SIYA PHAMBILI - ASIJIKI

JOE GQABI

DISTRICT MUNICIPALITY

UNAUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2022

JOE GQABI DISTRICT MUNICIPALITY

INDEX

JOE GQABI DISTRICT MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Joe Gqabi District Municipality performs the functions as set out in the Constitution. (Act no 108 of 1996)

LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Joe Gqabi District Municipality includes the following areas:

Walter Sisulu Local Municipality (Burgersdorp, Venterstad, Steynsburg, Maletswai (Aliwal North) and James Calata (Jamestown))
Senqu Local Municipality (Lady Grey, Sterkspruit, Rhodes, Rossouw, Herschel and Barkly East)
Elundini Local Municipality (NqanqaRhu (Maclear), Ugie and Tlokoeng (Mt Fletcher))

MEMBERS OF THE MAYORAL COMMITTEE

Position	Up to 8 November 2021	From 9 November 2021
Executive Mayor	Z I Dumzela	NP Mposelwa
Speaker	T Z Notyeke	M Bomela
Portfolio head: Financial Services	E M Lakabane	NU Hlatuka
Portfolio head: Technical Services	S Mei	SE Ntsoelinyane
Portfolio head: Corporate Services	L N Gova	N Mabunu
Portfolio head: Community Services	D D Mvumvu	A Skoti

MUNICIPAL MANAGER

Mr Z A Williams	Up to 31 May 2022
Mr M P Nonjola	Acting from 1 June 2022

CHIEF FINANCIAL OFFICER

Ms S du Toit

OTHER DIRECTORS AND SENIOR MANAGERS DIRECTLY REPORTING TO THE ACCOUNTING OFFICER

Mr R J Fortuin	- Director: Technical Services	
Ms F J Sephton	- Director: Community Services	(Resigned 31 January 2022)
Mr H Z Jantjie	- Director: Corporate Services	
Mr M P Nonjola	- Director: Institutional support and advancement	Acting Municipal Manager 1 June 2022
Ms N Mshumi	- Chief Operations Officer	
Mr D Lusawana	- Manager Water Service provider	

JOE GQABI DISTRICT MUNICIPALITY

GENERAL INFORMATION

REGISTERED OFFICE

C/o Cole and Graham Street, Barkley East, 9786

POSTAL ADDRESS

P/Bag X102, Barkley East, 9786

AUDITORS

Office of the Auditor General (EC)

PRINCIPLE BANKERS

ABSA, PO Box 323, Bloemfontein, 9300

ATTORNEYS

Clark Laing Inc

AUDIT COMMITTEE

C Sparg	- Chairperson	
L Smith	- Member	
A Jordan	- Member	
B Mbewu	- Member	Appointed 30 June 2022 - Effective 1 July 2022

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Labour Relation Amendment Act (Act 6 of 2014)
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations
Municipal Regulation on Standard Chart of Accounts (mSCOA)

RELEVANT LEGISLATION (CONTINUED)

Disaster Management Act 57 of 2002
Fire Brigade Services Act 99 of 1987
Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972
National Veld and Forest Fire Act 101 of 1998
National Water Act 36 of 1998
National Health Act of 1997
Occupational Health and Safety Act and Regulation 85 of 1993
Municipal Cost Containment Regulations, 2019

MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL - PROPORTIONAL ELECTED COUNCILLORS

Position	Up to 8 November 2021	From 9 November 2021
Executive Mayor	Z I Dumzela	NP Mposelwa
Speaker	T Z Notyeke	M Bomela
Councillors: JGDM	EM Lakabane	SE Ntoelinyane
	D Mvumvu	A Skoti
	S Mei	S Mei
	L N Gova	N Mabunu
	NU Hlathuka	NU Hlatuka
	N Ngendane	NR Lengs
	AM van Zyl	AM van Zyl
	M Yiliwe	SG Maroahae

MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL - REPRESENTATIVE COUNCILLORS

Municipality	Up to 8 November 2021	From 9 November 2021
Senqu Local Municipality	AP Kwinana	N Ngendane
	M Phuza	S Mfisa
	NP Mposelwa	N Nyongwana
	VV Stokhwe	L Ndakisa
	XG Magcai	M Moahloli
	NM Phama	NM Phama
Elundini Local Municipality	Z Mampintsha	FM Maqanda
	M Telile	Z Mampintsha
	M Marubela	M Siphamla
	S Mdoda	S Mdoda
	L Pili	M Telile
	N Ntaopane	L Pili
Walter Sisulu Local Municipality	V Davids	V Davids
	L Nkunzi	NS Mathetha
	E Theron	E Theron

APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2022, which are set out on pages 1 to 118 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2023 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

31 August 2022

MR MP Nonjola **Date**
Acting Municipal Manager

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Notes	2022 R (Actual)	2021 R (Restated)
ASSETS			
Total Current Assets		**507 747 943**	**388 979 052**
Current Assets		**26 760 703**	**7 312 218**
Cash and Cash Equivalents	2	24 931 312	5 242 699
Inventory	3	1 829 391	2 069 519
Current Assets from Exchange Transactions		**467 359 749**	**368 457 065**
Receivables from Exchange Transactions	4	467 359 749	368 457 065
Current Assets from Non-Exchange Transactions		**13 627 491**	**13 209 768**
Unpaid Conditional Government Grants	5	13 627 491	13 209 768
Total Non-Current Assets		**1 941 849 565**	**1 846 054 470**
Non-Current Investments	6	3 947 510	3 853 509
Investment Property	7	1 919 843	2 302 236
Property, Plant And Equipment	8	1 935 981 174	1 839 896 649
Intangible Assets	9	1 038	2 076
Total Assets		**2 449 597 508**	**2 235 033 522**
Total Current Liabilities		**264 752 162**	**184 124 251**
Current Liabilities		**40 743 539**	**47 433 572**
Current Employee Benefits	10	40 743 539	47 433 572
Current Liabilities from Exchange Transactions		**221 769 659**	**131 643 972**
Current Portion of Long-Term Liabilities	11	60 755 295	675 200
Consumer Deposits	12	1 376 986	1 130 826
Payables from Exchange Transactions	13	158 811 900	126 868 682
South African Revenue Services	14	825 478	2 969 264
Current Liabilities from Non-Exchange Transactions		**2 238 964**	**5 046 707**
Unspent Conditional Government Grants	15	2 238 964	5 046 707
Total Non-Current Liabilities		**37 409 488**	**36 143 606**
Non-Current Liabilities		**36 111 980**	**34 092 685**
Employee Benefits	16	36 111 980	34 092 685
Non-Current Liabilities from Exchange Transactions		**1 297 508**	**2 050 921**
Long-Term Liabilities	11	1 297 508	2 050 921
Total Liabilities		**302 161 649**	**220 267 857**
Net Assets		**2 147 435 858**	**2 014 765 666**
Community Wealth			
Accumulated Surplus	17	2 147 435 858	2 014 765 666
Total Community Wealth		**2 147 435 858**	**2 014 765 666**

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2022

REVENUE	Notes	2022 R (Actual)	2021 R (Restated)
REVENUE FROM NON-EXCHANGE TRANSACTIONS		**572 478 907**	**580 276 486**
Transfer Revenue		**569 948 717**	**579 605 023**
Government Grants and Subsidies - Capital	**18**	163 022 437	138 097 910
Government Grants and Subsidies - Operating	**18**	405 866 450	441 377 113
Contributed Assets	**19**	1 059 830	-
Public Contributions and Donations	**20**	-	130 000
Other Revenue		**2 530 190**	**671 463**
Actuarial Gains	**21**	2 530 190	671 463
REVENUE FROM EXCHANGE TRANSACTIONS		**204 039 032**	**200 982 624**
Operating Activities		**204 039 032**	**200 982 624**
Service Charges	**22**	149 016 569	162 323 390
Interest Earned - External Investments	**23**	2 055 681	1 935 082
Interest Earned - Outstanding Debtors	**24**	50 221 151	32 521 664
Other Income	**25**	2 745 630	4 202 489
TOTAL REVENUE		**776 517 939**	**781 259 110**
EXPENDITURE			
Employee Related Costs	**26**	256 688 602	253 880 912
Remuneration of Councillors	**27**	5 719 138	5 971 927
Debt Impairment	**28**	77 355 226	82 422 656
Depreciation and Amortisation	**29**	65 361 127	57 947 872
Impairments	**30**	2 637 786	617 221
Actuarial Losses	**31**	-	1 364 056
Repairs and Maintenance	**32**	9 594 944	10 527 961
Finance Charges	**33**	6 193 765	3 629 547
Bulk Purchases	**34**	7 022 022	5 300 478
Contracted Services	**35**	37 030 632	29 953 390
Transfers and Grants	**36**	5 000 000	7 500 000
VIP Toilet Expenditure	**37**	39 000 693	49 659 301
Other Expenditure	**38**	113 039 403	103 685 117
Inventory Adjustments	**39**	78 686	15 164
Loss on Disposal of PPE	**40**	19 125 722	1 844 861
TOTAL EXPENDITURE		**643 847 746**	**614 320 464**
NET SURPLUS FOR THE YEAR		**132 670 192**	**166 938 646**

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2022

	ACCUMULATED SURPLUS R	TOTAL R
Balance on 30 June 2020	**1 875 163 992**	**1 875 163 992**
Prior period adjustment - Refer to note 41.07	(27 336 972)	(27 336 972)
Restated Balance on 30 June 2020	**1 847 827 020**	**1 847 827 020**
Net Surplus for the Year	166 938 646	166 938 646
Balance on 30 June 2021	**2 014 765 666**	**2 014 765 666**
Net Surplus for the Year	132 670 192	132 670 192
Balance on 30 June 2022	**2 147 435 858**	**2 147 435 858**

JOE GQABI DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2022

	Notes	2022 R (Actual)	2021 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Service Charges		24 782 534	19 149 163
Other Revenue		4 212 420	6 346 296
Government - Operating		402 640 985	439 359 073
Government - Capital		163 022 437	141 559 756
Interest		1 961 681	1 841 081
Payments			
Suppliers		(180 971 776)	(214 921 912)
Employees		(268 466 718)	(251 177 767)
Finance Charges		(299 894)	(378 348)
Transfers and Grants		(5 000 000)	(7 500 000)
NET CASH FROM OPERATING ACTIVITIES	**42**	**141 881 670**	**134 277 343**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments			
Purchase of Property, Plant and Equipment		(181 765 899)	(150 057 534)
NET CASH USED INVESTING ACTIVITIES		**(181 765 899)**	**(150 057 534)**
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
New Loans Raised		60 000 000	-
Increase in Consumer Deposits		246 160	100 875
Payments			
Loans Repaid		(673 319)	(601 917)
NET CASH FROM/(USED) FINANCING ACTIVITIES		**59 572 841**	**(501 043)**
NET INCREASE/(DECREASE) IN CASH HELD		**19 688 612**	**(16 281 235)**
Cash and Cash Equivalents at the beginning of the year		5 242 699	21 523 934
Cash and Cash Equivalents at the end of the year	**43**	24 931 312	5 242 699
NET INCREASE/(DECREASE) IN CASH HELD		**19 688 612**	**(16 281 235)**

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2022 R (Actual)	2022 R (Final Budget)	2022 R (Variance)
ASSETS			
Current Assets			
Cash	3 335 609	4 347 018	(1 011 409)
Call Investment Deposits	21 595 703	5 000 000	16 595 703
Consumer Debtors	463 193 742	554 284 265	(91 090 523)
Other Receivables	17 793 498	13 074 059	4 719 439
Inventory	1 829 391	2 262 754	(433 363)
Total Current Assets	**507 747 943**	**578 968 096**	**(71 220 153)**
Non Current Assets			
Investments	3 947 510	8 751 594	(4 804 084)
Investment Property	1 919 843	2 252 839	(332 996)
Property, Plant and Equipment	1 935 981 174	1 855 934 167	80 047 007
Intangible Assets	1 038	198 145	(197 107)
Total Non-Current Assets	1 941 849 565	1 867 136 745	74 712 820
TOTAL ASSETS	**2 449 597 508**	**2 446 104 841**	**3 492 667**
LIABILITIES			
Current Liabilities			
Borrowing	60 755 295	968 850	59 786 445
Consumer Deposits	1 376 986	870 952	506 034
Trade and Other Payables	161 876 343	93 783 823	68 092 520
Provisions and Employee Benefits	40 743 539	6 541 618	34 201 921
Total Current Liabilities	**264 752 163**	**102 165 243**	**162 586 920**
Non-Current Liabilities			
Borrowing	1 297 508	158 956 390	(157 658 882)
Provisions and Employee Benefits	36 111 980	22 621 739	13 490 241
Total Non-Current Liabilities	**37 409 488**	**181 578 129**	**(144 168 641)**
TOTAL LIABILITIES	**302 161 650**	**283 743 372**	**18 418 278**
NET ASSETS	**2 147 435 858**	**2 162 361 469**	**(14 925 611)**
COMMUNITY WEALTH			
Accumulated Surplus	2 147 435 858	2 162 361 469	(14 925 611)
TOTAL COMMUNITY WEALTH/EQUITY	**2 147 435 858**	**2 162 361 469**	**(14 925 611)**

Refer to note 44.2 for further details relating to material variances.

