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements set out on pages 7 to 45, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

Mr L. Matiwane
Acting Accounting Officer

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 6 meetings were held.

Name of member	Number of meetings attended
Mr Mandla (Chairperson)	5
Mr G Labane	6
Ms B Jojo	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

Overview

In adherence to the terms of the MFMA, the Audit Committee has established and defined its composition, purpose and duties in the Audit Committee Charter. The Audit Committee reports that it complies with all legal and regulatory requirements as necessary under South African legislation. In fulfilling its duties, the Audit Committee has

- approved the internal audit plan;
- received and considered reports from internal auditors;
- reviewed and discussed the audited Annual Financial Statements with the Auditor General South Africa, the Accounting Officer and the Chief Financial Officer;

Following a review conducted by the Internal Audit Unit, and meeting the requirements of the terms of reference, the committee is satisfied that:

- Internal financial controls are effective and no material weaknesses in financial control have been identified
- The co-sourced internal audit function performed their duties as per the terms of reference contained in the Internal Audit Charter and addressed all components of the Internal Audit Plan and the external auditors of the municipality (Auditor General of South Africa), are independent,

Internal Audit

Ntabankulu Local Municipality has a co sourced Internal Audit Function. The internal Audit function provides the Audit Committee with assurance on the key areas of Ntabankulu Local Municipality's systems of internal control and risk management. The Internal Audit Plan and the Internal Audit Charter are annually reviewed and approved by the Audit Committee. Internal Audit provides assurance that Ntabankulu Local Municipality operates in a responsibly governed manner by performing the following functions:

- objectively assuring effectiveness of risk management and the internal control framework.
- analysing and assessing business processes and associated controls; and
- reporting audit findings and recommendations to management and the Audit Committee.

The Audit committee is of the opinion that Ntabankulu Local Municipality system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied on, for the preparation of the Annual Financial Statements.

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the management of the municipality during the year under review.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Audit Committee Report

Evaluation of annual financial statements

The Audit Committee has reviewed the Annual Financial Statements for the year ended 30 June 2018 and concluded that it complies, in all material respects, with the requirements of GRAP. The Audit Committee has reviewed the Auditor General of South Africa's management letter and management's response thereto and adjustments resulting from the audit. The committee recommended the approval of the Annual Financial statements.

Furthermore, the Audit Committee recommended the adoption of the Annual Report to the Accounting Officer. In this regard, the Committee:

- > Considered all facts and risks that may impact on the integrity of the financial statements
- > Reviewed and commented on the financial statements;
- > Considered consistency of the Financial Statements to the rest of the Annual Report.

The Accounting Officer subsequently approved the Annual Report, including the Annual Financial Statements.

Conclusion

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year.

The Audit Committee also concurs and accepts the conclusions of the auditor General on the Annual Financial Statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor General.

Chairperson of the Audit Committee

Date: _____

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

Ntabankulu Local Municipality is a South African category B municipality (local municipality) as defined by the municipal structures act (act no 117 of 1998). The Municipality's operations are governed by the Municipal Finance Management Act (act 56 of 2003), the Municipal Structures Act (act 177 of 1998), Municipal Systems Act (act 32 of 2000) and various legislations and regulations.

The operating results for the year are fully set out in the attached Annual Financial Statements and do not in my opinion require any further comment.

Net surplus of the municipality was R 71 887 777 (2017: surplus R 42 511 562).

2. Going concern

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Inventories	3	769 088	886 228
Receivables from exchange transactions	4	781 743	612 652
Receivables from non-exchange transactions	5	2 692 097	1 947 664
VAT receivable	6	4 741 514	4 790 192
Cash and cash equivalents	7	837 226	1 594 927
		9 821 668	9 831 663
Non-Current Assets			
Investment Property	8	22 262 725	22 262 725
Property, Plant and Equipment	9	392 933 281	319 316 909
Intangible assets	10	7 666	13 415
		415 203 672	341 593 049
Total Assets		425 025 340	351 424 712
Liabilities			
Current Liabilities			
Finance lease obligation	11	-	82 071
Payables from exchange transactions	12	17 463 672	16 349 286
Unspent conditional grants and receipts	13	887 956	1 033 430
Payables from non exchange transactions	14	2 902 363	2 490 846
Long Service Awards	15	152 254	289 061
		21 406 245	20 244 694
Non-Current Liabilities			
Provisions	16	856 065	781 554
Long Service Awards	15	2 051 823	1 575 032
		2 907 888	2 356 586
Total Liabilities		24 314 133	22 601 280
Net Assets		400 711 207	328 823 432
Accumulated surplus		400 711 209	328 823 431

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance for the year ended 30 June 2018

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Service charges	18	408 853	354 687
Rental of facilities and equipment	19	1 107 475	1 089 991
Interest received	20	2 329 732	2 323 601
Licences and permits		1 311 922	1 077 226
Services Rendered		54 569	42 508
Sundry Income		378 156	367 606
Total revenue from exchange transactions		5 590 707	5 255 619
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	8 478 171	5 208 754
Transfer revenue			
Government grants & subsidies	22	203 039 673	208 811 355
Fines		644 750	816 900
Total revenue from non-exchange transactions		212 162 594	214 837 009
Total revenue	17	217 753 301	220 092 628
Expenditure			
Employee related costs	23	(51 271 236)	(47 661 320)
Remuneration of councillors	24	(10 457 869)	(9 806 636)
Depreciation and amortisation	25	(17 711 058)	(17 764 731)
Finance costs	26	(757 918)	(306 634)
Lease rentals on operating lease		(537 564)	-
Contribution Allowance for impairment	27	(2 470 120)	(1 284 535)
General Expenses	28	(57 250 957)	(94 303 569)
Repairs and maintenance		(1 795 680)	(5 260 900)
Auditors fees		(3 372 019)	(3 913 937)
Total expenditure		(145 624 421)	(180 302 262)
Operating surplus		72 128 880	39 790 366
Loss on disposal of assets		-	(22 009)
Fair value adjustments	29	-	2 259 394
Actuarial gains/losses		(190 898)	(19 525)
(Increase)/Decrease in Provision Landfill site		(50 205)	503 333
		(241 103)	2 721 193
Surplus		71 887 777	42 511 559

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets for the year ended 30 June 2018

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	286 311 872	286 311 872
Balance at 01 July 2016	286 311 872	286 311 872
Changes in net assets		
Surplus for the year	42 511 559	42 511 559
Total changes	42 511 559	42 511 559
Balance at 01 July 2017	328 823 432	328 823 432
Changes in net assets		
Surplus for the year	71 887 777	71 887 777
Total changes	71 887 777	71 887 777
Balance at 30 June 2018	400 711 209	400 711 209

