

**Ezulwini Town Council**

**Annual Financial Statements**  
for the year ended 31 March 2023

**EZULWINI TOWN COUNCIL**

**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2023

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**EZULWINI TOWN COUNCIL**

**STATEMENT OF RESPONSIBILITY BY THE COUNCILORS**  
for the year ended 31 March 2023

The Councilors are responsible for the preparation, integrity and fair presentation of the financial statements of the Ezulwini Town Council. The financial statements presented on pages 8 to 32 have been prepared in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) and in terms of section 102(3) of the Urban Government Act, 1969, and include amounts based on judgements and estimates made by management. The Councilors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The Councilors are also responsible for the Council's system of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Councilors to indicate that any material breakdown in the functioning of these controls, procedures and system has occurred during the year under review.

The going concern basis has been adopted in preparing the financial statements. The Councilors have no reason to believe that the Council will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the Council.

The independent accounting firm, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of the Councilors and committees of the Council, has audited the financial statements. The Councilors believe that all representations made to the independent auditors during their audit are valid and appropriate. PricewaterhouseCoopers' audit report is presented on pages 2 - 4.

The Councillors confirm that the annual financial statements set out on pages 8 to 32 were approved by the Councillors on 20 September 2023 and are signed on their behalf by:

  
\_\_\_\_\_  
CHAIRPERSON

  
\_\_\_\_\_  
TOWN CLERK

  
\_\_\_\_\_  
TOWN TREASURER

## *Independent auditor's report*

To the Councillors of Ezulwini Town Council

### *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ezulwini Town Council (the Council) as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

### **What we have audited**

Ezulwini Town Council's financial statements set out on pages 8 to 32 comprise:

- the statement of financial position as at 31 March 2023;
- the income and expenditure statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Council in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Eswatini. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Eswatini.

### *Other information*

The councillors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "Ezulwini Town Council Annual Financial Statements for the year ended 31 March 2023". The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially

Partner in charge T Mason

Resident Partner M Mhlanga

PricewaterhouseCoopers, Rhus Office Park, Kal Grant Street, Mbabane, Eswatini

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inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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#### *Responsibilities of the councillors for the financial statements*

The councillors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and for such internal control as the councillors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the councillors either intend to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

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#### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the councillors.
- Conclude on the appropriateness of the councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of



our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

Partner: Makhosazana Mhlanga

Registered Auditor

P.O. Box 569

Mbabane

21 September 2023

## **EZULWINI TOWN COUNCIL**

### **COUNCILORS' REPORT**

for the year ended 31 March 2023

The Councilors have pleasure in presenting their report and audited financial statements of the Ezulwini Town Council for the year ended 31 March 2023.

#### **NATURE OF BUSINESS**

The Urban Government Act number 8 of 1969 provides the Council's functionality and mandate. Council has a responsibility to:

- Control, manage and administer the Town Council;
- Maintain and cleanse all public streets and open spaces vested in the Council or committed to its management;
- Abate all public nuisances;
- Safeguard public health & safety and provide sanitary services for removal and disposal of night soil, rubbish, carcasses of dead animals and all kinds of refuse;
- Establish or take over and maintain, subject to the extent of its resources, any public utility service which is authorized or required to maintain under any law, and which is required for the welfare, comfort and convenience of the public;
- Develop, control and manage any land vested in, owned or leased by the Council;
- Establish or take over and administer, subject to the extent of its resources, housing schemes for the inhabitants of the Town Council; and
- Generally, promote the public health & safety, welfare and convenience, and the development, of sanitation and amenities of the Town Council.

#### **EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE**

The Councilors are not aware of material event which occurred after the reporting date and up to the date of this report.

#### **GOING CONCERN**

The Councilors believe that the Council has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Councilors have satisfied themselves that the Council is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Councilors are aware of the pending changes to legislation which may affect the Council. The Public Finance Management Act prohibits the Council from having debt with any financial institution and overdrawing its bank accounts. The Financial Regulations to the Act are still pending approval. The Councilors are also not aware of any material non-compliance with statutory or regulatory requirements.