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

ADJUSTMENTS TO APPROVED BUDGET

	2022 R (Original Budget)	2022 R (Adjustments)	2022 R (Final and Approved Budget)
ASSETS			
Current assets			
Cash	4 347 018	-	4 347 018
Call Investment Deposits	5 000 000	-	5 000 000
Consumer Debtors	554 284 265	-	554 284 265
Other Receivables	13 074 059	-	13 074 059
Inventory	2 262 754	-	2 262 754
Total Current Assets	**578 968 096**	**-**	**578 968 096**
Non-Current Assets			
Investments	8 751 594	-	8 751 594
Investment Property	2 252 839	-	2 252 839
Property, Plant And Equipment	1 851 233 516	4 700 651	1 855 934 167
Intangible Assets	158 145	40 000	198 145
Total Non Current Assets	**1 862 396 094**	**4 740 651**	**1 867 136 745**
TOTAL ASSETS	**2 441 364 190**	**4 740 651**	**2 446 104 841**
LIABILITIES			
Current Liabilities			
Borrowing	968 850	-	968 850
Consumer Deposits	870 952	-	870 952
Trade and Other Payables	95 400 088	(1 616 265)	93 783 823
Provisions and Employee Benefits	6 541 618	-	6 541 618
Total Current Liabilities	**103 781 508**	**(1 616 265)**	**102 165 243**
Non Current Liabilities			
Borrowing	160 558 390	(1 602 000)	158 956 390
Provisions and Employee Benefits	22 621 739	-	22 621 739
Total Non-Current Liabilities	**183 180 129**	**(1 602 000)**	**181 578 129**
TOTAL LIABILITIES	**286 961 637**	**(3 218 265)**	**283 743 372**
NET ASSETS	**2 154 402 553**	**7 958 916**	**2 162 361 469**
COMMUNITY WEALTH			
Accumulated Surplus	2 154 402 553	7 958 916	2 162 361 469
TOTAL COMMUNITY WEALTH/EQUITY	**2 154 402 553**	**7 958 916**	**2 162 361 469**

Refer to note 44.2 for further details relating to material variances.

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2022

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2022 R (Actual)	2022 R (Final Budget)	2022 R (Variance)
REVENUE BY SOURCE			
Service Charges - Water Revenue	126 120 055	150 361 776	(24 241 721)
Service Charges - Sanitation Revenue	22 896 514	33 596 955	(10 700 441)
Interest Earned - External Investments	2 055 681	7 693 556	(5 637 875)
Interest Earned - Outstanding Debtors	50 221 151	47 889 826	2 331 325
Licences and Permits	-	80 000	(80 000)
Agency Services	463 164	540 000	(76 836)
Transfers Recognised - Operational	405 866 450	393 226 386	12 640 064
Other Revenue	2 282 466	8 361 240	(6 078 774)
Gains	2 530 190	6 342 687	(3 812 497)
TOTAL OPERATING REVENUE	**612 435 672**	**648 092 426**	**(35 656 754)**
EXPENDITURE BY TYPE			
Employee Related Costs	254 422 862	259 293 687	(4 870 825)
Remuneration of Councillors	5 719 138	6 715 188	(996 050)
Debt Impairment	77 355 226	80 950 285	(3 595 059)
Depreciation & Asset Impairment	65 361 127	78 180 879	(12 819 752)
Finance Charges	6 193 765	8 055 500	(1 861 735)
Inventory Consumed	22 066 802	29 302 265	(7 235 463)
Contracted Services	102 594 096	109 124 961	(6 530 865)
Transfers and Grants	5 038 865	5 616 971	(578 106)
Other Expenditure	83 253 672	116 661 514	(33 407 842)
Losses	21 842 194	1 292 484	20 549 710
TOTAL OPERATING EXPENDITURE	**643 847 746**	**695 193 734**	**(51 345 988)**
OPERATING DEFICIT FOR THE YEAR	**(31 412 074)**	**(47 101 308)**	**15 689 234**
Transfers Recognised - Capital	163 022 437	185 550 907	(22 528 470)
Contributed Assets	1 059 830	-	1 059 830
NET SURPLUS FOR THE YEAR	**132 670 192**	**138 449 599**	**(5 779 407)**

Refer to note 44.2 for further details relating to material variances.

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2022

ADJUSTMENTS TO APPROVED BUDGET

	2022 R (Original Budget)	2022 R (Adjustments)	2022 R (Final and Approved Budget)
REVENUE BY SOURCE			
Service Charges - Water Revenue	150 266 776	95 000	150 361 776
Service Charges - Sanitation Revenue	33 596 952	3	33 596 955
Interest Earned - External Investments	7 693 556	-	7 693 556
Interest Earned - Outstanding Debtors	47 889 822	4	47 889 826
Licences and Permits	80 000	-	80 000
Agency Services	400 000	140 000	540 000
Transfers Recognised - Operational	397 578 250	(4 351 864)	393 226 386
Other Revenue	8 361 236	4	8 361 240
Gains	6 450 177	(107 490)	6 342 687
TOTAL OPERATING REVENUE	**652 316 769**	**(4 224 343)**	**648 092 426**
EXPENDITURE BY TYPE			
Employee Related Costs	251 640 022	7 653 665	259 293 687
Remuneration of Councillors	6 715 188	-	6 715 188
Debt Impairment	80 950 285	-	80 950 285
Depreciation & Asset Impairment	124 465 439	(46 284 560)	78 180 879
Finance Charges	10 657 500	(2 602 000)	8 055 500
Inventry Consumed	27 153 047	2 149 218	29 302 265
Contracted Services	114 285 950	(5 160 989)	109 124 961
Transfers and Grants	5 720 848	(103 877)	5 616 971
Other Expenditure	84 925 632	31 735 882	116 661 514
Losses	-	1 292 484	1 292 484
TOTAL OPERATING EXPENDITURE	**706 513 911**	**(11 320 177)**	**695 193 734**
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	**(54 197 142)**	**7 095 834**	**(47 101 308)**
Transfers Recognised - Capital	174 150 250	11 400 657	185 550 907
NET SURPLUS FOR THE YEAR	**119 953 108**	**18 496 491**	**138 449 599**

Refer to note 44.2 for further details relating to material variances.

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2022

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2022 R (Actual)	2022 R (Final Budget)	2022 R (Variance)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Service Charges	24 782 534	92 701 418	(67 918 884)
Other Revenue	4 212 420	8 441 236	(4 228 816)
Government - Operating	402 640 985	404 718 020	(2 077 035)
Government - Capital	163 022 437	174 150 000	(11 127 563)
Interest	1 961 681	7 693 556	(5 731 875)
Payments			
Suppliers and Employees	(449 438 493)	(540 564 417)	91 125 924
Finance Charges	(299 894)	(10 657 500)	10 357 606
Transfers and Grants	(5 000 000)	(5 720 848)	720 848
NET CASH FROM OPERATING ACTIVITIES	**141 881 670**	**130 761 465**	**11 120 205**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Capital Assets	(181 765 899)	(264 442 103)	82 676 204
NET CASH USED IN INVESTING ACTIVITIES	**(181 765 899)**	**(264 442 103)**	**82 676 204**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
New Loans Raised	60 000 000	135 000 000	(75 000 000)
Increase in Consumer Deposits	246 160	99 000	147 160
Payments			
Loans Repaid	(673 319)	(969 000)	295 681
NET CASH FROM FINANCING ACTIVITIES	**59 572 841**	**134 130 000**	**(74 557 159)**
NET INCREASE IN CASH HELD	**19 688 612**	**449 362**	**19 239 250**
Cash and Cash Equivalents at the beginning of the year	5 242 699	8 898 000	(3 655 301)
Cash and Cash Equivalents at the end of the year	24 931 312	9 347 362	15 583 950
NET INCREASE IN CASH HELD	**19 688 612**	**449 362**	**19 239 250**

Refer to note 44.2 for further details relating to material variances.

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2022

ADJUSTMENTS TO APPROVED BUDGET

	2022 R (Original Budget)	2022 R (Adjustments)	2022 R (Final and Approved Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Service Charges	92 701 418	-	92 701 418
Other Revenue	8 441 236	-	8 441 236
Government - Operating	397 578 250	7 139 770	404 718 020
Government - Capital	174 150 250	(250)	174 150 000
Interest	7 693 556	-	7 693 556
Payments			
Suppliers and Employees	(546 035 000)	5 470 583	(540 564 417)
Finance Charges	(10 657 500)	-	(10 657 500)
Transfers and Grants	(5 720 848)	-	(5 720 848)
NET CASH FROM OPERATING ACTIVITIES	**118 151 362**	**12 610 103**	**130 761 465**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Capital Assets	(252 801 000)	(11 641 103)	(264 442 103)
NET CASH USED IN INVESTING ACTIVITIES	**(252 801 000)**	**(11 641 103)**	**(264 442 103)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
New Loans Raised	135 000 000	-	135 000 000
Increase in Consumer Deposits	99 000	-	99 000
Payments			
Loans Repaid	-	(969 000)	(969 000)
NET CASH FROM FINANCING ACTIVITIES	**135 099 000**	**(969 000)**	**134 130 000**
NET INCREASE IN CASH HELD	**449 362**	**-**	**449 362**
Cash and Cash Equivalents at the beginning of the year	8 898 000	-	8 898 000
Cash and Cash Equivalents at the end of the year	9 347 362	-	9 347 362
NET INCREASE IN CASH HELD	**449 362**	**-**	**449 362**

Refer to note 44.2 for further details relating to material variances.

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 GOING CONCERN ASSUMPTION

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

1.05 COMPARATIVE INFORMATION

1,05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1,05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1,08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality resolved to early adopt the Improvements to the Standards of GRAP (2020) which were issued but are not yet effective. The improvements affected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 5	Borrowing Costs	1 April 2023
GRAP 13	Leases	1 April 2023
GRAP 16	Investment Property	1 April 2023
GRAP 17	Property Plant and Equipment	1 April 2023
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2023
GRAP 31	Intangible Assets	1 April 2023
GRAP 32	Service Concession Arrangements: Grantor	1 April 2023
GRAP 37	Joint Arrangements	1 April 2023
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	1 April 2023
Directive 7	The Application of Deemed Cost	1 April 2023
Guideline	Accounting for Landfill Sites	1 April 2023

The Municipality also resolved to early adopt the following Interpretation of the Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
iGRAP 21	The Effect of Past Decisions on Materiality	1 April 2023

The Municipality further resolved to early adopt the following Amendments to the Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 1 (2019)	Presentation of Financial Statements	1 April 2023

The effect of the above-mentioned pronouncements to the Standards of GRAP which were early adopted is considered insignificant. The early adopted pronouncements mainly relate to the clarification of accounting principles.

The Municipality further resolved not to early adopt the following Standard of GRAP which was issued but is not yet effective:

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

1,08.1 GRAP 104 (Revised 2019) - Financial Instruments (effective 1 April 2025)

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. This Standard was revised to align it with IFRS 9 on Financial Instruments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1,08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but is not yet effective and the Minister of Finance has not yet determined an effective date for implementation, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1,08.2.1 GRAP 25 (Revised 2021) - Employee Benefits

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. This Standard was revised to align it with IPSAS 39 on Employee Benefits.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant

1,08.2.2 GRAP 103 (Revised 2022) - Heritage Assets

The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.

Preliminary investigations indicate that this revised Standard will not have a significant impact due to the fact that there are no significant heritage assets under the control of the municipaliy.

1,08.2.3 iGRAP 7 (Revised 2021) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

This Interpretation addresses the following:

(a) When refunds or reductions in future contributions should be regarded as available in accordance with the definition of the asset ceiling.
(b) How a minimum funding requirement might affect the availability of reductions in future contributions.