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement for the year ended 30 June 2018

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Property Rates		6 860 812	4 134 733
Service Charges		1 010 158	2 892 729
Operating Grants		113 071 211	173 336 729
Capital Grants		89 968 466	34 162 000
Other Income		5 367 608	3 859 085
Interest Income		1 594 707	1 707 355
		217 872 962	220 092 631
Payments			
Suppliers & Employee costs		(123 345 033)	(118 747 497)
Finance costs		(757 918)	(306 634)
		(124 102 951)	(119 054 131)
Net cash flows from operating activities	31	93 770 011	101 038 500
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(94 445 641)	(87 441 911)
Proceeds from sale of property, plant and equipment	9	-	18 420
Net cash flows from investing activities		(94 445 641)	(87 423 491)
Cash flows from financing activities			
Finance lease payments		(82 071)	(671 087)
Redemption of loans		-	(20 609 992)
Net cash flows from financing activities		(82 071)	(21 281 079)
Net increase/(decrease) in cash and cash equivalents		(757 701)	(7 666 070)
Cash and cash equivalents at the beginning of the year		1 594 927	9 260 997
Cash and cash equivalents at the end of the year	7	837 226	1 594 927

The accounting policies on pages 13 to 20 and the notes on pages 21 to 45 form an integral part of the Annual Financial Statements.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	550 000	(141 147)	408 853	408 853	-	
Rental of facilities and equipment	1 517 949	(410 474)	1 107 475	1 107 475	-	
Licences and permits	3 500 000	(1 949 176)	1 550 824	1 311 922	(238 902)	
Service Rendered	46 017	16 010	62 027	54 569	(7 458)	
Sundry Income	398 528	(36 504)	362 024	378 156	16 132	
Interest received	3 350 000	(1 020 268)	2 329 732	2 329 732	-	
Total revenue from exchange transactions	9 362 494	(3 541 559)	5 820 935	5 590 707	(230 228)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	10 360 447	(1 882 407)	8 478 040	8 478 171	131	
Value Added Tax (VAT)	8 900 000	6 538 004	15 438 004	15 438 004	-	

Transfer revenue

Government grants & subsidies	184 987 000	18 904 825	203 891 825	203 039 673	(852 152)	
Fines, Penalties and Forfeits	-	-	-	644 750	644 750	

Total revenue from non-exchange transactions	204 247 447	23 560 422	227 807 869	227 600 598	(207 271)	
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Total revenue	213 609 941	20 018 863	233 628 804	233 191 305	(437 499)	
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Expenditure

Personnel	(55 330 223)	4 058 987	(51 271 236)	(51 271 236)	-	
Remuneration of councillors	(9 257 275)	(1 403 725)	(10 661 000)	(10 457 869)	203 131	
Depreciation and amortisation	(1 500 000)	-	(1 500 000)	(17 711 058)	(16 211 058)	
Finance costs	(50 000)	(707 918)	(757 918)	(757 918)	-	
Lease rentals on operating lease	-	(537 564)	(537 564)	(537 564)	-	
Debt Impairment	(1 000 000)	(479 371)	(1 479 371)	(2 470 120)	(990 749)	
General Expenses	(49 462 243)	(5 774 065)	(55 236 308)	(57 253 419)	(2 017 111)	
Repairs & Maintenance	(3 701 000)	1 470 969	(2 230 031)	(1 793 218)	436 813	
Audit Fees	(2 500 000)	(872 019)	(3 372 019)	(3 372 019)	-	

Total expenditure	(122 800 741)	(4 244 706)	(127 045 447)	(145 624 421)	(18 578 974)	
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Operating surplus	90 809 200	15 774 157	106 583 357	87 566 884	(19 016 473)	
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Actuarial gains/losses	-	-	-	(190 898)	(190 898)	
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Surplus before taxation	90 809 200	15 774 157	106 583 357	87 375 986	(19 207 371)	
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Deficit for the year from continuing operations	90 809 200	15 774 157	106 583 357	87 375 986	(19 207 371)	
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Capital Expenditure	(90 809 200)	(13 545 441)	(104 354 641)	(90 641 227)	13 713 414	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	2 228 716	2 228 716	(3 265 241)	(5 493 957)	
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Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the Municipality.

1.2 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables or loans and other receivables

Impairment testing

In calculating the impairment loss for receivables the following were considered:

- The payments received from receivables for the year
- The age of the debt

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Allowance for doubtful debts

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

1.4 Investment Property

Investment Property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured. Investment properties comprise properties held for earning rental income or for capital appreciation or both. This does not include properties held for the supply of services or for administrative purposes.

Investment Property is measured initially at its cost (transaction costs shall be included in this initial measurement). Where an Investment Property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. After initial recognition, investment property is held at the fair value model except in cases where the municipality cannot reliably determine the fair value thereof.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Investment Property (continued)

A gain or loss arising from a change in the fair value of investment property shall be included in surplus or deficit for the period in which it arises. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The differences between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of financial performance in the period of derecognition.

1.5 Property, Plant and Equipment

Property, Plant and Equipment is recognised when it is probable future economic benefits will flow to the entity and the cost can be measured reliably. Property, Plant & Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes all directly attributable costs that are incurred in order to bring the asset into a location and condition necessary to enable it to operate as intended by management and includes the cost of materials and direct labour.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised if the cost can be measured reliably and it is probable that the future economic benefits associated with the item will flow to the municipality. If a replacement part is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised. When significant parts of property, plant and equipment are required to be replaced at intervals, the municipality recognises such part as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenditure is recognised as an expense in the year it is incurred.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the estimated useful life of the asset on the same basis as owned assets. If the Municipality does not have reasonable certainty that it will obtain ownership of the leased asset at the end of the lease term, the asset is depreciated over the shorter of its lease term and its useful life.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight line bases over the estimated useful life of each part of the Property, Plant and Equipment from when it is available to operate as intended by management.