**EZULWINI TOWN COUNCIL**

**COUNCILORS' REPORT** (continued)  
for the year ended 31 March 2023

**COUNCILORS**

The following Councilors were in office during the year:

- |                    |                     |
|--------------------|---------------------|
| 1. Bongile Mbingo  | 5. Darron Raw       |
| 2. Miliswa Mtshali | 6. Mike Vincent     |
| 3. Sandile Dlamini | 7. Refiloe Mamogobo |
| 4. Edmund Mazibuko | 8. Comfort Hlophe   |

**CHAIRPERSON**

Bongile Mbingo

**DEPUTY CHAIRPERSON**

Miliswa Mtshali

The term of office for the above Councillors came to an end in September 2022.

**INTERIM COUNCILLORS**

The following Councillors were appointed as interim Councillors from 1 November 2022:

**CHAIRPERSON:**

Miliswa Mtshali

**MEMBERS:**

Refiloe Mamogobo

**SENIOR MANAGEMENT**

As at 31 March 2023

- |  |                      |
|--|----------------------|
| 1. Town Clerk                            | Mathokoza Shongwe    |
| 2. Town Treasurer                        | Ntombizodwa Vilakati |
| 3. Environment and Public Health Manager | Xolile Maphanga      |
| 4. Town Engineer                         | Phutfuma Shongwe     |
| 5. Corporate Services Officer            | Patience Vilakati    |
| 6. Town Planner                          | Zwakele Dlamini      |

**LEGAL ADVISORS**

**S. V. Mdladla and Associates**

Postal address  
P.O. Box 3798  
Mbabane, Eswatini

Physical address  
Lot 306 Lomadvokola Chambers Cnr  
Lomadvokola & Nukwase Streets,  
Mbabane, Eswatini



**EZULWINI TOWN COUNCIL**

**COUNCILORS' REPORT (continued)**  
for the year ended 31 March 2023

**AUDITORS**

**PricewaterhouseCoopers**

**Postal address**

P.O. Box 569  
Mbabane  
Eswatini

**Physical address**

Rhus Office Park  
Mbabane  
Eswatini

**BANKERS**

**Standard Bank Eswatini Limited**

**Postal address**

P.O. Box A 294  
Swazi Plaza, Mbabane  
Eswatini

**Physical address**

1<sup>st</sup> Floor Corporate Place  
Swazi Plaza, Mbabane  
Eswatini

**First National Bank of Eswatini Limited**

**Postal address**

P.O. Box 1337  
Swazi Plaza, Mbabane  
Eswatini

**Physical address**

2<sup>nd</sup> Floor Sales House Building  
Swazi Plaza, Mbabane  
Eswatini

**Nedbank Swaziland Limited**

**Postal address**

P.O. Box 68  
Mbabane  
Eswatini

**Physical address**

3<sup>rd</sup> Floor Nedbank Centre  
Swazi Plaza, Mbabane  
Eswatini

**Swaziland Building Society**

**Postal address**

P.O. Box 300  
Mbabane  
Eswatini

**Physical address**

M4GV+2JW, Mdada Street,  
Mbabane  
Eswatini

**African Alliance**

**Postal address**

P.O. Box 5727  
Mbabane  
Eswatini

**Physical address**

2nd Floor Nedbank Centre. Suite 203  
and 204 Corner Dr. Sishayi and  
Sozisa Roads.  
Swazi Plaza, Mbabane  
Eswatini

**EZULWINI TOWN COUNCIL**

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**INCOME AND EXPENDITURE STATEMENT**  
for the year ended 31 March 2023

	Notes	2023 E	2022 E
Revenue	1	28 862 715	27 655 775
Direct cost	4	(7 160 311)	(5 107 078)
		<u>21 702 404</u>	<u>22 548 697</u>
Other operating income	2	3 213 677	2 466 813
Staff costs	3	(9 208 421)	(8 880 651)
Other operating costs	3	<u>(8 998 804)</u>	<u>(7 035 321)</u>
Operating surplus		6 708 856	9 099 538
Finance income	6	<u>2 010 842</u>	<u>1 809 843</u>
Surplus for the year		<u>8 719 698</u>	<u>10 909 381</u>