No significant impact is expected as the Municipality’s current treatment is already to a large extent in line with the Interpretation's requirements.

1.09 INVESTMENT PROPERTY

1,09.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

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 and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

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

1,09.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1,09.3 Depreciation – Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

1.09 INVESTMENT PROPERTY (CONTINUED)

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	20 - 30
Land	Indefinite

1,09.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1,09.5 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.10 PROPERTY, PLANT AND EQUIPMENT

1,10.1 Initial Recognition

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

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

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

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

1,10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1,10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.
Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis.

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Infrastructure	
Sewerage Network	7 - 118
Water Network	8 - 101
Land and Buildings	
Land	Indefinite
Buildings	20 - 30
Other Assets	
Special Vehicles	10 – 16
Motor vehicles	5 – 17
Office Equipment	7 – 15
Furniture and Fittings	7 – 16
Tool and Equipment	5 – 15
Computer Equipment	3 – 17
Fire Engines	5 – 12

1,10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1,10.5 Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.11 INTANGIBLE ASSETS

1,11.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only 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.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) its intention to complete the intangible asset and use or sell it;
(c) its ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits or service potential;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1,11.2 Subsequent Measurement - Cost Model

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

1,11.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

1.11 INTANGIBLE ASSETS (CONTINUED)

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in the Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	3 - 10

1,11.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1,11.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.12 IMPAIRMENT OF NON-MONETARY ASSETS

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

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

1,12.1 Recoverable amount of Cash-generating assets

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

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

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1,12.2 Recoverable amount of Non-cash-generating assets

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

1,12.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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

1.12 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

1,12.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

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

1.13 INVENTORIES

1,13.1 Initial Recognition

Inventories are assets:
(a) in the form of materials or supplies to be consumed in the production process;
(b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
(c) held for sale or distribution in the ordinary course of operations; or
(d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

1.13 INVENTORIES (CONTINUED)

1,13.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount 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 expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

1.14 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

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

1,14.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.14 EMPLOYEE BENEFITS (CONTINUED)

1,14.1.1 Multi-employer defined benefit plans

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1,14.1.2 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1,14.2 Long-term Benefits

1,14.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

1.14 EMPLOYEE BENEFITS (CONTINUED)

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1,14.2.2 Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1,14.3 Short-term Benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1,14.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

1.14 EMPLOYEE BENEFITS (CONTINUED)

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1,14.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

1,14.3.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.15 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

1.15 PROVISIONS (CONTINUED)

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.16 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.

1,16.1 Municipality as Lessee

1,16.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1,16.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1,16.2 Municipality as Lessor

1,16.2.1 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

1.17 FINANCIAL INSTRUMENTS

1,17.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1,17.2 Subsequent Measurement

Financial instruments are categorised as follow:

(a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.

(b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.

(c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:

- (i) derivatives;
- (ii) combined instruments that are designated at fair value;
- (iii) instruments held for trading;
- (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.17 FINANCIAL INSTRUMENTS (CONTINUED)

1,17.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1,17.3.1 Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1,17.3.2 Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

1,17.4 Derecognition of financial instruments

1,17.4.1 Financial assets

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.17 FINANCIAL INSTRUMENTS (CONTINUED)

1,17.4.2 Financial liabilities

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1,17.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.18 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1,18.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

1,18.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1,18.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

1.18 STATUTORY RECEIVABLES (CONTINUED)

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1,18.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

1.19 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.20 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.21 SOUTH AFRICAN REVENUE SERVICES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

1.22 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.24 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND UNSPENT PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality’s interest it is recognised as interest earned in the Statement of Financial Performance.

1.25 UNPAID CONDITIONAL GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants and subsidies.

1.26 NON-CURRENT INVESTMENTS

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.27 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1,27.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1,27.1.1 Transfer Revenue

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1,27.1.2 Insurance Receipts

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

1.27 REVENUE (CONTINUED)

1,27.1.3 Unclaimed deposits

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

1,27.1.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1,27.1.5 Services in-kind

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1,27.1.6 Contributed Assets

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1,27.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

1,27.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

1.27 REVENUE (CONTINUED)

Service charges relating to water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property. These service charges are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved and are levied on a monthly basis.

1,27.2.2 Investment income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1,27.2.3 Rental income

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1,27.2.4 Income from Agency Services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1,27.2.5 Other Tariffs

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

1.27 REVENUE (CONTINUED)

1,27.2.6 Sale of goods

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

(a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
(b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
(c) The amount of revenue can be measured reliably.
(d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1,27.2.7 Deferred payment

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.28 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.29 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 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), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.33 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34 EVENTS AFTER REPORTING DATE

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

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.35 RELATED PARTIES

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

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

Management is considered a related party and comprises those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

The Municipality is exempt from the disclosure requirements in relation to related party transactions if that transactions occurs within the normal supplier and/or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Municipality to have adopted if dealing with that individual entity or person in the same circumstances, and the terms and conditions are within the normal operating parameters established by Municipality's legal mandate.

Where the Municipality is exempt from the disclosures in accordance with the above-mentioned paragraph, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable to users of the financial statements to understand the effect of related party transactions.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm’s length and not on normal commercial terms, are disclosed.

1.36 ACCOUNTING BY PRINCIPALS AND AGENTS

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

1.36 ACCOUNTING BY PRINCIPALS AND AGENTS (CONTINUED)

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

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

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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

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

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

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

(a) It does not have the power to determine the significant terms and conditions of the transaction.

(b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
(c) It is not exposed to variability in the results of the transaction.

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

Where the Municipality acts as a principle, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

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

The Municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

1.37 LIVING AND NON-LIVING RESOURCES

Living resources are those resources that undergo biological transformation which comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, is not recognised. The Standard only requires disclosure of the relevant resources.

The Municipality has assessed that it does not control any living resources.

1.38 SEGMENT REPORTINGS

A segment is an activity of the Municipality:

(a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same Municipality);
(b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
(c) for which separate financial information is available.

Management comprises those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation.

Financial information relating to the reporting segments are aligned to the financial information distributed to management on a regular basis (similar basis of preparation). This information is utilised to measure performance of the relevant services provided by the municipality and also to ensure that resources are appropriately allocated to various departments/segments to provide high quality services to the community.

Adjustments and eliminations made in preparing the Municipality's financial statements, which includes the allocation basis of revenues and expenses, are prepared on a similar basis as the information distributed to management on a regular basis.

Financial information distributed to management does not include a segment/department analysis of assets and liabilities associated with each segment/department. In line with this principle utilised during the financial year, the segment reporting included in the financial statements are prepared on a similar basis which excludes such an analysis. Assets and liabilities are reported on for the municipality as a whole.

Management reviews capital expenditure/performance on a regular basis and accordingly the relevant information is reported on per segment.

1.39 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality’s accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1,39.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1,39.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1,39.3 Useful lives and residual values

The useful lives of assets are based on management’s estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1,39.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

1.39 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

1,39.5 Post-Retirement, Long-term Benefits and Ex gratia gratuities

The cost of post retirement medical obligations, long-service awards and Ex gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1,39.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

1,39.7 Distinguishing between Financial Instruments and Statutory Receivables

The Municipality analyses the terms and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgement is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

1,39.8 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.39 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1,39.9 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

1,39.10 Recognition and Derecognition of Land

In order for land to be meet the definition of an asset, the Municipality must be able to prove that control is being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substantive right for an unlimited period through a binding arrangement.

The above-mentioned assessment is subject to management's judgements and assumptions are applied to conclude that the Municipality controls land.

1,39.11 Applying materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality’s circumstances. The assessment of materiality therefore requires management to apply judgement about:

(a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.

(b) How the nature or size or both, of the information could reasonably be expected to influence users’ decisions.

1,39.12 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1,39.13 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

		2022	2021
		R	R
2	**CASH AND CASH EQUIVALENTS**		
	Primary Bank Account	3 264 009	182 197
	Call and short-term investments deposits	21 595 703	4 988 902
	Cash floats	300	300
	Petty cash	71 300	71 300
	Total	**24 931 312**	**5 242 699**

Due to the short term nature of cash deposits, all balances included above is in line with their fair value.

Cash and Cash Equivalents are held to support the following commitments:

	2022	2021
Unspent Conditional Grants	2 238 964	5 046 707
Less: Unpaid Conditional Grants	(13 627 491)	(13 209 768)
Resources available for internal distribution	36 319 838	13 405 761
Total	**24 931 312**	**5 242 699**

Primary Bank Account

ABSA Bank - Barkly East Branch - 23 800 000 19

	2022	2021
Bank Statement Balance - Opening Balance	182 197	(371 950)
Bank Statement Balance - Closing Balance	3 264 009	182 197
Cashbook Balance - Opening Balance	5 209 725	(371 950)
Cashbook Balance - Closing Balance	3 264 009	5 209 725

Call and short-term investments deposits

Call and Notice Deposits consist of the following accounts:

	2022	2021
ABSA - Acc no 9084169245	5 349 406	4 849 016
ABSA - Acc no 9185426744	12 885 408	10 155
ABSA - Acc no 9072226158	59 668	58 203
ABSA - Acc no 9122637071	1 427	1 415
ABSA - Acc no 9270029895	1 914	1 898
ABSA - Acc no 9276836949	3 297 880	68 215
Total	**21 595 703**	**4 988 902**

Interest between 2.5% and 4.6% (2021 - 3.50% and 4.65%) were attracted by these short term deposits.

		2022 R	2021 R
3	**INVENTORY**		
	Fuel and oil – at cost	337 033	357 173
	Stationery and materials - at cost	146 651	266 612
	Spare parts - at cost	835 903	857 243
	Water stock - net realisable value	509 805	588 491
	Total	**1 829 391**	**2 069 519**

No inventory were pledged as security for liabilities.

Fuel were purchased on a needs basis as from March 2017 resulting in the decrease on the inventory recognised as an expense during the year.

	2022	2021
Inventory recognised as an expense during the year.	161 442	100 893
Inventory Adjustments made for the year (loss)	78 686	15 164

Water inventory Consumed - In terms of Grap 12.50
Some entities adopt a format for surplus or deficit that results in amounts being disclosed other than the cost of inventories recognised as an expense during the period. Under this format, an entity presents an analysis of expenses using a classification based on the nature of expenses. In this case, the entity discloses the costs recognised as an expense for raw materials and consumables, labour costs and other costs together with the amount of the net change in inventories for the period. Included in the following line items are expenses related to inventory consumed and inventory losses during the year:

Nature of expenditure:

	2022	2021
Bulk purchases	7 022 022	5 300 478
Contracted Services	17 786 142	12 113 869
Depreciation and Amortisation	49 508 075	44 510 938
Employee related cost	106 979 039	98 555 464
Other Expenditure	24 116 572	40 159 332
Repairs and Maintenance	3 562 957	3 279 357
Total cost	**208 974 806**	**203 919 437**
The above cost can be classified as follows:		
Inventory consumed	160 588 012	154 052 569
Inventory loss - Refer to note 46	48 386 794	49 866 868
	208 974 806	**203 919 437**

Council took a decision to replace the conventional water meters with pre paid water meters. Below are the detail of the meters procured and balance in store at year end. The cost of the meters were expensed during the year.

	2022	2021
Number of pre paid meters procured for the period:	-	-
Number of pre paid meters in stores at year end:	10	2 062

4 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2022

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	**970 523 864**	**505 683 558**	**464 840 307**
Water	749 075 932	383 663 897	365 412 036
Sewerage	206 769 557	108 987 850	97 781 707
Walter Sisulu Local Municipality	14 678 375	13 031 811	1 646 564
Other Receivables	**4 344 081**	**1 824 638**	**2 519 443**
Deposits	144 961	-	144 961
Staff and other debtors	4 199 120	1 824 638	2 374 482
Total	**974 867 945**	**507 508 196**	**467 359 749**

30 JUNE 2021

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	**787 102 885**	**422 458 367**	**364 644 518**
Water	599 208 688	317 552 495	281 656 193
Sewerage	173 215 822	91 874 061	81 341 761
Walter Sisulu Local Municipality	14 678 375	13 031 811	1 646 564
Other Receivables	**5 810 870**	**1 998 323**	**3 812 547**
Working for Wetlands	1 870 293	-	1 870 293
Deposits	144 961	-	144 961
Staff and other debtors	3 192 643	1 998 323	1 194 319
Joe Gqabi Economic Development Agency	602 974	-	602 974
Total	**792 913 756**	**424 456 691**	**368 457 065**
Balance Previously Reported	**804 196 170**	**426 338 757**	**377 857 413**
Prior Period Adjustment - Refer to note 41.01	(11 282 414)	(1 882 066)	(9 400 348)
Restated balance on 30 June 2021	**792 913 756**	**424 456 691**	**368 457 065**

Walter Sisulu Local Municipality (Previously known as Gariep Local Municipality and Maletswai Local Municipality) owe the Municipality for revenue received for water and sanitation as per the billing agreement.