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 Years
Furniture	Straight line	5 - 7 Years
Motor vehicles	Straight line	4 - 7 Years
Office equipment	Straight line	5 - 7 Years
IT equipment	Straight line	3 - 5 Years
Computer software	Straight line	
Infrastructure		
Landfill site	Straight line	30-55 years
Culverts and ditch drains	Straight line	20-60 years
Traffic signs	Straight line	5-20 years
Electricity infrastructure	Straight line	15-40 years
Traffic barriers	Straight line	10-30 years
Roads & Paving	Straight line	30-50 years
Recreational Facilities	Straight line	10-60 years
Bridges	Straight line	60 - 80 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted (where required) annually. Where significant parts (components of an item of property, plant and equipment have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

The carrying amounts of Property, Plant and Equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, Plant and Equipment (continued)

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in operating profit. Items or part of an item of property, plant and equipment are derecognised at the earlier of the date of disposal or the date when no future economic benefits are expected from its use disposal. Gains or losses on derecognition of items of property, plant and equipment are included in the statement of financial performance. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset

1.6 Intangible assets

An intangible asset is recognised when:

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

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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Intangible assets are derecognised;

Item

Depreciation method

Average useful life

Intangible assets are derecognised:

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

Ntabankulu Local Municipality

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Accounting Policies

1.7 Financial instruments

Financial assets and liabilities are recognised on the municipality's statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value at date of acquisition. Subsequent to initial recognition financial instruments are measured as set out below;

Receivables from exchange transactions

Receivables from exchange transactions are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. At each reporting date, the municipality assesses whether there is any objective evidence that trade and other receivables are impaired. A provision for impairment of trade and other receivables is raised in the statement of financial performance, when there is objective evidence that the municipality will not be able to collect all amounts due, in accordance with the original terms agreed upon. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The municipality takes the impairment of trade receivables directly to the carrying amount of the asset and recognises the impairment in profit and loss.

Receivables from non-exchange transaction

Receivables from non-exchange transactions arise through a contractual commitment by a third party to transact with the municipality, without the municipality giving the third party any value that approximates the contractual amount. Receivables from non-exchange are subsequently measured at cost, where cost is the amount contractually receivable

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and call deposits. Cash on hand is initially recognised at fair value and subsequently measured at fair value. Deposits are carried at amortised cost. However, due to their short-term nature, the amortised cost normally approximates its fair

Financial liabilities at amortised cost

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, when the municipality become party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the cost and the redemption value is recognised in the statement of financial position over the period of the borrowings as interest.

Payables from exchange transactions

Payables from exchange transactions are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Payables from non-exchange transactions

Payables from non-exchange transactions arise when the municipality has an obligation to return the grant funds and/or receipts transferred to it by any third parties, through a non-exchange transaction, if conditions of the grant have not been met (conditional grants). A non-exchange transaction is a transaction where an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

When funds are received as per stipulations of the grant contract, they give rise to a present obligation. A present obligation arising from a non-exchange transaction, that meets the definition of a liability shall be recognised as a liability when, and only when: it is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and reliable estimate can be made of the amount of the obligation.

Payables from exchange transactions are initially measured at fair value and are subsequently measured at cost. Where fair value is the best estimate of the amount required to settle the present obligation at the reporting date. And cost is the cash outflow payable to the third upon unsuccessful discharge of grant conditions.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset and/or expenditure, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

Offset

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legal enforceable right to set-off the recognised amounts, and the intention is to settle on a net basis or to realise the asset and settle the liability simultaneously.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

A financial asset, or portion of a financial asset, is derecognised where:

The rights to receive cash flows from the asset have expired

The municipality has transferred the right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without any material delay to a third party;

The municipality has transferred substantially all the risks and rewards of the asset; and

The municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

Impairment of financial assets

Financial assets, other than those financial assets classified as fair value through the statement of financial performance, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. If any such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is recognised in the profit or loss.

1.8 Leases

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

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

Finance leases - lessee

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

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

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

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

1.9 Inventories

Inventories acquired through an exchange transaction are initially stated at cost. 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. Cost is determined using the First In First Out method. Inventories acquired through a non-exchange transaction are initially measured at fair value as at the date of acquisition.

All inventories are subsequently measured at lower of cost and net realisable value. The net realisable value of inventories is the estimate of the selling price in the ordinary course of business, less the estimated selling expenses.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Inventories (continued)

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

1.10 Impairment of cash-generating assets

At each reporting date, the Municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance. Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, if related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the statement of financial performance. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life

1.11 Employee benefits

Long-service bonus awards employment benefit

Long service employment benefit

Ntabankulu offers bonuses for every 5 years of completed service from 10 years to 45 years. The liability recognised in respect of the long-service bonus awards is the present value of the obligation at the reporting date. The benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms of maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance, in the period in which they arise. Current service costs are recognised immediately in profit and loss.

Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Remuneration of employees is charged to the Statement of Financial Performance. An provision is made for accumulated leave, incentive bonuses and other short-term employee benefits.

1.12 Provisions and contingencies

Provisions are recognised when:

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.13 Commitments

Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date. These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance as risks and rewards of ownership has not lapsed to the municipality prior delivery therein. However, are disclosed as part of the disclosure notes.

The commitments disclosed in the disclosure note are the aggregate amount of capital and current expenditure approved and contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements. A distinction is made between capital and current commitments

Other commitments for which disclosure is necessary to achieve a fair presentation will be disclosed in a note if both the following criteria are met:

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

1.14 Revenue from exchange transactions

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

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

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

1.15 Revenue from non-exchange transactions

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

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

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

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 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 is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefore are provided in note 40

1.20 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 municipality 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 economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

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

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

1.21 Related parties

The municipality, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market rates with related parties. The municipality is presumed to be related to all other government entities within the national sphere by virtue of its classification as a Category B municipality. Only transactions that are not carried out on an arms' length basis are disclosed. Key personnel are limited to the s56 employees only.

1.22 Events after reporting date

The Municipality appointed the following section 56 managers. The effective date of the appointment are as follows;

	Directorate	Appointment Date
Mrs N Ndlaku	Local Economic Development	1 August 2018
Mr S Matiwane	Community Services	1 August 2018

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective;

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

Additional text

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP STANDARD	Title	Summary
GRAP 20	Related party disclosure	Standard objective is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.
GRAP 32	Service concession arrangement:	The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.
GRAP 108	Grantor Statutory receivables	The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.
GRAP 109	Accounting principles and agents	The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent.
GRAP 34	Separate Financial Statements	The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements
GRAP 35	Consolidated Financial Statements	The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities
GRAP 36	Investments in Associates and Joint Ventures	The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures
GRAP 37	Joint Arrangements	The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).
GRAP 38	Disclosure of Interests in Other Entities	The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (i) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and (ii) the effects of those interests on its financial position, financial performance and cash flows
GRAP 110	Living and Non-living Resources	The objective of this Standard is to prescribe the: (i) recognition, measurement, presentation and disclosure requirements for living resources; and (ii) disclosure requirements for non-living resources