## EZULWINI TOWN COUNCIL

STATEMENT OF FINANCIAL POSITION  
at 31 March 2023

	Notes	2023 E	2022 E
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	<u>86 430 606</u>	<u>70 653 383</u>
		<u>86 430 606</u>	<u>70 653 383</u>
<b>Current assets</b>			
Trade and other receivables	7	<u>35 523 758</u>	<u>31 472 046</u>
Financial assets held at fair value	9	<u>16 182 384</u>	<u>15 064 263</u>
Cash and cash equivalents	8	<u>4 273 173</u>	<u>15 929 157</u>
		<u>55 979 315</u>	<u>62 465 466</u>
<b>Total assets</b>		<u><b>142 409 921</b></u>	<u><b>133 118 849</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Retained surplus		<u>82 085 808</u>	<u>73 366 110</u>
Revaluation reserve	10	<u>56 039 059</u>	<u>56 039 059</u>
<b>Total equity</b>		<u><b>138 124 867</b></u>	<u><b>129 405 169</b></u>
<b>Current liabilities</b>			
Trade and other payables	11	<u>3 207 830</u>	<u>1 814 432</u>
Employee benefits liabilities	12	<u>1 077 224</u>	<u>1 899 248</u>
		<u>4 285 054</u>	<u>3 713 680</u>
<b>Total liabilities</b>		<u><b>4 285 054</b></u>	<u><b>3 713 680</b></u>
<b>Total equity and liabilities</b>		<u><b>142 409 921</b></u>	<u><b>133 118 849</b></u>

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2023

	<b>Revaluation Reserve E</b>	<b>Retained Earnings E</b>	<b>Total E</b>
<b>Balance at 31 March 2022</b>	<b>56 039 059</b>	<b>73 366 110</b>	<b>129 405 169</b>
<b>Surplus for the year</b>	<b>-</b>	<b>8 719 698</b>	<b>8 719 698</b>
<b>Balance at 31 March 2023</b>	<b>56 039 059</b>	<b>82 085 808</b>	<b>138 124 867</b>
<b>Balance at 31 March 2021</b>	<b>56 039 059</b>	<b>62 456 729</b>	<b>118 495 788</b>
<b>Surplus for the year</b>	<b>-</b>	<b>10 909 381</b>	<b>10 909 381</b>
<b>Balance at 31 March 2022</b>	<b>56 039 059</b>	<b>73 366 110</b>	<b>129 405 169</b>

**STATEMENT OF CASH FLOWS**  
for the year ended 31 March 2023

	Notes	2023 E	2022 E
<b>The figures are not showing here</b>			
<b>Cash flow from operating activities</b>			
Cash generated from operations	13	7 056 768	10 415 038
Interest received	13.1	892 721	949 145
<b>Net cash inflow from operating activities</b>		<u>7 949 489</u>	<u>11 364 183</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	5	(19 628 455)	(2 561 801)
Proceeds from disposal of assets	5	22 982	3 754
<b>Net cash outflow from investing activities</b>		<u>(19 605 473)</u>	<u>(2 558 047)</u>
<b>Net decrease/(increase) in cash and cash equivalents</b>		(11 655 984)	8 806 136
<b>Cash and cash equivalents at the beginning of the year</b>		<u>15 929 157</u>	<u>7 123 021</u>
<b>Cash and cash equivalents at the end of the year</b>	8	<u>4 273 173</u>	<u>15 929 157</u>

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ended 31 March 2023

**1 General Information**

The Urban Government Act number 8 of 1969 provides the Council's functionality and mandate. Council has a responsibility to:

- Control, manage and administer the Town Council;
- Maintain and cleanse all public streets and open spaces vested in the Council or committed to its management;
- Abate all public nuisances;
- Safeguard public health & safety and provide sanitary services for removal and disposal of night soil, rubbish, carcasses of dead animals and all kinds of refuse;
- Establish or take over and maintain, subject to the extent of its resources, any public utility service which is authorized or required to maintain under any law, and which is required for the welfare, comfort and convenience of the public;
- Develop, control and manage any land vested in, owned or leased by the Council;
- Establish or take over and administer, subject to the extent of its resources, housing schemes for the inhabitants of the Town Council; and
- Generally, promote the public health & safety, welfare and convenience, and the development, of sanitation and amenities of the Town Council.

The audited financial statements include the statement of financial position, income and expenditure statement, statement of cash flow and related notes. These financial statements have been approved and authorised for issue by the Councillors.