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 2% is charged on overdue accounts.

		2022	2021
		R	R
4	**RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)**		
	Ageing of service receivables:		
	Water Ageing		
	Current (0 - 30 days)	18 431 724	14 817 425
	Past Due (31 - 60 Days)	25 939 320	49 610 810
	Past Due (61 - 90 Days)	15 651 126	11 866 707
	Past Due (90 Days +)	689 053 762	522 913 746
	Total	**749 075 932**	**599 208 688**
	Sewerage Ageing		
	Current (0 - 30 days)	3 581 701	3 050 681
	Past Due (31 - 60 Days)	6 781 911	11 743 543
	Past Due (61 - 90 Days)	3 196 153	2 183 496
	Past Due (90 Days +)	193 209 792	156 238 103
	Total	**206 769 557**	**173 215 822**
	Other Services Ageing		
	Current (0 - 30 days)	82 067	89 998
	Past Due (31 - 60 Days)	73 294	71 502
	Past Due (61 - 90 Days)	89 208	67 238
	Past Due (90 Days +)	18 777 886	20 260 508
	Total	**19 022 456**	**20 489 246**
	Total Service Receivables Ageing		
	Current (0 - 30 days)	22 095 492	17 958 104
	Past Due (31 - 60 Days)	32 794 525	61 425 855
	Past Due (61 - 90 Days)	18 936 488	14 117 441
	Past Due (90 Days +)	901 041 440	699 412 357
	Total	**974 867 945**	**792 913 756**
	Reconciliation of Allowance for impairment		
	Balance at the beginning of the year	424 456 691	337 123 631
	Contribution to the provision	92 787 838	93 219 132
	Water	74 920 361	81 184 850
	Sewerage	18 041 162	14 455 000
	Walter Sisulu Local Municipality	-	(2 377 809)
	Staff and other debtors	(173 686)	(42 909)
	Bad Debts Written off	(9 736 333)	(5 886 072)
	Water	(8 808 959)	(4 500 908)
	Sewerage	(927 373)	(1 381 454)
	Staff and other debtors	-	(3 710)
	Balance at the end of the year	**507 508 196**	**424 456 691**

4 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

	2022 R	2021 R
5 UNPAID CONDITIONAL GOVERNMENT GRANTS		
National Government	4 648 543	4 648 543
Balance Previously Reported		6 883 543
Prior Period Adjustment - Refer to note 41.02		(4 187 660)
Provincial Government	8 978 948	8 561 225
Total Unpaid Grants	**13 627 491**	**13 209 768**

Unpaid Conditional Grants and Receipts consist out of the following:

	2022	2021
Accelerated Community Infrastructure Programme (ACIP)	85 103	85 103
Municipal Infrastructure Grant (MIG)	4 563 240	4 563 240
Municipal Systems Improvement Grant (MSIG)	200	200
Public Works - Special Programme	6 347 799	5 930 077
Environmental Health PR actioners	2 023 387	2 023 387
Provincial Treasury drought relief programme	607 761	607 761
Total Unpaid Grants	**13 627 491**	**13 209 768**

6 NON-CURRENT INVESTMENTS

	2022	2021
Financial Instruments		
Fixed Deposits	2 053 454	1 959 454
Unlisted		
Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055
Cost	6 886 141	6 886 141
Provision for Impairment	(4 992 086)	(4 992 086)
Total	**3 947 510**	**3 853 509**

Fixed deposit consist of the following accounts:

	2022	2021
ABSA - Account number 660000135 - DBSA Loan	**2 053 454**	**1 959 454**

The fixed deposit serve as collateral security for the DBSA Building loan - Refer to note 11

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.13% per annum. (2021 - 9.13%). Interest rates are considered to be market related. The carrying amount of these fixed deposits approximates their fair value.

6 NON-CURRENT INVESTMENTS (CONTINUED)

Investments are made in terms of the Municipality's Cash Management and Investment Policy, as required by Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA). The purpose of the entity is to promote economic development in the district.

Prior to 1 July 2012, JoGEDA was still in its establishment phase. All contributions made by the Municipality during the establishment phase was capitalised as part of the investment. In the 2012/13 year, JoGEDA became operational as a result thereof, contributions made by the Municipality are no longer capitalised. These contributions are treated as Grants and Subsidies Paid.

The provision for impairment is based on the difference between the amount invested and the net asset value of JoGEDA at a time when the Agency had other income than only being funded by the Municipality. The value was not revalued in the last three financial years due to the municipality being the sole funders. The provision for impairment is calculated on an annual basis. Net asset value of JoGEDA as disclosed in their annual financial statements is R 4 574 493 (2021 - R 10 421 728 (Restated in the prior year from R 5 340 277).

7 INVESTMENT PROPERTY

	2022 R	2021 R
Investment Property - Carrying Value	**1 919 843**	**2 302 236**
The movement in investment properties is reconciled as follows:		
Opening Carrying Value	**2 302 236**	**2 347 732**
Cost	2 883 357	2 883 357
Accumulated Depreciation	(581 120)	(535 625)
Depreciation for the year	(45 496)	(45 496)
Impairment	(336 898)	-
Closing Carrying Value	**1 919 843**	**2 302 236**
Cost	2 883 357	2 883 357
Accumulated Depreciation	(626 616)	(581 120)
Accumulated Impairment	(336 898)	-

No revenue derived from the rental of investment property.

No operating expenditure was incurred on investment property during the 2020/2021 and 2021/2022 financial years on investment properties.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The impairment charge relates to 2 properties where the condition of the improvements deteriorated to such an extent that there are no future economic benefits associated with these assets.

8 PROPERTY PLANT AND EQUIPMENT

Reconciliation of Carrying Value:

30 June 2022	**Cost**					**Accumulated Depreciation**				**Accumulated Impairment**				
	Opening Balance R	**Additions R**	**Write Offs R**	**Transfers R**	**Closing Balance R**	**Opening Balance R**	**Additions R**	**Write Offs R**	**Closing Balance R**	**Opening Balance R**	**Additions R**	**Write Offs R**	**Closing Balance R**	**Carrying Value R**
Land and Buildings	**17 787 494**	**-**	**-**	**-**	**17 787 494**	**8 293 045**	**577 208**	**-**	**8 870 253**	**-**	**-**	**-**	**-**	**8 917 241**
Land	2 043 000	-	-	-	2 043 000	-	-	-	-	-	-	-	-	2 043 000
Buildings	15 744 494	-	-	-	15 744 494	8 293 045	577 208	-	8 870 253	-	-	-	-	6 874 241
Infrastructure	**2 440 846 914**	**181 449 196**	**(43 000 915)**	**-**	**2 579 295 195**	**623 652 397**	**63 227 803**	**(23 921 358)**	**662 958 842**	**983 146**	**2 300 888**	**(549 083)**	**2 734 951**	**1 913 601 402**
Sewerage network	467 730 707	-	(32 849 157)	29 874 977	464 756 527	142 146 090	13 719 729	(16 839 270)	139 026 548	524 714	1 342 783	(129 760)	1 737 737	323 992 242
Water network	1 553 569 426	1 059 830	(10 151 758)	93 095 976	1 637 573 474	481 506 308	49 508 075	(7 082 088)	523 932 294	458 432	958 105	(419 323)	997 214	1 112 643 966
Work in Progress	419 546 781	180 389 366	-	(122 970 953)	476 965 194	-	-	-	-	-	-	-	-	476 965 194
Other Assets	**44 313 000**	**1 376 533**	**(3 428 860)**	**-**	**42 260 672**	**30 015 688**	**1 509 583**	**(2 832 933)**	**28 692 337**	**106 483**	**-**	**(678)**	**105 804**	**13 462 531**
Office Equipment	2 613 217	49 216	(542 604)	-	2 119 829	2 086 062	71 681	(535 483)	1 622 260	-	-	-	-	497 569
Furniture & Fittings	3 841 417	-	(451 532)	-	3 389 885	3 054 475	86 317	(457 199)	2 683 593	2 488	-	(254)	2 234	704 058
Motor Vehicles	14 882 676	493 529	(614 629)	-	14 761 576	9 400 895	294 105	(372 933)	9 322 067	-	-	-	-	5 439 509
Fire Engines	10 228 477	-	-	-	10 228 477	8 135 280	71 924	-	8 207 203	-	-	-	-	2 021 273
Computer Equipment	5 194 449	833 788	(1 604 979)	-	4 423 258	2 664 195	537 858	(1 261 505)	1 940 548	-	-	-	-	2 482 710
Special Vehicles	4 101 916	-	-	-	4 101 916	2 512 858	311 012	-	2 823 870	-	-	-	-	1 278 046
Tools and Equipment	3 450 847	-	(215 116)	-	3 235 732	2 161 923	136 685	(205 812)	2 092 795	103 994	-	(424)	103 570	1 039 367
Total	**2 502 947 408**	**182 825 729**	**(46 429 775)**	**-**	**2 639 343 362**	**661 961 130**	**65 314 594**	**(26 754 291)**	**700 521 433**	**1 089 629**	**2 300 888**	**(549 761)**	**2 840 755**	**1 935 981 174**

8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2021	**Cost**					**Accumulated Depreciation**				**Accumulated Impairment**				
	Opening Balance R	**Additions R**	**Write Offs R**	**Transfers R**	**Closing Balance R**	**Opening Balance R**	**Additions R**	**Write Offs R**	**Closing Balance R**	**Opening Balance R**	**Additions R**	**Write Offs R**	**Closing Balance R**	**Carrying Value R**
Land and Buildings	**17 787 494**	**-**	**-**	**-**	**17 787 494**	**7 705 292**	**587 753**	**-**	**8 293 045**	**-**	**-**	**-**	**-**	**9 494 449**
Land	2 043 000	-	-	-	2 043 000	-	-	-	-	-	-	-	-	2 043 000
Buildings	15 744 494	-	-	-	15 744 494	7 705 292	587 753	-	8 293 045	-	-	-	-	7 451 449
Infrastructure	**2 294 953 191**	**149 561 108**	**(3 667 385)**	**-**	**2 440 846 914**	**569 758 955**	**55 715 967**	**(1 822 524)**	**623 652 397**	**472 408**	**510 738**	**-**	**983 146**	**1 816 211 370**
Sewerage network	405 926 049	-	(1 390 821)	63 195 478	467 730 707	131 728 883	11 205 029	(787 822)	142 146 090	422 287	102 428	-	524 714	325 059 903
Water network	1 505 189 685	-	(2 276 565)	50 656 306	1 553 569 426	438 030 072	44 510 938	(1 034 702)	481 506 308	50 121	408 310	-	458 432	1 071 604 686
Work in Progress	383 837 457	149 561 108	-	(113 851 784)	419 546 781	-	-	-	-	-	-	-	-	419 546 781
Other Assets	**43 816 574**	**496 426**	**-**	**-**	**44 313 000**	**28 424 700**	**1 590 987**	**-**	**30 015 688**	**-**	**106 483**	**-**	**106 483**	**14 190 829**
Office Equipment	2 613 217	-	-	-	2 613 217	2 008 985	77 077	-	2 086 062	-	-	-	-	527 154
Furniture & Fittings	3 841 417	-	-	-	3 841 417	2 965 936	88 539	-	3 054 475	-	2 488	-	2 488	784 454
Motor Vehicles	14 882 676	-	-	-	14 882 676	9 021 381	379 513	-	9 400 895	-	-	-	-	5 481 781
Fire Engines	10 228 477	-	-	-	10 228 477	8 052 913	82 366	-	8 135 280	-	-	-	-	2 093 197
Computer Equipment	4 698 024	496 426	-	-	5 194 449	2 175 755	488 441	-	2 664 195	-	-	-	-	2 530 254
Special Vehicles	4 101 916	-	-	-	4 101 916	2 201 832	311 025	-	2 512 858	-	-	-	-	1 589 058
Tools and Equipment	3 450 847	-	-	-	3 450 847	1 997 897	164 025	-	2 161 923	-	103 994	-	103 994	1 184 931
Total	**2 356 557 259**	**150 057 534**	**(3 667 385)**	**-**	**2 502 947 408**	**605 888 948**	**57 894 707**	**(1 822 524)**	**661 961 130**	**472 408**	**617 221**	**-**	**1 089 629**	**1 839 896 649**

Balance Previously Reported	**2 356 255 070**	**150 189 908**	**(3 667 385)**	**-**	**2 502 777 592**	**608 586 602**	**57 754 060**	**(1 822 524)**	**664 518 137**	**472 408**	**617 221**	**-**	**1 089 629**	**1 837 169 826**
Prior Period Adjustment	302 189	(132 374)	-	-	169 815	(2 697 654)	140 647	-	(2 557 007)	-	-	-	-	2 726 822
Restated on 30 June 2021	**2 356 557 259**	**150 057 534**	**(3 667 385)**	**-**	**2 502 947 408**	**605 888 948**	**57 894 707**	**(1 822 524)**	**661 961 130**	**472 408**	**617 221**	**-**	**1 089 629**	**1 839 896 649**

Refer to note 41.03 for more detail relating to prior period adjustments.