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
3. Inventories		
Consumables	528 348	645 488
Land	240 740	240 740
	769 088	886 228

4. Receivables from exchange transactions

Rentals Receivables	1 101 263	930 555
Refuse Receivables	1 714 412	1 383 504
Sundry Receivables	224 743	220 188
Allowance for impairment Refuse	(1 543 792)	(1 199 899)
Allowance for impairment Rentals	(714 883)	(721 696)
	781 743	612 652

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 137 754 (2017: R 420 912) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

June 2018	Refuse	Rental	Sundry	Total
Current-30 days	28 610	44 110	-	72 720
31-60 days	26 211	(27 418)	-	(1 207)
61-90 days	26 432	43 368	-	69 800
91-120 days	27 077	12 241	-	39 318
121-150 days	25 366	6 670	-	32 036
151-180 days	27 880	9 820	-	37 700
> 180 days	1 552 836	1 012 472	220 188	2 785 496
	1 714 412	1 101 263	220 188	3 035 863

June 2017	Refuse	Rental	Sundry	Total
Current-30 days	31 125	56 870	220 188	308 183
31-60 days	29 080	11 319	-	40 399
61-90 days	31 365	42 565	-	73 930
91-120 days	28 541	3 006	-	31 547
121-150 days	31 352	3 406	-	34 758
151-180 days	30 251	37 468	-	67 719
> 180 days	1 201 789	775 919	-	1 977 708
	1 383 503	930 553	220 188	2 534 244

Trade and other receivables allowance for impairment

As of 30 June 2018, the contribution towards allowance for impairment amounted to of R 337 080 (2017: R 457 325)

The amount is made up of the following:

Rental	2 018	2 017
Refuse	(6 813)	417 826
	343 893	39 498

Reconciliation of provision for impairment of trade and other receivables

Opening balance	1 921 595	1 464 270
Impairment loss created	337 080	457 325
	2 258 675	1 921 595

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
5. Receivables from non-exchange transactions		
Customer Receivable- Interest	3 339 749	2 604 724
Customer Receivable - Traffic Fines	2 074 939	1 549 850
Customer Receivable - Rates	12 861 833	11 244 474
Allowance for impairment - Rates	(10 736 513)	(9 594 221)
Allowance for impairment - Interest	(3 129 594)	(2 367 205)
Allowance for impairment - Fines	(1 718 317)	(1 489 958)
	2 692 097	1 947 664

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered for allowance for impairment. At 30 June 2018, R - (2017: R 1 203 302) were past due but not impaired.

The ageing of amounts past due but not provided for impaired is as follows:

1 month past due			5	-
June 2018	Rates	Customer Interest	Traffic Fines	Total
Current-30 days	203 213	65 550	41 650	310 413
31-60 days	495 488	65 999	40 500	601 987
61-90 days	497 646	63 771	40 750	602 167
91-120 days	430 380	63 866	33 400	527 646
121-150 days	462 063	61 948	41 500	565 511
151-180 days	502 756	62 081	45 684	610 521
> 180 days	10 267 324	2 956 552	1 831 455	15 055 331
	12 858 870	3 339 767	2 074 939	18 273 576
June 2017	Rates	Customer Interest	Traffic Fines	Total
Current-30 days	329 584	71 177	-	400 761
31-60 days	322 612	74 333	-	396 945
61-90 days	330 969	74 627	-	405 596
91-120 days	309 802	48 975	-	358 777
121-150 days	301 757	48 450	-	350 207
151-180 days	286 490	47 775	-	334 265
> 180 days	9 363 816	2 239 387	1 549 850	13 153 053
	11 245 030	2 604 724	1 549 850	15 399 604

Trade and other receivables allowance for impairment

The current year contribution to allowance for impairment loss amounted to R 1 142 291 (2017: R 827 210).

The ageing of amounts past due but not provided for impaired is as follows:

	2 018	2 017
Rates	1 196 347	161 786
Customer Interest	-	557 671
Traffic Fines	-	700 758

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
5. Receivables from non-exchange transactions (continued)		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	13 539 823	12 624 170
Provision for impairment	-	1 508 657
Amounts written off as uncollectible	-	(593 004)
	13 539 823	13 539 823

6. VAT receivable

VAT	4 741 514	4 790 192
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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	75 351	26 810
Bank balances	48 127	299 971
Investment balances	713 748	1 268 146
	837 226	1 594 927

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Main Account: Current	48 127	357 038	1 739 098	48 127	299 971	1 739 098
FEB Account	-	971	1 003	-	971	1 003
Operations	2 431	1 000	1 003	2 431	1 000	1 003
Vat Call Account	1 262	1 000	6 282 916	1 262	1 000	6 282 916
Back to school	-	1 359	414 508	-	1 359	414 508
INEP - FNB Call Account	-	4 311	1 000	-	2 507	1 000
Municipal Support Institution	-	1 000	1 000	-	1 000	1 000
FMG	17 526	240	1 000	17 526	240	1 000
MIG	-	1 000	1 000	-	1 000	1 000
MSIG	-	1 050	1 000	-	1 050	1 000
DEDEAT	61 021	794 474	1 000	61 021	957 378	1 000
DSRAC	370 256	114 937	236 475	370 256	3 041	236 475
EPWP	-	1 000	1 000	-	8 863	1 000
Thina Sinako	-	191 158	486 602	-	191 158	486 602
Traffic Fines	3 869	1 834	1 000	3 869	1 834	1 000
Vukani Mangqamza	-	95 592	1 000	-	95 592	1 000
DBSA Loan	-	139	1 000	-	139	1 000
Small Town Revitalisation	256 676	-	-	256 676	-	-
COGTA - Electrification	78 718	17	-	78 718	17	-
Total	839 886	1 568 120	9 171 605	839 886	1 568 120	9 171 605

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

8. Investment Property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	22 262 725	-	22 262 725	22 262 725	-	22 262 725

Reconciliation of investment property - June 2018

	Opening balance	Total
Investment property	22 262 725	22 262 725

Reconciliation of investment property - June 2017

	Opening balance	Fair value adjustments	Total
Investment property	20 003 331	2 259 394	22 262 725

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.