**2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The financial statements have been prepared in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) and Section 33 of the Urban Government Financial Regulations Act of 1969. The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and financial assets and financial liabilities held-for-trading.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**  
for the year ended 31 March 2023

**2.1 Basis of preparation (continued)**

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. All amounts in the notes are shown in Emalangeni.

**2.2 Property, Plant and Equipment**

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are debited to the pertinent asset and credited to revaluation reserve in equity. These gains or losses are kept on the revaluation reserve and released to retained earnings on disposal of assets. Decreases that offset previous increases of the same asset are charged against the revaluation reserve.

**Depreciation**

All fixed assets are depreciated or amortised in the case of intangible assets. Property, plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value. Depreciation is initially calculated from the month, in which, a fixed asset is acquired or in the case of construction works and plant and machinery, the day following the day in which the fixed asset is brought into use.

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

<b>Asset Class</b>	<b>Rate Used</b>	<b>Asset Class</b>	<b>Rate Used</b>
Land and Buildings	0-4%	Roads	4%
Plant and Machinery	20%	Cell phones	33.33%
Furniture and Fixtures	10%	High mast lights	10%
Motor vehicles and Tractors	25%	Trailers	20%
Office equipment	10%	Car ports	5%
Computer equipment	33.33%		

**EZULWINI TOWN COUNCIL****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**  
for the year ended 31 March 2023**2.3 Investments**

The Council classifies its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a surplus from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short term is defined as 3 months.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the Statement of financial position date which are classified as current assets; during the period the Council did not hold any investments in this category.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the Statement of financial position date or unless they will need to be sold to raise operating capital, in which case they are included in current assets; during the period the Council did not hold any investments in this category.

Purchases and sales of investments are recognized on the trade date, which is the date that the Council commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortized cost using the effective yield method. Realized and unrealized gains and losses arising from changes in the fair value of trading investments and available-for-sale investments are included in the income statement in the period in which they arise.

**2.4 Trade receivables**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

**2.5 Cash and cash equivalents**

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)  
for the year ended 31 March 2023

**2.6 Employee benefits**

a) Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

b) Defined contribution plans

The Council pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Council has got no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

**2.7 Government grants**

Grants from the government are recognized at their fair value when there is a reasonable assurance that the grant will be received, and the Council will comply with all attached conditions.

Government grants for carrying out capital projects are not netted off against the cost of the capital projects but are instead accumulated in a capital grant received account which is classified under capital discharged in the Statement of financial position.

Government rates revenue received in respect of rates are offset against Government revenue debtors.

Other government revenue grants received are credited to the respective recipient votes.

**2.8 Provisions and contingent liabilities**

The Council recognises provisions, when:

- it has a present legal or constructive obligation as a result of past events, and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item, included in the same class of obligations may be small.

**EZULWINI TOWN COUNCIL****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**  
for the year ended 31 March 2023**2.8 Provisions and contingent liabilities (continued)**

The Council discloses a contingent liability where:

- it has a possible obligation arising from past events, the existence or non-existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise, or
- it is not probable that an outflow of resources will be required to settle an obligation, or
- the amount of the obligation cannot be measured with sufficient reliability.

**2.9 Revenue recognition**

Rates income is recorded on all ratable properties of the Council. The figures are extracted from the General Valuation Roll and amended from time to time when a Supplementary Valuation Roll is prepared.

Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Council.

**2.10 Related Parties**

Parties with common interest to the Council are regarded as related parties.

In considering each possible related-party relationship, attention is directed to the substance of the relationship and not merely the legal form.

If there have been transactions between related parties, the Council shall disclose the nature of the related party relationship as well as the following information for each related party relationship:

- The amount of the transactions;
- The amount of outstanding balances;
- Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement;
- Details of guarantees given or received;
- Provisions for doubtful debts related to the amount of outstanding balances; and
- The expense recognized during the year in respect of bad or doubtful debts due from related parties.

**3. Financial risk management*****Financial risk factors***

The Council's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, cash flow interest risk and price risk), credit risk and liquidity risk. The Council's overall risk management program seeks to maximize the returns derived for the level of risk to which the Council is exposed and seeks to minimize potential adverse effects on the Council's financial performance.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)  
for the year ended 31 March 2023

**3. Financial risk management** (continued)

*Financial risk factors* (continued)

The management of these risks is carried out by management under policies approved by the Councilors. The Councilors provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and the investment of excess liquidity.