There are 27 assets included in the Infrastructure fixed asset register with a Zero carrying value. The initial capital cost of these assets were cumulatively below R300 000

The detail of the Work in progress follows. No depreciation was recorded against these assets as they are still under construction.

8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of Work in Progress

30 June 2022 Project Name	Opening Balance R	Expenditure Incurred (VAT Exclusive) R	Completed R	Closing Balance R	Civil R	Electrical R	Mechanical R	Other R	Project started	Number of years project is on WIP	Comment
Ugie Bulk Water Infrastructure Phase B	779 473	-	-	779 473	-	-	-	779 473	2014/15	3	Phase B In planning phase. No delays
LADY GREY BULK WATER SUPPLY	30 852 934	-	(30 852 934)	-	-	-	-	-	2010/11	4	Completed and unbundled in the FAR for this financial year.
RBIG - LADY GREY BULK WATER	13 132 410	-	-	13 132 410	11 945 421	395 663	791 326	-	2015/16	5	Delay in approval of IRS by National DWS due to design queries.
MT FLETCHER BULK WATER SUPPLY-PHASE 2	37 182 224	-	-	37 182 224	34 453 125	1 634 688	1 094 411	-	2010/11	11	Delay in close out to death of consultant and transfer processes
UPGRADING STERKSPRUIT WATER TREATMENT WORKS	34 143 112	4 468 098	-	38 611 210	33 818 355	492 247	4 300 608	-	2010/11	11	Linked with Project 73. Delay in completion of Herschel pipeline due to contractor's dispute
JAMESTOWN BUCKET ERADICATION & SANITATION - PHASE 2	17 494 400	29 228 919	-	46 723 319	40 899 322	598 150	5 225 847	-	2010/11	4	Multi-year project. Final construction phase underway. Project progressing well.
MACLEAR BULK SANITATION INFRASTRUCTURE UPGRADE	6 127 523	31 485 025	-	37 612 548	25 600 356	2 002 032	10 010 160	-	2012/13	5	No delays. Multi-year project. Phase 3B in construction phase.
ORIO & MIG ELUNDINI RURAL WATER PROGRAMME	16 531 379	26 603 757	-	43 135 136	43 135 136	-	-	-	2012/13	5	No delays. Multi-year project. No delays. Project in design phase.
WSOS STERKSPRUIT WTW REFURBISHMENT	146 751	-	-	146 751	146 751	-	-	-	2012/13	11	Linked with Project 59. Delay in completion of Herschel pipeline due to contractor's dispute
SENQU RURAL WATER SUPPLY	80 727 983	15 645 751	-	96 373 733	87 283 730	-	9 090 003	-	2013/14	8	Multi-year project. Construction phase underway. Minor delay due to slow approval of funds.
MACLEAR BULK WATER INFRASTRUCTURE UPGRADE (All Phases)	22 127 269	21 171 991	-	43 299 260	40 701 305	432 993	2 164 963	-	2013/14	3	Multi-year project. Progressing well. One phase still delayed due to court interdict
RBIG - Sterkspruit Bulk Sanitation - started 2015	8 442 678	825 352	-	9 268 030	8 711 948	92 680	463 401	-	2014/15	4	Delay in approval of IRS by National DWS due to design queries.
WSOS - Refurbishment of Oviston WTW Phase 1	7 441 422	-	(7 441 422)	-	-	-	-	-	2015/16	7	Linked with Project 109. Completed and unbundled in the FAR for this financial year.
MIG-Refurbishment of Oviston Water Treatment Works	2 214 300	237 996	(2 452 296)	-	-	-	-	-	2020/21	2	Linked with Project 98. Completed and unbundled in the FAR for this financial year.
WSIG -EMPILISWENI HOSPITAL EMERGENCY SEWER WORKS	4 492 727	-	(4 492 727)	-	-	-	-	-	2016/17	6	Completed and unbundled in the FAR for this financial year.
WSIG - REFURBISH BURGERSDORP SEWAGE MANAGEMENT SYSTEM (Pu	1 854 271	-	-	1 854 271	1 854 271	-	-	-	2016/17	6	No delays. To be finalized in 2022/23.
WSIG - BURGERSDORP EMERGENCY SEWER PROJECT (Pipelines)	4 233 802	-	(4 233 802)	-	-	-	-	-	2016/17	6	Completed and unbundled in the FAR for this financial year.
TELEMETRY SYSTEM	16 477 226	-	(16 477 226)	-	-	-	-	-	2017/18	5	Completed and unbundled in the FAR for this financial year.
STERKSPRUIT SEWERAGE AND EXPENDITURE CAPITALISE	5 415 547	-	(5 415 547)	-	-	-	-	-	2018/19	4	Completed and unbundled in the FAR for this financial year.
Refurbish WTWs	28 381 843	12 894 973	(541 875)	40 734 942	7 119 865	6 548 391	26 193 566	873 119	2017/18	5	No delays. Construction phase underway. Partial unbundling done.
Augment clear water storage	10 407 379	12 757 593	-	23 164 973	23 164 973	-	-	-	2017/18	5	No delays. Construction phase underway.
Bulk meters	3 555 926	-	-	3 555 926	-	-	3 555 926	-	2017/18	5	No delays. To be finalized in 2022/23.
MIG PLANNING STUDIES	930 587	-	-	930 587	-	-	-	930 587	2012/13	10	No delays. Planning studies
Refurbishment of Venterstad & Oviston WWTW	2 680 635	-	(2 680 635)	-	-	-	-	-	2019/20	3	Completed and unbundled in the FAR for this financial year.
Refurbishment of Aliwal North & Burgersdorp WWTW	3 896 154	-	-	3 896 154	-	797 724	3 098 430	-	2019/20	3	No delays. To be finalized in 2022/23.
Refurbishment of Mt Fletcher WTW	727 827	-	-	727 827	-	-	727 827	-	2019/20	3	No delays. To be finalized in 2022/23.
Electro-mechanical Assets Replacement	4 296 951	-	-	4 296 951	-	2 148 475	2 148 475	-	2019/20	3	No delays. To be finalized in 2022/23.

8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

Other Assets **Project Name**	**Opening Balance** **R**	**Expenditure Incurred (VAT Exclusive)** **R**	**Completed** **R**	**Closing Balance** **R**	**Civil** **R**	**Electrical** **R**	**Mechanical** **R**	**Other** **R**	**Project started**	**Number of years project is on WIP**	**Comment**
Elundini Drought Relief Mitigation	5 438 542	-	(5 438 542)	-	-	-	-	-	2019/20	3	Completed and unbundled in the FAR for this financial year.
District Wide Drought Relief Mitigation	9 894 218	11 510 897	(8 288 806)	13 116 310	2 292 537	2 108 527	8 434 109	281 137	2019/20	3	No delays. Construction phase underway. Partial unbundling done.
Jamestown WTW	2 839 448	-	(2 839 448)	-	-	-	-	-	2019/20	3	Completed and unbundled in the FAR for this financial year.
Ugie Pipeline	1 442 164	-	(1 442 164)	-	-	-	-	-	2019/20	3	Completed and unbundled in the FAR for this financial year.
Herschel Booster Pumps	2 081 834	-	(2 081 834)	-	-	-	-	-	2019/20	3	Completed and unbundled in the FAR for this financial year.
Refurbishment of Burgersdorp Water Treatment Works	5 217 372	1 746 861	(6 964 233)	-	-	-	-	-	2020/21	2	Completed and unbundled in the FAR for this financial year.
Water Supply Joe Gqabi Township	702 028	1 096 633	(1 798 661)	-	-	-	-	-	2020/21	2	Completed and unbundled in the FAR for this financial year.
Rural Rudimentary Water Supply (Mt Fletcher, Maclear and Ugie)	8 483 193	1 521 211	(656 452)	9 347 952	1 695 692	1 559 588	5 884 726	207 945	2020/21	2	No delays. Construction phase underway. Partial unbundling done.
Aliwal North Pipeline Replacement	1 799 532	-	(1 799 532)	-	-	-	-	-	2020/21	2	Completed and unbundled in the FAR for this financial year.
District Wide Refurbishment of WWTW	-	8 100 869	-	8 100 869	1 415 912	1 302 264	5 209 057	173 635	2020/21	2	No delays. Construction phase underway.
Steynsburg Pipeline Replacement	4 020 550	-	(4 020 550)	-	-	-	-	-	2020/21	2	Completed and unbundled in the FAR for this financial year.
Rehabilitation of Burgersdorp WWTW	12 933 165	119 102	(13 052 267)	-	-	-	-	-	2020/21	2	Completed and unbundled in the FAR for this financial year.
Emergency Repairs to the Ugie Water Treatment works sedimentation tank	-	974 339	-	974 339	-	-	-	974 339	2021/22	1	No delays. Project in construction phase.
Total	**419 546 781**	**180 389 366**	**(122 970 953)**	**476 965 194**	**364 238 699**	**20 113 424**	**88 392 836**	**4 220 235**			