The investment property was revalued during the 2017 financial year. The determination of fair value was supported by market evidence. The fair value of the investment property was determined by an independent valuer who is registered as a professional associated valuer. No fair value assessment of the investment property was done during the current financial year as management is of the view that the fair value is not significantly different from the previous year.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

9. Property, Plant and Equipment

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying Amount	Cost	Accumulated depreciation and accumulated impairment	Carrying Amount
Land	2 033 539	-	2 033 539	2 033 539	-	2 033 539
Buildings	115 733 427	(35 619 179)	80 114 248	110 057 980	(31 133 092)	78 924 888
Machinery	1 122 819	(260 602)	862 217	1 022 836	(108 980)	913 856
Furniture and Office Equipment	2 764 536	(2 052 853)	711 683	2 733 536	(1 834 222)	899 314
Motor vehicles	5 386 661	(3 952 826)	1 433 835	4 816 038	(3 021 359)	1 794 679
IT equipment	3 407 026	(2 761 012)	646 014	3 098 751	(2 393 354)	705 397
Infrastructure	148 369 818	(53 362 684)	95 007 134	140 872 565	(41 979 480)	98 893 085
Work in Progress	205 293 167	-	205 293 167	128 178 138	-	128 178 138
Landfill Site	7 130 493	(299 049)	6 831 444	7 130 493	(156 480)	6 974 013
Total	491 241 486	(98 308 205)	392 933 281	399 943 876	(80 626 967)	319 316 909

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

9. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - June 2018

	Opening balance	Additions	Transfers received	Transfers Out	Write off	Depreciation	Total
Infrastructure	98 893 085	-	7 547 145	-	(28 012)	(11 405 084)	95 007 134
Land	2 033 539	-	-	-	-	-	2 033 539
Landfill site	6 974 013	-	-	-	-	(142 569)	6 831 444
Buildings	78 924 888	-	5 675 447	-	-	(4 486 087)	80 114 248
Machinery	913 856	99 983	-	-	-	(151 622)	862 217
Furniture & Fittings	899 314	31 000	-	-	-	(218 631)	711 683
Motor vehicles	1 794 679	572 813	-	-	-	(933 657)	1 433 835
IT equipment	705 397	308 275	-	-	-	(367 658)	646 014
Work in Progress	128 178 138	89 629 156	-	(12 514 127)	-	-	205 293 167
	319 316 909	90 641 227	13 222 592	(12 514 127)	(28 012)	(17 705 308)	392 933 281

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

9. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - June 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Accumulated Depreciation Disposals	Total
Infrastructure	107 962 628	-	(14 146 552)	11 781 522	-	(11 124 893)	4 420 380	98 893 085
Land	2 033 539	-	-	-	-	-	-	2 033 539
Landfill site	7 116 037	-	-	-	-	(142 024)	-	6 974 013
Buildings	84 320 128	-	(3 848 752)	2 077 659	-	(4 655 342)	1 031 195	78 924 888
Machinery	161 568	844 263	-	-	-	(91 975)	-	913 856
Furniture	731 280	395 648	(11 789)	-	-	(224 549)	8 724	899 314
Motor vehicles	2 650 304	-	-	-	-	(855 625)	-	1 794 679
IT equipment	1 052 285	327 789	(30 786)	-	-	(655 975)	12 084	705 397
Work in progress	85 395 969	85 651 736	-	-	(42 869 567)	-	-	128 178 138
	291 423 738	87 219 436	(18 037 879)	13 859 181	(42 869 567)	(17 750 383)	5 472 383	319 316 909

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

10. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	288 787	(281 121)	7 666	288 787	(275 372)	13 415

Ntabankulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2018 2017

10. Intangible assets (continued)

Reconciliation of intangible assets - June 2018

	Opening balance	Amortisation	Total
Computer Software & other	13 415	(5 749)	7 666

Reconciliation of intangible assets - June 2017

	Opening balance	Amortisation	Total
Computer Software & Other	27 764	(14 349)	13 415

Other information

Ntabankulu Local Municipality's intangible asset consists of computer software. The useful life used in the calculation of amortisation of software is two years. Ntabankulu Local Municipality assesses, at each reporting date, whether there is any indication that the computer software may be impaired, or that the useful life is still appropriate. No such indication existed at the end of the current financial reporting period

11. Finance lease obligation

Minimum lease payments due

- within one year	-	90 397
- in second to fifth year inclusive	-	-
	-	90 397
less: future finance charges	-	(8 326)
	-	82 071

Present value of minimum lease payments due

- within one year	-	82 071
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Non-current liabilities	-	-
Current liabilities	-	82 071
	-	82 071

12. Payables from exchange transactions

Trade payables	4 151 539	4 935 197
Accruals	6 087 400	4 212 105
Accrued leave pay	4 555 693	4 647 855
Accrued bonus	900 287	878 108
Retention Fees	1 768 753	1 676 021
	17 463 672	16 349 286

Ntabankulu Local Municipality

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Figures in Rand	2018	2017
13. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
EPWP	-	7 863
Finance Management Grant - FMG	313	-
Free Basic Electricity - INEP	47 559	-
Precinct Plan Grant	66 149	66 149
Cogta Electrification	611 448	-
DSRAC	28 331	2 041
Small town revitalisation Grant	73 170	-
DEDEAT	60 986	957 377
	887 956	1 033 430

This liability relates to conditional grants, which arise where the municipality has a conditional obligation to pay cash or another financial asset to the grantor, upon unsuccessful discharge of the grantor's conditions. The values disclosed above represents funds received for which the municipality has not yet satisfied the grant conditions. The nature and extent of the government grants is recognised in the annual financial statements

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

14. Payables from non-exchange transactions

	June 2018	June 2017
Salaries third party payments	2 271 543	2 041 527
Receivables with credit balance	630 820	449 320
	2 902 363	2 490 847

15. Long Service Awards

	June 2018	June 2017
Non - Current portion	2 051 823	1 575 032
Current portion	152 254	289 061
	2 204 077	1 864 093

16. Provisions

Reconciliation of provisions - 30 June 2018

	Opening Balance	Movement	Total
Provision Landfill site	781 554	74 511	856 065

Reconciliation of provisions - 30 June 2017

	Opening Balance	Additions	Total
Provision Landfill site	1 284 887	(503 333)	781 554

The Ntabankulu landfill site is situated some 900 meters north of the Ntabankulu Central Business District. It is located on Portion 87 of ERF 1966 in the Ntabankulu Commonage. This landfill is licensed in terms of National Environmental Management Act.