The Council uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below:

**(a) Market risk**

**(i) Price risk**

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

As at 31 March 2023, the Council was not exposed to price risk.

**(ii) Foreign exchange risk**

Foreign currency exchange risk is the risk that the financial instruments that are denominated in foreign currency will fluctuate due to changes in foreign exchange rates.

As at 31 March 2023, the Council was not exposed to currency risk as there were no financial instruments that were denominated in foreign currency.

**(iii) Cash flow and fair value interest rate risk**

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

The Council has no significant interest-bearing assets. At year-end, all the borrowings were at floating rate. The Council therefore has no specific strategy in place to hedge against fluctuating interest rates.

**(b) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Council to incur a financial loss.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. The Council's cash equivalents and short-term deposits are placed in high quality financial institutions.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**  
for the year ended 31 March 2023

**3. Financial risk management (continued)**

**(b) Credit risk (continued)**

The Council has no significant concentrations of credit risk. The Council receivables are secured against the properties.

The carrying amounts of financial assets included in the Statement of financial position represent the Council's exposure to credit risk in relation to these assets.

The Council does not have any significant exposure to any individual customer or counterparty. The table below shows the balances of the major counterparties at Statement of financial position date.

	31 March 2023 E	31 March 2022 E
<b>Counterparty</b>		
Standard Bank Eswatini Limited	206 174	99 844
African Alliance	16 182 384	15 064 263
First National Bank of Eswatini Limited	72 197	49 927
Swaziland Building Society	3 852 588	15 645 185
Nedbank Swaziland Limited	127 114	57 960
	<u>20 440 457</u>	<u>30 917 179</u>
Accounts receivable	<u>35 523 758</u>	<u>31 472 046</u>
	<u>35 523 758</u>	<u>31 472 046</u>

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Council remains confident that the available cash resources and borrowing facilities will be sufficient to meet its funding requirements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)  
for the year ended 31 March 2023

**3. Financial risk management** (continued)

*Financial risk factors* (continued)

(c) *Liquidity risk* (continued)

The table below analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year E	Between 2 and 5 years E	Total
<b>At 31 March 2023</b>			
Trade and other payables	3 207 830	-	3 207 830
	<u>3 207 830</u>	<u>-</u>	<u>3 207 830</u>
<b>At 31 March 2022</b>			
Trade and other payables	1 814 432	-	1 814 432
	<u>1 814 432</u>	<u>-</u>	<u>1 814 432</u>

(d) *Legal risk*

Legal risk is the risk that the Council will be exposed to contractual obligations which have not been provided for.

The Council has a policy of ensuring that all contractual obligations are documented by the relevant parties to the contract.

As at 31 March 2023, the Council was not aware of any significant obligation not provided for.

(e) *Operational risk*

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The initiation of all transactions and their administration is conducted on the foundation of segregation of duties that has been designed to ensure materially the completeness, accuracy and validity of all transactions. These controls are augmented by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning. The internal control systems and procedures are also subjected to regular internal audit reviews.

**EZULWINI TOWN COUNCIL****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**  
for the year ended 31 March 2023**4. Critical accounting estimates and assumptions**

The Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There were no critical accounting estimates that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

**5. Fair value estimation**

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

**6. Financial assets****Classification**

The Council classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value and
- Those to be measured at amortized cost.

The classification depends on the Council's business model for managing the financial assets and the contractual terms of the cash flows.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost.

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income.

Assets that do not meet the criteria for amortized cost are measured at fair value through profit or loss.

The Council during the financial year and as at year end held financial assets classified as:

- Those measured at fair value through profit or loss.

**Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Council commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of the ownership.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**  
for the year ended 31 March 2023

**6. Financial assets (continued)**

**Measurement**

At initial recognition, the Council measures a financial asset classified at amortized cost at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in foreign exchange (loss/gain). Impairment losses are presented as part of administrative expenses in the statement of comprehensive income.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2023

	2023 E	2022 E
<b>1 Revenue</b>		
Revenue is comprised of the following:		
Assessment rates		
- Commercial Rates	11 870 165	9 932 131
- Residential Rates	7 189 758	7 413 022
- Rates to Government	3 919 516	3 735 898
- Hospitality Rates	5 883 276	6 574 724
	<u>28 862 715</u>	<u>27 655 775</u>
<b>2 Other operating income</b>		
Advertising	215 400	170 000
Skip Collections	1 107 550	847 390
Scrutiny income	73 851	177 067
Sundry Income	943 876	443 006
Government Subvention	873 000	829 350
	<u>3 213 677</u>	<u>2 466 813</u>

The subvention received is comprised of amounts received from the Government of Eswatini during the year to finance operational costs.