8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 June 2021 Project Name	Opening Balance R	Expenditure Incurred (VAT Exclusive) R	Completed R	Closing Balance R	Civil R	Electrical R	Mechanical R	Other R	Project started	Number of years project is on WIP	Comment
Ugie Bulk Water Infrastructure Phase B	779 473	-	-	779 473	-	-	-	779 473	2014/15	2	Phase B In planning phase. No delays
LADY GREY BULK WATER SUPPLY	30 852 934	-	-	30 852 934	19 064 734	984 474	10 803 726	-	2010/11	3	Linked with Project 54,1. Delay in approval of IRS by DWS due to design queries.
RBIG - LADY GREY BULK WATER	10 345 359	2 787 050	-	13 132 410	11 945 421	395 663	791 326	-	2015/16	4	Linked with Project 54. Delay in approval of IRS by DWS due to design queries.
MT FLETCHER BULK WATER SUPPLY-PHASE 2	32 700 023	4 482 201	-	37 182 224	34 453 125	1 634 688	1 094 411	-	2010/11	10	Final phase completed in 2019/20. Final testing delayed due to passing of Engineer.
UPGRADING STERKSPRUIT WATER TREATMENT WORKS	27 438 435	6 704 677	-	34 143 112	29 904 887	435 284	3 802 941	-	2010/11	10	Linked with Project 73. Construction phase delayed due to Covid shutdown, unrest.
JAMESTOWN BUCKET ERADICATION & SANITATION - PHASE 2	5 112 575	12 381 825	-	17 494 400	15 313 748	223 963	1 956 690	-	2010/11	3	Final construction phase underway. Minor delays due to local contractors' disputes.
MACLEAR BULK SANITATION INFRASTRUCTURE UPGRADE	46 124 360	12 543 207	(52 540 044)	6 127 523	4 170 597	326 154	1 630 772	-	2012/13	4	No delays. Phase 3B in construction phase.
ORIO & MIG ELUNDINI RURAL WATER PROGRAMME	13 373 900	3 157 479	-	16 531 379	16 531 379	-	-	-	2012/13	4	No delays. Project in design phase.
WSOS STERKSPRUIT WTW REFURBISHMENT	146 751	-	-	146 751	146 751	-	-	-	2012/13	10	Linked with Project 59. Construction phase delayed due to Covid shutdown, unrest.
SENQU RURAL WATER SUPPLY	65 739 027	19 179 373	(4 190 417)	80 727 983	73 113 692	-	7 614 290	-	2013/14	7	No delays
MACLEAR BULK WATER INFRASTRUCTURE UPGRADE (All Phases)	12 830 160	9 297 109	-	22 127 269	20 799 633	221 273	1 106 363	-	2013/14	2	Construction phase delayed due to tender process court interdict by a bidder.
RBIG - Sterkspruit Bulk Sanitation - started 2015	7 462 110	980 568	-	8 442 678	7 936 117	84 427	422 134	-	2014/15	3	Delay in approval of IRS by DWS due to design queries.
DOH - Barkly East WTP Upgrade for 298 housing development	35 215 472	9 250 400	(44 465 871)	-	-	-	-	-	2014/15	2	No delays. Project completed in 2020/21
WSOS - Refurbishment of Oviston WTW Phase 1	7 441 422	-	-	7 441 422	6 598 874	-	701 961	140 587	2015/16	6	Linked with Project 109. No delays.
MIG-Refurbishment of Oviston Water Treatment Works	-	2 214 300	-	2 214 300	1 682 868	-	531 432	-	2020/21	1	Linked with Project 98. No delays.
WSIG -EMPILISWENI HOSPITAL EMERGENCY SEWER WORKS	4 492 727	-	-	4 492 727	3 932 714	57 516	502 496	-	2016/17	5	No delays. To be finalized in 2021/22.
WSIG - REFURBISH BURGERSDORP SEWAGE MANAGEMENT SYSTEM (Pu	1 854 271	-	-	1 854 271	1 854 271	-	-	-	2016/17	5	No delays. To be finalized in 2021/22.
WSIG - BURGERSDORP EMERGENCY SEWER PROJECT (Pipelines)	4 233 802	-	-	4 233 802	4 233 802	-	-	-	2016/17	5	No delays. To be finalized in 2021/22.
TELEMETRY SYSTEM	16 477 226	-	-	16 477 226	(0)	16 477 226	-	-	2017/18	4	No delays. To be finalized in 2021/22.
STERKSPRUIT SEWERAGE AND EXPENDITURE CAPITALISE	5 415 547	-	-	5 415 547	5 415 547	-	-	-	2018/19	3	No delays. To be finalized in 2021/22.
Refurbish WTWs	17 612 335	10 969 508	(200 000)	28 381 843	4 960 727	4 562 555	18 250 221	608 341	2017/18	4	No delays
Augment clear water storage	6 528 381	4 378 998	(500 000)	10 407 379	10 407 379	-	-	-	2017/18	4	No delays (apart from Covid19 shutdown)
Bulk meters	3 555 926	-	-	3 555 926	(0)	-	3 555 926	-	2017/18	4	No delays. To be finalized in 2021/22.
MIG PLANNING STUDIES	930 587	-	-	930 587	-	-	-	930 587	2012/13	9	No delays. Planning studies
Refurbishment of Venterstad & Oviston WWTW	2 680 635	-	-	2 680 635	2 680 635	-	-	-	2019/20	2	No delays. To be finalized in 2021/22.
Refurbishment of Aliwal North & Burgersdorp WWTW	3 896 154	-	-	3 896 154	-	797 724	3 098 431	-	2019/20	2	No delays. To be finalized in 2021/22.
Refurbishment of Mt Fletcher WTW	727 827	-	-	727 827	-	-	727 827	-	2019/20	2	No delays. To be finalized in 2021/22.
Electro-mechanical Assets Replacement	4 296 951	-	-	4 296 951	-	2 148 475	2 148 475	-	2019/20	2	No delays. To be finalized in 2021/22.
Elundini Drought Relief Mitigation	1 457 382	5 049 018	(1 067 857)	5 438 542	950 577	874 279	3 497 116	116 571	2019/20	2	No delays. Construction phase underway.
District Wide Drought Relief Mitigation	7 752 259	2 141 960	-	9 894 218	1 729 363	1 590 556	6 362 225	212 074	2019/20	2	No delays. Construction phase underway.
Jamestown WTW	2 839 448	-	-	2 839 448	-	2 839 448	-	-	2019/20	2	No delays. To be finalized in 2021/22.
Ugie Pipeline	1 442 164	-	-	1 442 164	1 442 164	-	-	-	2019/20	2	No delays. To be finalized in 2021/22.
Herschel Booster Pumps	2 081 834	-	-	2 081 834	-	1 457 284	624 550	-	2019/20	2	No delays. To be finalized in 2021/22.
Refurbishment of Burgersdorp Water Treatment Works	-	5 217 372	-	5 217 372	911 919	838 724	3 354 898	111 830	2020/21	1	No delays. Construction phase underway.
Water Supply Joe Gqabi Township	-	702 028	-	702 028	122 704	112 855	451 421	15 047	2020/21	1	No delays. Construction phase underway.
Rural Rudimentary Water Supply (Mt Fletcher, Maclear and Ugie)	-	12 031 695	(3 548 503)	8 483 193	1 538 827	1 415 314	5 340 343	188 709	2020/21	1	No delays. Construction phase underway.
Aliwal North Pipeline Replacement	-	8 717 602	(6 918 070)	1 799 532	314 532	289 286	1 157 143	38 571	2020/21	1	No delays. Construction phase underway.
District Wide Refurbishment of WWTW	-	284 700	(284 700)	-	-	-	-	-	2020/21	1	No delays. Construction phase underway.
Steynsburg Pipeline Replacement	-	4 156 871	(136 321)	4 020 550	702 733	646 328	2 585 312	86 177	2020/21	1	No delays. Construction phase underway.
Rehabilitation of Burgersdorp WWTW	-	12 933 165	-	12 933 165	2 260 526	2 079 086	8 316 342	277 211	2020/21	1	No delays. Construction phase underway.
Total	**383 837 457**	**149 561 108**	**(113 851 784)**	**419 546 781**	**285 120 245**	**40 492 583**	**90 428 774**	**3 505 178**			

		2022	2021
		R	R
9	**INTANGIBLE ASSETS**		
	Intangible Assets - Carrying Value	**1 038**	**2 076**

The movement in intangible assets is reconciled as follows (Computer Software):

	2022	2021
Opening Carrying Value	**2 076**	**9 745**
Cost	1 087 209	1 214 020
Accumulated Amortisation	(1 085 134)	(1 204 275)
Disposals	-	-
Cost	-	(126 810)
Accumulated Amortisation	-	126 810
Amortisation for the year	(1 037)	(7 669)
Closing Carrying Value	**1 038**	**2 076**
Cost	1 087 209	1 087 209
Accumulated Amortisation	(1 086 171)	(1 085 134)

No Work In Progress was included in carrying value of intangible assets.

Intangible Assets consist only out of Computer Software.

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

		2022 R	2021 R
10	**CURRENT EMPLOYEE BENEFITS**		
	Bonuses	5 750 268	5 758 338
	Staff Leave	19 264 752	23 846 575
	Performance Bonuses	12 459 586	14 340 320
	Balance Period Reported		11 299 636
	Prior Period Adjustment - Refer to note 41.04		3 040 685
	Other Provisions	582 342	582 342
	Current Portion of Non-Current Employee Benefits	2 686 590	2 905 996
	Post Retirement Medical Benefits	1 490 000	1 399 000
	Long Service Awards	1 166 000	1 447 000
	Ex Gratia Gratuities	30 590	59 996
	Total	**40 743 539**	**47 433 572**

The movement in current employee benefits are reconciled as follows:

Bonuses

	2022 R	2021 R
Opening Balance	5 758 338	5 517 719
Contribution during the year	12 466 824	10 957 235
Payments made	(12 474 894)	(10 716 616)
Closing Balance	**5 750 268**	**5 758 338**

Bonuses are being paid to all municipal staff, excluding Directors Technical Services and Community Services who have structured their packages differently. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle. This bonus will be paid out annually in December or pro-rata when employment is terminated.

Staff Leave

	2022 R	2021 R
Opening Balance	23 846 575	19 100 341
Contribution during the year	(2 224 988)	7 378 034
Payments made	(2 356 835)	(2 631 799)
Closing Balance	**19 264 752**	**23 846 575**

Staff leave is accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.

		2022	2021
		R	R
10	**CURRENT EMPLOYEE BENEFITS**		
	<u>Performance Bonuses</u>		
	Opening Balance	14 340 320	11 169 057
	Contribution during the year	4 098 816	5 851 206
	Payments made	(5 979 550)	(2 679 943)
	Closing Balance	**12 459 586**	**14 340 320**

Performance bonuses are being provided for and only paid to the Municipal Manager, Directors and middle management after an evaluation of performance by the council.

<u>Other Provisions</u>		
Opening Balance	582 342	582 342
Closing Balance	**582 342**	**582 342**

Other provisions are non-recurring provisions which consists out of the following at year end:
- Shortfall in annual earnings of Cape Joint Pension Fund

It was reported that the established investment return of the fund for the 2009 financial year was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.

11	**LONG-TERM LIABILITIES**		
	Annuity Loans	62 052 803	2 726 122
	Sub-Total	**62 052 803**	**2 726 122**
	Less: Current portion of Long-term Liabilities	60 755 295	675 200
	Annuity Loans	60 755 295	675 200
	Total	**1 297 508**	**2 050 921**

Included in Non-current Investments, as per note 6, is an amount of R 2 053 454 (2021 - R 1 959 454) held as guarantee by the DBSA.

Further detail relating to Annuity Loans is included in Appendix A.

		2022 R	2021 R
11	**LONG-TERM LIABILITIES (CONTINUED)**		
	Annuity Loans		
	Development Bank of South Africa (DBSA)	2 052 803	2 726 122
	The loan was raised to finance the main municipal building in Barkly East. Interest is calculated at 11.50% (2021 - 11.50%) and instalments are paid every 6 months. The loan will be fully redeemed on 31 December 2024.		
	Development Bank of South Africa (DBSA)	60 000 000	-
	The DBSA (Front Loading) loans were raised to finance infrastructure projects. The outstanding amount consist out 2 loans amounting to R 40 million and R 20 million. Interest on the aforementioned loans are calculated at 6.518% and 5.75% respectively. These loans will be fully redeemed on 31 March 2023. The capital portion of the loan will be redeemed utilising the MIG allocation of the municipality.		
		62 052 803	**2 726 122**

The municipality opted to finance assets from external funding during the current financial year. Details are as follows:

	2022	2021
Opening Balance - Outstanding Financing	(13 182 678)	-
Assets purchased	(35 986 527)	(13 182 678)
Annuity Loans Raised	60 000 000	-
Closing Balance - Unspent Financing/(Outstanding Financing)	**10 830 795**	**(13 182 678)**

Asset purchasd in the previous year incorrectly excluded Value Added Tax. The figure disclosed was restated from R 11 463 199 to R 13 182 678.

The total outstanding financing on 30 June 2021 relates asset additions which were approved to be financed from external loans. Front loading loans were raised during 2021/22 amounting to R 60 million. It is expected that a further R 85 million loans will be raised after 30 June 2022.

Annuity loans are payable as follows:

	2022	2021
Payable within one year	64 502 872	968 850
Payable within two to five years	1 453 275	2 422 126
Total amount payable	**65 956 148**	**3 390 976**
<u>Less:</u> Outstanding Future Finance Charges	(3 903 345)	(664 854)
Present value of annuity loans	**62 052 803**	**2 726 122**

11 LONG-TERM LIABILITIES (CONTINUED)

Finance Leases

Finance Leases, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	ABSA Vehicle Finance	Prime Rate	2019/10/31

Assets and liabilities associated with finance leases:

Nr	Carrying Value of Asset		Carrying Value of Liability	
	2022	2021	2022	2021
	R	R	R	R
1	3 439 042	3 478 440	-	-
	3 439 042	**3 478 440**	**-**	**-**

Although the lease term of the lease agreements have reached its end, the assets associated with the agreements are still being leased by the municipality on a month to month basis. The municipality controls the benefit associated with the assets until the month-to-month contract is cancelled and the vehicles are returned to the supplier, at which point the carrying value of the asset will be derecognised.

12 CONSUMER DEPOSITS

Water	1 376 986	1 130 826
Total	**1 376 986**	**1 130 826**
Guarantees held in lieu of Water Deposits	**-**	**-**

The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.

Consumer deposits were transferred from the local Municipalities and not all accounts had consumer deposits. All new accounts however are being charged a consumer deposit when consumers do open the account themselves, in cases where the municipality opened an account to ensure completeness of billing, deposits might not have been paid.