Ntabankulu Local Municipality

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Figures in Rand	2018	2017
17. Revenue		
Service charges	408 853	354 687
Rental of facilities and equipment	1 107 475	1 089 991
Licences and permits	1 311 922	1 077 226
Services Rendered	54 569	42 508
Sundry Revenue	378 156	367 606
Interest received - investment	2 329 732	2 323 601
Property rates	8 478 171	5 208 754
Government grants & subsidies	203 039 673	208 811 355
Fines, Penalties	644 750	816 900
	217 753 301	220 092 628

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

Service charges	408 853	354 687
Rental of facilities and equipment	1 107 475	1 089 991
Licences and permits	1 311 922	1 077 226
Services Rendered	54 569	42 508
Sundry Income	378 156	367 606
Interest received - investment	2 329 732	2 323 601
	5 590 707	5 255 619

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

Taxation revenue		
Property rates	8 478 171	5 208 754
Transfer revenue		
Government grants & subsidies	203 039 673	208 811 355
Fines, Penalties	644 750	816 900
	212 162 594	214 837 009

18. Service charges

Refuse removal	408 853	354 687
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The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the customers on a monthly basis. The tariffs are approved by council at the beginning of each financial year.

19. Rental of facilities and equipment

Premises

Rental Revenue from properties	1 097 960	1 074 415
Rental Revenue from Halls	9 515	15 576
	1 107 475	1 089 991

20. Interest Received

Interest Received	1 586 513	2 323 601
Interest charged on trade and other receivables	743 219	-
	2 329 732	2 323 601

Ntabankulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
21. Property rates		
Rates received		
Residential	718 955	816 396
Commercial	544 340	852 842
State	7 214 876	3 539 516
	8 478 171	5 208 754

Valuations

The new general valuation was to be implemented by 01 July 2018, however as per directive from Co-operative Governance and Traditional Affairs it will be implemented on 01 July 2019.

In accordance with section 17(h) of the Municipal Properties Rates Act the first R15 000 of the market value of residential properties are exempted from assessment rates.

Ntabankulu Local Municipality

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Figures in Rand	2018	2017
22. Government grants and subsidies		
Operating grants		
Equitable share	99 603 000	93 327 000
Finance Management Grant	1 899 687	1 824 999
Extended Public Works Programme	2 318 863	1 221 382
DEDEAT	896 391	414 287
DSRAC	323 710	347 959
	105 041 651	97 135 627
Capital grants		
Municipal Infrastructure Grant	37 581 000	35 960 000
Electrification Grant - INEP	39 952 441	41 999 999
Provincial Treasury Internal Streets	3 086 595	18 715 729
GOCTA - Electrification	9 348 430	13 000 000
IEC Grant	-	2 000 000
Small town Revitalisation Grant	8 029 556	-
	97 998 022	111 675 728
	203 039 673	208 811 355
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	103 436 673	115 484 355
Unconditional grants received	99 603 000	93 327 000
	203 039 673	208 811 355

Ntabankulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
22. Government grants and subsidies (continued)		
Extended Public Works Program		
Balance unspent at beginning of year	7 863	(1 755)
Current-year receipts	2 311 000	1 231 000
Conditions met - transferred to revenue	(2 318 863)	(1 221 382)
	-	7 863
Conditions still to be met - remain liabilities (see note 13).		
Finance Management Grant - FMG		
Balance unspent at beginning of year	-	-
Current-year receipts	1 900 000	1 825 000
Conditions met - transferred to revenue	(1 899 687)	(1 825 000)
	313	-
Free Basic Services Electricity		
Balance unspent at beginning of year	-	-
Current-year receipts	40 000 000	41 999 999
Conditions met - transferred to revenue	(39 952 441)	(41 999 999)
	47 559	-
Conditions still to be met - remain liabilities (see note 13).		
IEC Grant		
Balance unspent at beginning of year	-	2 000 000
Conditions met - transferred to revenue	-	(2 000 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Municipal Infrastructure Grant - MIG		
Current-year receipts	37 581 000	35 960 000
Conditions met - transferred to revenue	(37 581 000)	(35 960 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Precinct Plan Grant		
Balance unspent at beginning of year	66 149	270 433
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(204 284)
	66 149	66 149
Conditions still to be met - remain liabilities (see note 13).		
Department of Cooperative Governance & Traditional Affairs (COGTA)		
Current-year receipts	9 959 878	13 000 000
Conditions met - transferred to revenue	(9 348 430)	(13 000 000)

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
22. Government grants and subsidies (continued)		
	611 448	-
Conditions still to be met - remain liabilities (see note 13).		
Department of Sport Recreational Arts and Culture (DSRAC)		
Balance unspent at beginning of year	2 041	-
Current-year receipts	350 000	350 000
Conditions met - transferred to revenue	(323 710)	(347 959)
	28 331	2 041
Conditions still to be met - remain liabilities (see note 13).		
Small Town Revitalisation		
Current-year receipts	8 102 726	-
Conditions met - transferred to revenue	(8 029 556)	-
	73 170	-
DEDEAT		
Balance unspent at beginning of year	957 377	167 380
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(896 391)	(210 003)
	60 986	957 377
Conditions still to be met - remain liabilities (see note 13).		
23. Employee related costs		
Basic	32 735 124	30 706 050
Bonus	2 990 272	2 874 509
Car allowance	3 572 815	3 785 836
Contribution to Bargaining Council	108 483	14 838
Housing benefits and allowances	2 613 201	2 621 126
Long-service awards	136 768	68 323
Medical aid - company contributions	2 428 392	2 373 818
Standby Allowance	276 499	268 703
Provident & Pension fund	5 121 008	4 155 396
SDL	529 097	422 051
Cellphone Allowance	486 350	104 630
UIF	273 227	266 040
	51 271 236	47 661 320
24. Remuneration of councillors		
Salaries and other Allowances	8 445 231	7 760 887
Motor Vehicle Allowance	2 012 638	2 045 749
	10 457 869	9 806 636

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
25. Depreciation and amortisation		
Property, Plant and Equipment	17 705 309	17 750 382
Intangible assets	5 749	14 349
	17 711 058	17 764 731
26. Finance costs		
Interest paid	757 918	306 634
27. Debt impairment		
Contributions to debt impairment provision	2 470 120	1 284 535