## EZULWINI TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2023

	2023 E	2022 E
<b>3 Other Operating Expenses</b>		
Advertising and promotions	347 118	433 775
Annual Report	15 850	10 014
Audit Fees - Internal and External	292 359	430 147
Bad debts movement	730 323	697 781
Bank charges	252 126	249 022
Cleaning	62 277	47 551
Computer maintenance & accessories	-	47 622
Consulting and professional fees	116 886	-
Depreciation	452 719	366 529
Employee costs	9 208 421	8 880 651
Encroachment survey	400 000	140 000
Environmental Management	662 218	203 739
Hospitality expenses	65 984	105 416
HIV Programs	176 089	212 982
Information Management Systems	602 206	276 681
Insurance	411 655	376 381
Legal expenses	45 602	181 528
Loss on disposal of assets	67 976	5 611
Medical expenses	32 764	35 894
Motor Vehicle Petrol & Oil	898 156	583 165
Motor vehicle repairs & maintenance	316 930	279 910
Printing and stationery	125 000	109 092
Protective clothing	17 215	104 647
Recruitment expenses	125 915	46 465
Repairs and maintenance	126 366	186 354
Security	420 706	266 047
Sitting allowances	403 583	517 793
Social Centre Support	67 332	33 000
Social welfare	15 650	16 903
Special programs	380 527	352 000
Strategic Planning & Budgeting	78 197	132 088
Subscriptions	97 397	171 519
Team building exercise	50 049	18 196
Telephone and fax	221 053	248 191
Training	81 488	31 280
Travelling expenses	144 276	10 946
Utilities	120 920	107 052
Council elections	348 965	-
SAIMSA/ESIGA Games	124 927	-
Management System	100 000	-
	<u>18 207 225</u>	<u>15 915 972</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2023

	<b>2023</b>	<b>2022</b>
	<b>E</b>	<b>E</b>
<b>4 Direct Costs</b>		
Depreciation	<b>3 306 939</b>	3 078 927
Electricity - Streetlight & Highmasts	<b>488 569</b>	482 964
Maintenance-High Mast and Street Lights	<b>262 678</b>	84 461
Maintenance and improvements Of Roads Infrastructure	<b>1 153 335</b>	348 230
Protective clothing	<b>184 270</b>	121 949
Valuation expense	<b>-</b>	199 975
Local Economic Development Program	<b>168 679</b>	69 158
Health and Safety Costs	<b>100 885</b>	60 213
Refuse management costs	<b>713 459</b>	560 909
Signage	<b>53 781</b>	100 292
Consulting Fee - Town Planning	<b>727 716</b>	-
	<b><u>7 160 311</u></b>	<b><u>5 107 078</u></b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2023

**5 Property, plant and equipment**

	2023		2022									
	Cost / Valuation		Accumulated depreciation		Carrying value		Cost / Valuation		Accumulated depreciation		Carrying value	
	E	E	E	E	E	E	E	E	E	E	E	E
Land and Buildings	17 722 479	(163 438)	17 559 041	2 610 000	-	2 610 000						2 610 000
Roads	86 383 363	(21 894 519)	64 488 844	82 662 826		82 662 826		(19 270 899)				63 391 927
Plant and Machinery	523 118	(258 689)	264 429	523 118		523 118		(192 582)				330 536
Furniture and Fixtures	794 011	(331 953)	462 058	644 011		644 011		(296 199)				347 812
Motor vehicles and Tractors	5 717 775	(3 963 532)	1 754 243	5 421 699		5 421 699		(3 452 803)				1 968 896
Office equipment	1 036 076	(448 306)	587 770	927 430		927 430		(403 804)				523 626
Cell phones	39 898	(11 217)	28 681	61 494		61 494		(28 868)				32 626
Computer equipment	1 482 659	(1 063 325)	419 334	1 505 053		1 505 053		(974 045)				531 008
Car ports	315 753	(106 548)	209 205	315 753		315 753		(95 537)				220 216
High mast lights	1 196 538	(880 734)	315 804	1 196 538		1 196 538		(845 645)				350 893
Skip bins	862 115	(520 918)	341 197	795 367		795 367		(449 524)				345 843
<b>Total</b>	<b>116 073 785</b>	<b>(29 643 179)</b>	<b>86 430 606</b>	<b>96 663 289</b>		<b>96 663 289</b>		<b>(26 009 906)</b>				<b>70 653 383</b>