		2022	2021
		R	R
13	**PAYABLES FROM EXCHANGE TRANSACTIONS**		
	Trade Payables	138 926 177	116 275 923
	Balance Period Reported		95 868 428
	Prior Period Adjustment - Refer to note 41.05		20 407 496
	Retentions	10 696 883	4 340 729
	Interest Accrued	2 027 973	52 530
	Unallocated Receipts	353 088	599 714
	Payments received in advance	3 409 168	1 912 662
	Senqu Local Municipality	3 398 610	3 687 123
	Total	**158 811 900**	**126 868 682**

Payables are being recognised net of any discounts received

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.

Deposits amounting to R144 961 (2021 - R144 961) serve as security for Payables. The remainder of Payables are unsecured.

Included in Trade Payables at year end is an amount of R 36 775 586 (2021 - R 32 527 432) relating to services rendered by Walter Sisulu Local Municipality. In contrast to the aforementioned , R 73 995 362 is claimed for these services rendered by the local authority. The amount is currently under dispute and the municipality obtained a legal opinion in this regard.

		2022	2021
14	**SOUTH AFRICAN REVENUE SERVICES**		
	VAT Payable	825 478	2 969 264
	Balance Period Reported		6 471 073
	Prior Period Adjustment - Refer to note 41.06		(3 501 809)
	Total	**825 478**	**2 969 264**

VAT is accounted for on the cash basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

		2022	2021
15	**UNSPENT CONDITIONAL GOVERNMENT GRANTS**		
	National Government	2 238 964	4 997 099
	Provincial Government	-	49 608
	Total Unspent Grants	**2 238 964**	**5 046 707**

		2022 R	2021 R
15	**UNSPENT CONDITIONAL GOVERNMENT GRANTS (CONTINUED)**		
	Total Conditional Grants and Receipts due to Municipality taking into account unpaid grants included in note 5	**11 388 526**	**8 163 062**

Also refer to Appendix B for further detail relating to grants.

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

16 EMPLOYEE BENEFITS

	2022	2021
Post Retirement Medical Benefits	27 828 000	26 552 000
Ex Gratia Gratuities	41 570	73 681
Long Service Awards	10 929 000	10 373 000
Sub-Total	**38 798 570**	**36 998 681**
Less: Current portion of Employee Benefits	**2 686 590**	**2 905 996**
Post Retirement Medical Benefits	1 490 000	1 399 000
Ex Gratia Gratuities	30 590	59 996
Long Service Awards	1 166 000	1 447 000
Total	**36 111 980**	**34 092 685**

16.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

	2022	2021
Opening Balance	**26 552 000**	**22 748 000**
Contribution during the year	4 412 000	3 830 000
Current Service Cost	1 364 000	1 173 000
Interest Cost	3 048 000	2 657 000
Payments made	(1 461 907)	(1 363 300)
Actuarial Loss/(Gain)	(1 674 093)	1 337 300
Total balance at year-end	**27 828 000**	**26 552 000**
Less Current Portion	1 490 000	1 399 000
Total	**26 338 000**	**25 153 000**

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2022	2021
In-service members	199	201
Continuation members	38	36
Total	**237**	**237**

16 EMPLOYEE BENEFITS (CONTINUED)

The liability in respect of past service has been estimated to be as follows:

	2022	2021
	R	R
In-service members	14 040 000	13 481 000
Continuation members	13 788 000	13 071 000
Total Unfunded Liability	**27 828 000**	**26 552 000**

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2020	2019	2018
	R	R	R
In-service members	10 829 000	13 975 000	18 506 000
Continuation members	11 919 000	15 108 000	10 895 000
Total Unfunded Liability	**22 748 000**	**29 083 000**	**29 401 000**

Experience adjustments were calculated as follows:	2022	2021
	R	R
Liabilities: (Gain)/Loss	(253 000)	(735 000)
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2020	2019	2018
	R	R	R
Liabilities: (Gain)/Loss	(4 708 000)	1 758 000	(3 420 000)
Assets: Gain/(Loss)	-	-	-

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas	Hosmed
LA Health	Samwumed

Key Actuarial Assumptions used are as follows:	2022	2021
Interest Rates		
Discount rate	11.82%	9.96%
Health Care Cost Inflation Rate	8.43%	6.79%
Net Effective Discount Rate	3.13%	2.97%
Maximum subsidy inflation rate	5.95%	4.72%
Net-of-maximum-subsidy-inflation discount rate	5.54%	5.01%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

		2022	2021
16	**EMPLOYEE BENEFITS (CONTINUED)**	R	R

Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age with a 1 % mortality improvement p.a from 2010 was used by the actuaries.

Normal Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Last Valuation

The last valuation was performed on 8 August 2022.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The amounts recognised in the Statement of Financial Performance are:

	2022	2021
Employee Related Cost - Current Service Cost	1 364 000	1 173 000
Finance Charges - Interest Cost	3 048 000	2 657 000
Actuarial Loss/(Gain)	(1 674 093)	1 337 300
Net amount charged to Statement of Financial Performance	**2 737 907**	**5 167 300**

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	**Current Service Cost R**	**Interest Cost R**	**Total Cost R**	**% change**
Future Cost	1 367 000	3 754 000	5 121 000	
Health care inflation				
+ 1%	1 487 000	4 038 000	5 525 000	8%
- 1%	1 201 000	3 410 000	4 611 000	-10%
Discount rate				
+ 1%	1 133 000	3 567 000	4 700 000	-8%
- 1%	1 671 000	3 966 000	5 637 000	10%
Post-retirement mortality				
+ 1 year	1 336 000	3 642 000	4 978 000	-3%
- 1 year	1 397 000	3 866 000	5 263 000	3%
Average retirement age				
- 1 year	1 500 000	4 002 000	5 502 000	7%
Continuation of membership at retirement				
- 10%	1 185 000	3 460 000	4 645 000	-9%

	2022 R	2021 R

16 EMPLOYEE BENEFITS (CONTINUED)

16.2 Ex Gratia Gratuities

The movement in Ex Gratia Gratuities are reconciled as follows:

	2022	2021
Opening Balance	**73 681**	**99 796**
Contribution during the year	2 429	3 337
Interest Cost	2 429	3 337
Payments made	(28 158)	(56 208)
Actuarial Loss	(6 382)	26 756
Total balance at year-end	**41 570**	**73 681**
Less Current Portion	30 590	59 996
Total	**10 980**	**13 685**

The Ex Gratia Gratuities plans are defined benefit plans.

The following members are eligible for Ex Gratia benefits:

	2022	2021
Ex Gratia Members	7	9

The liability in respect of past service has been estimated to be as follows:

	2022 R	2021 R
Ex Gratia Members	41 570	73 681
Total Unfunded Liability	**41 570**	**73 681**

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2020 R	2019 R	2018 R
In-service members	99 796	97 437	334 654
Total Unfunded Liability	**99 796**	**97 437**	**334 654**

		2022 R	2021 R
16	**EMPLOYEE BENEFITS (CONTINUED)**		

Experience adjustments were calculated as follows:

	2022	2021
Liabilities: (Gain)/Loss	(6 082)	26 994
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2020 R	2019 R	2018 R
Liabilities: (Gain)/Loss	27 998	(40 747)	(63 908)
Assets: Gain/(Loss)	-	-	-

	2022	2021
Key Actuarial Assumptions used are as follows:		
Interest Rates		
Discount rate	6.49%	5.51%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

Normal Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Last Valuation

The last valuation was performed on 16 June 2022.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

	2022 R	2021 R
The amounts recognised in the Statement of Financial Performance are:		
Finance Charges - Interest Cost	2 429	3 337
Actuarial Loss	(6 382)	26 756
Net amount charged to Statement of Financial Performance	**(3 953)**	**30 093**

16 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost R	Interest Cost R	Total Cost R	% change
Future Cost	-	1 720	1 720	
Discount rate				
+ 1%	-	1 970	1 970	15%
- 1%	-	1 470	1 470	-15%
Average retirement age				
+1 year	-	1 680	1 680	-2%
- 1 year	-	1 420	1 420	-17%

16.3 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

	2022 R	2021 R
Opening Balance	**10 373 000**	**9 647 000**
Contribution during the year	2 005 000	1 753 000
Current Service Cost	1 137 000	1 119 000
Interest Cost	868 000	634 000
Payments made	(599 285)	(355 537)
Actuarial Gain	(849 715)	(671 463)
Total balance at year-end	**10 929 000**	**10 373 000**
Less Current Portion	1 166 000	1 447 000
Total	**9 763 000**	**8 926 000**

The following members are eligible for long service bonuses:

	2022	2021
In-service members	468	484

The liability in respect of past service has been estimated to be as follows:

	2022 R	2021 R
In-service members	10 929 000	10 373 000
Total Unfunded Liability	**10 929 000**	**10 373 000**

16 EMPLOYEE BENEFITS (CONTINUED)

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2020 R	2019 R	2018 R
In-service members	9 647 000	9 806 250	7 481 008
Total Unfunded Liability	**9 647 000**	**9 806 250**	**7 481 008**

Experience adjustments were calculated as follows:

	2022 R	2021 R
Liabilities: (Gain)/Loss	(597 715)	(730 463)
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2020 R	2019 R	2018 R
Liabilities: (Gain)/Loss	(998 296)	87 999	(63 822)
Assets: Gain/(Loss)	-	-	-

	2022	2021
Key Actuarial Assumptions used are as follows:		
Interest Rates		
Discount rate	10.93%	8.98%
General Salary Inflation (long-term)	7.34%	5.74%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.34%	3.07%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

Normal Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Last Valuation

The last valuation was performed on 8 August 2022.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

	2022 R	2021 R
16 EMPLOYEE BENEFITS (CONTINUED)		
The amounts recognised in the Statement of Financial Performance are:		
Employee Related Cost - Current Service Cost	1 137 000	1 119 000
Finance Charges - Interest Cost	868 000	634 000
Actuarial Gain	(849 715)	(671 463)
Net amount charged to Statement of Financial Performance	**1 155 285**	**1 081 537**

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost R	Interest Cost R	Total Cost R	% change
Future Cost	1 174 000	1 132 000	2 306 000	
General salary inflation				
+ 1%	1 248 000	1 196 000	2 444 000	6%
- 1%	1 108 000	1 074 000	2 182 000	-5%
Discount rate				
+ 1%	1 115 000	1 169 000	2 284 000	-1%
- 1%	1 240 000	1 089 000	2 329 000	1%
Average retirement age				
+ 2 years	1 236 000	1 214 000	2 450 000	6%
- 2 years	1 076 000	994 000	2 070 000	-10%
Withdrawal rates				
x 200 %	906 000	917 000	1 823 000	-21%
x 50 %	1 362 000	1 274 000	2 636 000	14%

16.4 Other Pension Benefits

	2022 R	2021 R
Defined Benefit Plans		

The Municipality requested detailed employee and pensioner information as well as information on the Municipality’s share of the Pension and Retirement Funds’ assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

		2022 R	2021 R
16	**EMPLOYEE BENEFITS (CONTINUED)**		

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Consolidated Retirement Fund are Multi Employer funds defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

Council contributes to the following defined benefit plans:

	2022 R	2021 R
Consolidated Retirement Fund (former Cape Retirement Fund)	13 036 732	12 623 655
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2021 revealed that the fund is in a sound financial position with a funding level of 133.0%. (30 June 2020 - 132.2%)		
Total	**13 036 732**	**12 623 655**

Defined Contribution Plans

Council contributes to the following defined contribution plans:

	2022 R	2021 R
Government Employees Pension Fund	624 652	636 449
Municipal Councillors Pension Fund	196 233	393 878
IMATU Retirement Fund	2 849 992	2 798 724
SAMWU National Provident Fund	2 162 121	2 256 766
SALA Pension Fund	1 980 188	1 750 611
Total	**7 813 186**	**7 836 428**

The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

		2022	2021
		R	R
17	**RESERVES**		
	Accumulated Surplus	2 147 435 858	2 014 765 666
	Total	**2 147 435 858**	**2 014 765 666**

		2022	2021
18	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Unconditional Grants - National Government	**302 992 000**	**327 882 000**
	Equitable Share	302 992 000	327 882 000
	Unconditional Grants - Other National Departments	**442 064**	**365 056**
	LG Seta	442 064	365 056
	Conditional Grants - National Government	**242 247 000**	**225 541 460**
	Finance Management Grant (FMG)	1 500 000	1 499 132
	Municipal Infrastructure Grant (MIG)	166 188 000	143 861 000
	Expanded Public Works Program (EPWP)	1 559 000	1 647 000
	Water Services Infrastructure Grant (WSIG)	73 000 000	70 000 000
	Regional Bulk Infrastructure Grant	-	8 532 761
	Rural Road Asset Management Systems Grant (RAMS)	-	1 568
	Conditional Grants - Provincial Government	**23 207 822**	**25 686 506**
	Public Works - Special Programme	23 158 214	23 223 252
	Drought Relief (COGTA)	49 608	2 463 254
	Total	**568 888 887**	**579 475 023**

Disclosed as:

	2022	2021
Government Grants and Subsidies - Capital	163 022 437	138 097 910
Government Grants and Subsidies - Operating	405 866 450	441 377 113
Total	**568 888 887**	**579 475 023**

The Municipality does not expect any significant changes to the level of grants.