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
28. General expenses		
Advertising fees	1 094 711	916 516
Agriculture LED	3 278 085	358 960
Asset Write off	28 011	12 543 730
Audit Committee Expenses	407 744	393 403
Back to School	597 104	587 264
Bad debts write off	-	593 004
Bank Charges	90 025	83 022
Capacity Building	887 657	695 561
Completed Electrification transferred	-	26 973 684
Consulting and Professional fees	2 135 823	3 054 272
Council Support Administration	219 369	191 458
DEDEAT Strategic	465 016	210 003
DSRAC Community	268 460	274 750
Expanded Public Works	1 166 627	1 203 695
Entertainment	-	277 781
Electricity Expenditure	1 288 909	749 837
EPWP Community	2 421 156	2 811 177
Financial Management Grant Expenditure	1 632 541	1 646 375
Financial Management fees	2 570 908	3 394 260
General Valuation Expenditure	294 736	109 763
Asset Valuation	-	1 061 482
Hygenic Services Administration	705 254	754 682
IEC Grant Expenditure	-	49 653
ITexpenses	480 457	921 128
Indigent Support	3 991 527	4 762 355
Insurance	1 347 500	1 156 947
Intergrated Development Plan	1 562 750	1 877 746
Internal Audit Expense	811 930	534 553
Legal fees	1 722 361	790 499
Living the dream	291 655	487 121
Motor Vehicle Expenses	436 814	624 336
Marketing and Communication	823 679	809 778
Movement leave and bonus provisions	893 461	1 225 456
Occupational Health & Safety	518 343	526 519
Other Expenses	417 216	357 058
Performance Management System expense	69 631	272 838
Post & Telecommunication expenses	4 543 697	3 807 055
Printing & Stationery	994 931	1 091 296
Project Management	1 194 320	1 390 389
Public Amenities	73 650	96 404
Public Participation	304 143	285 943
SALGA Levy	651 159	611 643
Security (Guarding of municipal property)	2 101 432	1 654 417
Precinct Plan Expenses	-	204 284
Spartial Development expenses	81 220	122 965
Special Programs	356 264	391 136
Sports & Recreation	74 114	85 454
Tourism, Arts and Culture	551 520	384 458
Community Halls Expenditure	-	164 390
Town Planning Expenses	293 520	107 032
Travelling & Subsistence	9 353 386	6 293 621
Vehicle Fuel & Oil	1 093 262	1 039 575
Ward Committee Sitting	2 204 654	2 364 389
Waste management expenses	460 225	928 451
	57 250 957	94 303 568

Ntabankulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
29. Fair value adjustments		
Investment property (Fair value model)	-	2 259 394
30. Auditors' remuneration		
Fees	3 372 019	3 913 938
31. Net Cash flow from operating activities		
Surplus	71 887 777	42 511 559
Adjustments for:		
Depreciation and amortisation	17 711 058	17 764 731
Loss on disposal of assets	-	22 009
Completed Electrification project expensed	-	26 973 684
Actuarial Gain/Loss	190 898	19 525
Fair value adjustments	-	(2 259 394)
Finance costs	-	306 634
Asset write off	28 011	12 543 730
Allowance impairment	2 470 120	1 284 535
Bad debts written off	-	593 004
Movement in provision long service awards	(82 067)	-
Decrease in Provision Landfil site	50 205	(503 333)
Contribution provisions- Leave and bonus	893 461	1 543 593
Changes in working capital:		
Receivables from exchange and non exchange transactions	(913 524)	(1 842 455)
Inventory	(117 140)	(119 764)
Payables from exchange transactions	1 144 690	1 796 627
VAT	48 678	1 570 690
Payables from non exchange transactions	408 555	235 752
Long Service Awards	(136 807)	-
Bonus	-	-
Unspent conditional grants and receipts	186 096	(1 402 627)
	93 770 011	101 038 500
32. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	45 265 033	37 808 453
Total capital commitments		
Already contracted for but not provided for	45 265 033	37 808 453
Total commitments		
Total commitments		
Authorised capital expenditure	45 265 033	37 808 453

This committed expenditure relates to property and will be financed by , retained surpluses, , existing cash resources, funds internally generated, and government grants.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand			2018	2017
33. Contingencies				
Plaintiff	Reference	Case Number	2018	2017
Droder Trading CC	(i)	627/12	625 000	625 000
Droder Trading CC	(ii)	628/12	525 000	525 000
Phumzile Ntintili	(iii)	968/12	175 000	175 000
Four Municipal Traffic Officers	(iv)	N/A	5 500	5 500
Somdaka Funeral Palour	(v)	N/A	70 000	70 000
SAMWU	(vi)	457/2015	3 696 278	3 696 278
Siphokazi Cekwana	(vii)	513/2015	6 950 000	6 950 000
Hlaliso Investments	(viii)	N/A	602 600	602 600
Lindokuhle Khumalo and Sipehelele Khumalo	(ix)	06/2016	240 000	240 000
Lindokuhle Khumalo and Sipehelele Khumalo	(x)	B315/2015	240 000	240 000
Ingenious Information Systems	(xi)	N/A	279 833	279 833
Geo-Spatial Technologies	(xii)	N/A	-	956 000
Lwandlolumvu Community	(xiii)	852/2016	200 000	200 000
Fortymen Sigcawu	(xiv)	851/2016	200 000	200 000
Z.Mtshabe Attorneys at law	(xv)	N/A	561 409	-
Khulile Nyombolo	(xvi)	66/2017	200 000	-
IMATU OBO Nyembezi	(xvii)	ECD 031716	-	-
			14 570 620	14 765 211

i. Droder Trading CC vs NLM (Case number 627/12)

An Applicant entered in to an agreement with the first and the second Respondents, the agreement was that the Applicant will supply the second Respondent with the building material and the first Respondent will effect payment within 60 days or alternatively within a reasonable time upon presentation of the invoice. The Applicant complied with its obligations however, the first Respondent failed to effect payment within the agreed period.

ii. Droder Trading CC vs NLM (Case number 628/12)

An Applicant entered in to an agreement with the first and the second Respondents, the agreement was that the Applicant will supply the second Respondent with the building material and the first Respondent will effect payment within 60 days or alternatively within a reasonable time upon presentation of the invoice. The Applicant complied with its obligations however, the first Respondent failed to effect payment within the agreed period.

iii. Phumzile Ntintili Vs NLM (Case number 968/12)

The plaintiff (P.Ntintili) entered into an alleged contract of employment with the defendant, wherein the defendant failed to perform as required by the contract

iv. Four Municipal Traffic Officers vs NLM (Case number: Not yet available)

Charges of assault were charged against four municipal officers by the driver who was driving without a valid driver's licence.

v. Somdaka Funeral Palour vs NLM (Case number: Not yet available)

NLM had entered into a lease agreement with Somdaka funeral parlour and eventually an offer to purchase the property was made between the parties. Mr Somdaka failed to pay the purchase price as per the agreement, as well as the rent.

vi. SAMWU vs NLM (Case number 457/2015)

Non-payment of the Provident fund

vii. Siphokazi Cekwana vs NLM (Case number: 513/2015)

The Municipality hosted an event on the 26th of March 2015 at Ntabankulu Sportsfield where Miss Siphokazi Cekwana was attending. It is alleged that at about 15h30 on that day a storm hit the area at which the event took place as a result of which the tent collapsed injuring Siphokazi Cekwana on the right foot .

viii. Hlaliso Investments vs NLM (Case number: Not yet available)

NLM entered into an agreement with Hlaliso Investments for the provision of Material for the building of the Hawker Stalls the contract was cancelled due to poor performance. Hlaliso Investments sent a letter to the Municipality challenging the cancellation of the contract.