## EZULWINI TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2023

## 5 Property, plant and equipment

## Reconciliation of property, plant and equipment – 2023

Asset Class	Opening balance		Additions		Disposal		Depreciation		Total	
	E	E	E	E	E	E	E	E	E	E
Land and Buildings	2 610 000	15 112 479	-	-	(163 438)	17 559 041				
Roads	63 391 927	3 720 537	-	-	(2 623 620)	64 488 844				
Plant and Machinery	330 536	-	-	-	(66 107)	264 429				
Furniture and Fixtures	347 812	150 000	-	-	(35 754)	462 058				
Motor vehicles and Tractors	1 968 896	296 076	-	-	(510 729)	1 754 243				
Office equipment	523 626	163 621	(47 004)	(52 473)	587 770					
Cell phones	32 626	27 399	(20 077)	(11 267)	28 681					
Computer equipment	531 008	91 595	(24 492)	(178 777)	419 334					
Car ports	220 216	-	-	(11 011)	209 205					
High mast lights	350 893	-	-	(35 089)	315 804					
Skip bins	345 843	66 748	-	(71 394)	341 197					
<b>Total</b>	<b>70 653 383</b>	<b>19 628 455</b>	<b>(91 573)</b>	<b>(3 759 659)</b>	<b>86 430 606</b>					

Amount received from disposals in the current year is E22 982.

## EZULWINI TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2023

## 5 Property, plant and equipment (continued)

## Reconciliation of property, plant and equipment - 2022

Asset Class	Opening balance E	Additions E	Disposals E	Depreciation E	Total E
Land and Buildings	2 610 000	-	-	-	2 610 000
Roads	66 033 258	-	-	(2 641 331)	63 391 927
Plant and Machinery	65 702	286 965	-	(22 131)	330 536
Furniture and Fixtures	370 344	15 519	-	(38 051)	347 812
Motor vehicles and Tractors	533 240	1 751 404	-	(315 748)	1 968 896
Office equipment	510 953	69 359	-	(56 686)	523 626
Cell phones	35 730	19 998	(9 361)	(13 741)	32 626
Computer equipment	667 689	109 781	-	(246 462)	531 008
Car ports	231 807	-	-	(11 591)	220 216
High mast lights	389 881	-	-	(38 988)	350 893
Skip bins	97 798	308 775	-	(60 730)	345 843
<b>Total</b>	<b>71 546 402</b>	<b>2 561 801</b>	<b>(9 361)</b>	<b>(3 445 459)</b>	<b>70 653 383</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2023

	Notes	2023 E	2022 E
<b>6 Finance income</b>			
Interest income		<u>2 010 842</u>	<u>1 809 843</u>
		<u>2 010 842</u>	<u>1 809 843</u>
<b>7 Trade and other receivables</b>			
Assessment rates		40 116 902	35 405 163
Provision for doubtful debts - rates	7.1	<u>(4 663 923)</u>	<u>(3 933 600)</u>
Staff debtors		35 452 979	31 471 563
Prepayments		13 800	483
		<u>56 979</u>	<u>-</u>
		<u>35 523 758</u>	<u>31 472 046</u>
<b>7.1 Provision for doubtful debts</b>			
Opening balance		(3 933 600)	(3 235 819)
Movement in provision for the current year		<u>(730 323)</u>	<u>(697 781)</u>
		<u>(4 663 923)</u>	<u>(3 933 600)</u>

The carrying values of all the receivables above approximate their fair values.

## EZULWINI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2023

	2023 E	2022 E
<b>8 Cash and cash equivalents</b>		
Cash at bank	4 258 073	15 852 916
Cash in hand	1 471	566
Deposits in transit	13 629	75 675
	<u>4 273 173</u>	<u>15 929 157</u>
Cash and cash equivalent include the following for the purpose of cash flow:		
Cash on hand and at bank	<u>4 273 173</u>	<u>15 929 157</u>
<b>9 Financial assets held at fair value</b>		
African Alliance Asset Management	<u>16 182 384</u>	<u>15 064 263</u>
Reconciliation of financial assets held at fair value		
Opening	15 064 263	14 203 565
Interest earned	1 118 121	860 698
	<u>16 182 384</u>	<u>15 064 263</u>
<b>10 Other reserves</b>		
Land and buildings - Revaluation	1 158 553	1 158 553
Capital Reserves - Projects	22 665 655	22 665 655
Roads - Revaluation	32 214 851	32 214 851
	<u>56 039 059</u>	<u>56 039 059</u>
Refer to the "statement of changes in equity" for the analysis of the movement in reserves.		

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2023

	2023 E	2022 E
<b>11 Trade and other payables</b>		
Trade creditors	422 536	429 362
Unidentified deposits	79 285	79 285
Other payable	<u>2 706 009</u>	<u>1 305 785</u>
	<u>3 207 830</u>	<u>1 814 432</u>
<b>12 Provision for employee benefits</b>		
<b>Terminal benefits</b>		
Opening balance	1 899 248	1 783 209
Current year charge	926 486	635 012
Provision reversed during the year	(742 436)	-
Utilized during the year	<u>(1 006 074)</u>	<u>(518 973)</u>
<b>Closing balance</b>	<u>(1 077 224)</u>	<u>1 899 248</u>

The provision is in relation to gratuity which is payable to staff at the end of the first 3-year contract and then payable annually thereafter. A provision is raised annually for every clerical staff under contract based on the rate stipulated in their employment contract multiplied by their basic pay. Councilors are also entitled to ex-gratia benefits which is for 5 years for every councilor, a provision is raised annually for every councilor at 25% of total annual income.



## EZULWINI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2023

	2023 E	2022 E
<b>13 Notes to the statement of cash flows</b>		
Reconciliation of the surplus for the year to cash generated from operations:		
Surplus for the year	8 719 698	10 909 381
Adjustments:		
Depreciation (Note 5)	3 759 658	3 445 459
Loss on disposal (Note 5)	68 592	5 607
Interest received (Note 6)	(2 010 842)	(1 809 843)
Provisions	-	635 012
	<u>10 537 106</u>	<u>13 185 616</u>
Working capital movement	(3 480 338)	(2 770 578)
Increase in trade and other receivables	(4 051 712)	(2 337 433)
Increase in trade and other payables	1 393 398	85 827
Increase in employee benefit liabilities	(822 024)	(518 973)
	<u>7 056 768</u>	<u>10 415 038</u>
<b>13.1 Reconciliation of interest income</b>		
Interest income for investments held at fair value (Note 10)	1 118 121	860 698
Investment income from call accounts	892 721	949 145
Interest income total (Note 6)	<u>2 010 842</u>	<u>1 809 843</u>
<b>14 Events after the reporting period</b>		
The councillors are not aware of any other material event which occurred after the reporting date and up to the date of this report which would affect the amounts or disclosures in the annual financial statements.		

## EZULWINI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2023

	2023 E	2022 E
<b>15 Related Parties</b>		
Related parties to the Town Council relate to the Government of Eswatini and the Councilors. In the current year the town council had the following transactions with its related parties		
<b>15.1 Income</b>		
Rates billed to government (Note 1)	<u>3 919 516</u>	<u>3 735 898</u>
Government Subvention (Note 2)	<u>873 000</u>	<u>829 350</u>
Rates billed to Councilors included in note 1	<u>165 176</u>	<u>139 712</u>
<b>15.2 Expenditures</b>		
Councilors sitting allowances (Note 3)	<u>403 583</u>	<u>517 793</u>
The Town Council also had the following balances as at year end with its related parties		
<b>15.3 Amounts receivable from related parties as at year end</b>		
Receivable from government	9 704 663	7 949 310
Receivable from Councilors	<u>87 875</u>	<u>65 545</u>
	<u>9 792 538</u>	<u>8 014 855</u>
<b>15.4 Amounts payable to related parties as at year end</b>		
Gratuity provision	<u>417 683</u>	<u>395 162</u>
	<u>417 683</u>	<u>395 162</u>