Ntabankulu Local Municipality

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Figures in Rand

2018

2017

33. Contingencies (continued)

ix. Avuyile Mnyangwana vs NLM (Case number 41/03/2016)

Mr Mnyangwana was awarded Municipal premises for business purposes. He unlawfully Sublet the premises to one Miss Ndesi who paid him a monthly rental amount of R3700 and when he was advised of his unlawful acts, he fraudulently wrote a letter evicting Miss Ndesi and the letter was as if it was written by the Municipality.

x. Lindokuhle Khumalo and Sipehelele Khumalo NLM (Case number: 06/2016)

The Khumalos are trading on the side walk next to Lewis Stores, they were informed of the unlawfulness of their actions but none the less continued to trade and as a result of that they were arrested and detained, they is now claim damages to the value of R200, 000.00t

xi. Lindokuhle Khumalo and Sipehelele Khumalo vs NLM (Case number B315/2015)

The Khumalos are trading on the side walk next to Lewis Stores, they were informed of the unlawfulness of their actions but none the less continued to trade and as a result of that they were arrested and detained. On their release they went back to the same spot where they were advised that it was not open for business and continued to trade, when they were told once again that what they were doing was in contravention to our Municipal By-laws, they laid a charge they applied for a protection order against our Municipal Official for harassment.

xii. Ingenious Information Systems vs NLM (Case number : Not yet available)

We owed Ingenious Information Systems R254, 833.19 for their services rendered but which were disputed by the Municipality.

xiii. Lwandelolubomvu Community vs NLM (Case number:852/2016)

This was a Land Claims Court interdict by the Community preventing the Municipality from developing land under a land claim in terms of the Land Rights Development Act, 1995.

xiv. Fortymen Sigcawu vs NLM (Case number: 851/2016)

Interdict against people invading land belonging to the Municipality

xv. Z.Mtshabe Attorneys at law vs NLM (Case number:Not yet applicable)

xvi. Khulile Nyombolo vs NLM (66/2017)

Mr Nyombolo is claiming the Municipality an amount of R200 000 for the alleged unlawful arrest, unlawful detention and the legal representation fees.

xvii. IMATU OBO Nyembezi vs NLM (Case number: ECD 031716)

Unfair labour practice on promotion. The matter has been referred the Labour Court for review through the Municipal legal team.

34. Related parties

No related party transactions took place in the 2017-18 financial year other than remuneration as disclosed in the notes on remuneration of key management

Ntabankulu Local Municipality

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35. Executive Management Remuneration

June 2018

	Emoluments	Other benefits*	Pension paid or receivable	Total
Mr L. Matiwane	-	-	-	-
Mr S Matiwane	-	-	-	-
Ms N Ndlaku	558 325	436 535	-	994 860
Mr S Nodo	483 129	395 391	36 998	915 518
S Mankahla	-	-	-	-
	1 041 454	831 926	36 998	1 910 378

June 2017

	Emoluments	Other benefits*	Pension receivable	Total
Ms S Mankahla	708 467	152 017	276 877	1 137 361
Mr S Matiwane	539 828	1 785	459 675	1 001 288
Ms N Ndlaku	539 828	1 785	453 066	994 679
Mr S Nodo	466 265	75 348	439 120	980 733
	2 254 388	230 935	1 628 738	4 114 061

36. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality to set appropriate risk limits.

Due to the largely non trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities

The Department Budget and Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

Risks and exposures are disclosed as follows

- > Credit Risk
- > Liquidity Risk;

Risks and exposures are disclosed as follows:

Ntabankulu Local Municipality

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36. Risk management (continued)

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, with out incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cashflow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counter parties are monitored regularly.

Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer receivables, other receivables, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counter party exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

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

	2018	2017
Receivables from exchange transactions	777 232	979 694
Receivables from non exchange transactions	3 472 890	1 709 939
Cash and cash equivalents	837 226	1 594 928

Market risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

37. Unauthorised expenditure

Unauthorised expenditure (Opening Balance)	48 573 772	55 636 229
Unauthorised expenditure (Current)	18 456 529	14 646 524
Less written off	-	(21 708 981)
	67 030 301	48 573 772

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38. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure (Opening balance)	54 436	1 025 355
Fruitless and wasteful expenditure (Current year)	538 944	95 636
Amount written off	-	(1 066 555)
	593 380	54 436
39. Irregular expenditure		
Opening balance	57 812 598	33 769 558
Add: Irregular Expenditure - current year	23 293 795	34 498 041
Less: Amounts condoned	-	(10 455 001)
	81 106 393	57 812 598
40. Additional disclosure in terms of Municipal Finance Management Act		
VAT		
VAT receivable	4 741 514	4 790 192

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

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2017

41. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

The following are deviations done during the 2016-17 financial year.

Supplier: Alfred Nzo Community Radio

Description of goods;Interviews : SASSA Programmen

Description of Deviation;Only one qoutation could be sourced as there are two radio station in the aflred ndzo, the other one could not provide us with the qoutation due to non-availability of space on air

Amount: R5 000

Supplier: Inkonjane FM

Description of goods;Interviews : Pondo Cultural Festivaln

Description of Deviation;Only one qoutation could be sourced as there are two radio station in the aflred ndzo, the other one could not provide us with the qoutation due to non-availability of space on air

Amount: R4 743

Supplier: Inkonjane FM

Description of goods;Live Reads for IDP and Budget SOMA

Description of Deviation;Only one qoutation could be sourced as there are two radio station in the aflred ndzo, the other one could not provide us with the qoutation due to non-availability of space on air

Amount: R3 600

Supplier: Inkonjane FM

Description of goods;Live broadcast for SOMA of the 31 May 2018

Description of Deviation;Only one qoutation could be sourced as there are two radio station in the aflred ndzo, the other one could not provide us with the qoutation due to non-availability of space on air

Amount: R10 000

Supplier: Alfred Nzo Community Radio

Description of goods;Interview for SOMA by Honorable Mayor

Description of Deviation;Only one qoutation could be sourced as there are two radio station in the aflred ndzo, the other one could not provide us with the qoutation due to non-availability of space on air

Amount: R5 000