Grants per Vote (MFMA Sec 123 (c)):

	2022	2021
Equitable share	302 992 000	327 882 000
Financial Services	1 500 000	1 499 132
Corporate Services	442 064	365 056
Technical Services	190 954 822	179 728 835
Community Services	-	-
Water Services Provision	73 000 000	70 000 000
Total	**568 888 887**	**579 475 023**

		2022 R	2021 R
18	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		

The movements per grant can be summarised as follows:

18.01 Equitable Share

	2022 R	2021 R
Grants Received	302 992 000	327 882 000
Transferred to Revenue - Operating	(302 992 000)	(327 882 000)
Closing Unspent Balance	**-**	**-**

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

18.02 LG Seta

	2022 R	2021 R
Grants Received	442 064	365 056
Transferred to Revenue - Operating	(442 064)	(365 056)
Closing Unspent Balance	**-**	**-**

This grant is used to assist with the training needs of the Municipality.

18.03 Finance Management Grant (FMG)

	2022 R	2021 R
Grants received	1 500 000	1 500 000
Transferred to Revenue - Operating	(1 500 000)	(1 499 132)
Transfer to/(from) Receivables	-	(868)
Closing Unspent Balance	**-**	**-**

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.

18.04 Municipal Infrastructure Grant (MIG)

	2022 R	2021 R
Grants received	166 188 000	143 861 000
Transferred to Revenue - Operating	(50 317 203)	(52 212 044)
Transferred to Revenue - Capital	(115 870 797)	(91 648 956)
Closing Unspent/Unpaid Balance	**-**	**-**

The vision of the MIG programme is to provide all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. This also includes the rehabilitation and upgrading of existing infrastructure. The Municipality’s programmes covers both Sanitation and Water projects.

		2022 R	2021 R
18	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		
18.05	**Expanded Public Works Program (EPWP)**		
	Grants Received	1 559 000	1 647 000
	Transferred to Revenue - Operating	(1 559 000)	(1 647 000)
	Closing Unspent Balance	**-**	**-**

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

		2022 R	2021 R
18.06	**Water Services Infrastructure Grant (WSIG)**		
	Grants Received	73 000 000	70 000 000
	Transferred to Revenue - Operating	(25 848 360)	(29 460 625)
	Transferred to Revenue - Capital	(47 151 640)	(40 539 375)
	Closing Unspent Balance	**-**	**-**

The WSIG grant is a conditional grant used to facilitate the planning and implementation of various water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities as well as support to municipalities in implementing water conservation and water demand management projects.

		2022 R	2021 R
18.07	**Rural Households Infrastructure Grant**		
	Opening balance	4 000	4 000
	Closing Unspent Balance	**4 000**	**4 000**

The grant was introduced as rapid response to the high infrastructure backlogs in rural areas and was intended to respond to the specific conditions of rural areas which made it too costly to provide rural households with connector services.

		2022 R	2021 R
18	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		
18.08	**Regional Bulk Infrastructure Grant**		
	Opening balance	2 791 134	-
	Grants Received	-	11 945 000
	Transferred to Revenue - Operating	-	(4 765 143)
	Transferred to Revenue - Capital	-	(3 767 619)
	Transfer to/(from) Receivables	-	(621 104)
	Monies returned to National Treasury	(2 791 134)	-
	Closing Unspent Balance	**-**	**2 791 134**

The grant is utilised to upgrade bulk infrastructure in the municipal area.

		2022 R	2021 R
18.08	**Rural Roads Asset Management System**		
	Opening balance	2 201 965	2 210 532
	Grants Received	2 233 000	2 203 000
	Transferred to Revenue - Operating	-	(1 568)
	Monies returned to National Treasury	(2 200 000)	(2 210 000)
	Closing Unspent Balance	**2 234 965**	**2 201 965**

The purpose of the grant is to assist rural district municipalities to set up rural road asset management systems (RRAMS), collect road data, traffic data and road classification in line with the Road Infrastructure Strategic Framework South African (RISFSA).

		2022 R	2021 R
18.09	**Drought Relief (COGTA)**		
	Opening balance	49 608	-
	Grants Received	-	2 512 862
	Transferred to Revenue - Operating	(49 608)	(321 294)
	Transferred to Revenue - Capital	-	(2 141 960)
	Closing Unspent Balance	**-**	**49 608**

This grant from Department of Cooperate Governance and Traditional affairs (COGTA) is used to provide for the upgrade of critical Water and Sanitation infrastructure.

		2022 R	2021 R
18.1	**Public Works - Special Programme**		
	Grants Received	22 031 181	21 212 911
	Transferred to Revenue - Operating	(23 158 214)	(23 223 252)
	Transfer to/(from) Receivables	1 127 033	2 010 341
	Closing Unspent Balance	**-**	**-**

		2022 R	2021 R
18	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		

This grant is used for the maintenance of gravel roads in the Gariep and Maletswai parts of the district. At times special projects are also allocated to the Municipality by the Department of Roads and Public Works in other parts of the district.

18.11 Total Grants

	2022 R	2021 R
Opening Balance	5 046 707	2 214 532
Grants Received	569 945 246	583 128 829
Transferred to Revenue - Capital	(163 022 437)	(138 097 910)
Transferred to Revenue - Operating	(405 866 450)	(441 377 113)
Monies returned to National Treasury	(4 991 134)	(2 210 000)
Transfer to/(from) Receivables	1 127 033	1 388 369
Closing Unspent Balance	**2 238 965**	**5 046 707**

19 CONTRIBUTED ASSETS

	2022 R	2021 R
DBSA	1 059 830	-
Total	**1 059 830**	**-**

20 Public Contributions and Donations

	2022 R	2021 R
InzaloUMS (Water Meters)	-	130 000
Total	**-**	**130 000**

21 ACTUARIAL GAINS

	2022 R	2021 R
Post Retirement Medical Obligations	1 674 093	-
Ex Gratia Gratuities	6 382	-
Long Service Awards	849 715	671 463
Total	**2 530 190**	**671 463**

22 SERVICE CHARGES

	2022 R	2021 R
Water Revenue	155 223 882	162 864 757
Sewerage and Sanitation Revenue	36 927 433	37 737 657
Total Revenue	**192 151 316**	**200 602 414**
Less: Rebates	(43 134 747)	(38 279 024)
Water Revenue	(29 103 828)	(26 108 513)
Sewerage and Sanitation Revenue	(14 030 919)	(12 170 512)
Total	**149 016 569**	**162 323 390**

		2022 R	2021 R
22	**SERVICE CHARGES (CONTINUED)**		

Rebates are based on the indigents registers being implemented at each of the local municipalities within the Districts' borders. Accordingly, the registers are based on the policies and procedures being implemented at each of the local municipality (Elundini -, Senqu - and Walter Sisulu Local Municipality).

Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.

23 INTEREST EARNED - EXTERNAL INVESTMENTS

	2022 R	2021 R
Call Investment Deposits	1 830 801	1 408 619
Primary Bank Account	224 880	526 463
Total	**2 055 681**	**1 935 082**

24 INTEREST EARNED - OUTSTANDING DEBTORS

	2022 R	2021 R
Water Debtors	38 824 089	24 261 808
Sewerage Debtors	11 169 166	8 082 369
Other	227 896	177 486
Total	**50 221 151**	**32 521 664**

25 OTHER INCOME

	2022 R	2021 R
Environmental Resource Management	1 825 575	3 473 080
Sundry Income	920 055	729 409
Total	**2 745 630**	**4 202 489**

26 EMPLOYEE RELATED COSTS

	2022 R	2021 R
Salaries and Wages	162 608 192	157 484 583
Bonuses	12 466 824	10 957 235
Contributions for UIF, Pensions and Medical Aids	31 923 804	30 208 397
Housing Benefits and Allowances	1 634 238	4 719 052
Overtime Payments	25 661 927	25 104 117
Performance Bonuses	4 098 816	5 851 206
Travel, Motor Car, Telephone, Subsistence and Other Benefits and Allowances	18 018 788	9 886 288
Staff Leave	(2 224 988)	7 378 034
Long Service Awards	1 137 000	1 119 000
Post Retirement Medical	1 364 000	1 173 000
Total	**256 688 602**	**253 880 912**

		2022	2021
		R	R

26 EMPLOYEE RELATED COSTS (CONTINUED)

The staff leave contribution for the year under review is in credit. This is due to more leave being taken compared to the amount of leave days that accrued to officials during the year. The aforementioned can mainly be attributed to the COVID 19 pandemic in previous reporting periods where the movement of people were restricted to a large extent and limited leave was being utilised.

Remuneration of Key Personnel

The Municipal Manager and all Section 57 Managers as well as those directly reporting to the Municipal are appointed on a 5-year fixed contract. The have all signed a performance agreement in terms of section 51(1)(b) of the Municipal Systems Act, No 32 of 2000

Remuneration of the Municipal Manager - ZA Williams - 31 May 2022

	2022 R	2021 R
Salary and other allowances	1 442 114	1 501 629
Travel Allowance	543 896	593 342
Telephone allowance	33 550	36 600
Contributions to UIF, Medical and Pension Funds	215 537	225 006
Acting allowance	27 500	30 000
Performance Bonuses	598 002	366 071
Leave pay	256 746	-
Ex Gratia payment	3 510 946	-
Total	**6 628 291**	**2 752 648**

As at 30 June 2022 an amount of R200 000 was paid on the Ex Gratia and an amount of R3 310 946 has been provided to be paid subsequent to year end.

Remuneration of the Director Technical Services - RJ Fortuin

	2022 R	2021 R
Salary and other allowances	1 543 082	1 541 705
Travel Allowance	360 000	360 000
Telephone allowance	29 159	22 800
Contributions to UIF, Medical and Pension Funds	88 704	88 616
Performance Bonuses	508 301	311 160
Total	**2 529 246**	**2 324 281**

		2022 R	2021 R
26	**EMPLOYEE RELATED COSTS (CONTINUED)**		
	Remuneration of the Director Corporate Services - HZ Jantjie		
	Salary and other allowances	1 621 649	1 549 873
	Travel Allowance	84 000	84 000
	Telephone allowance	29 159	22 800
	Contributions to UIF, Medical and Pension Funds	346 145	337 894
	Performance Bonuses	490 719	311 160
	Total	**2 571 672**	**2 305 727**
	Remuneration of the Director Financial Services - S du Toit		
	Salary and other allowances	1 421 419	1 602 317
	Travel Allowance	180 000	75 000
	Telephone allowance	29 159	22 800
	Contributions to UIF, Medical and Pension Funds	56 383	55 245
	Performance Bonuses	433 173	237 258
	Total	**2 120 135**	**1 992 619**
	Remuneration of the Director Community Services - FJ Sephton - 31 January 2022		
	Salary and other allowances	1 069 563	1 833 536
	Travel Allowance	91 000	156 000
	Telephone allowance	16 114	22 800
	Contributions to UIF, Medical and Pension Funds	1 312	1 932
	Performance Bonuses	508 301	311 160
	Leave pay	286 511	-
	Total	**1 972 801**	**2 325 429**
	Remuneration of the Chief Operations Officer - N Mshumi		
	Salary and other allowances	1 331 721	1 284 249
	Travel Allowance	60 000	60 000
	Telephone allowance	5 159	-
	Contributions to UIF, Medical and Pension Funds	303 718	154 725
	Performance Bonuses	432 617	264 830
	Total	**2 133 215**	**1 763 804**
	Remuneration of the Water Service provision Manager - D Lusawana		
	Salary and other allowances	1 339 813	1 309 559
	Contributions to UIF, Medical and Pension Funds	295 376	286 600
	Telephone allowance	5 159	-
	Performance Bonuses	344 281	174 758
	Total	**1 984 629**	**1 770 917**

		2022 R	2021 R
26	**EMPLOYEE RELATED COSTS (CONTINUED)**		
	Remuneration of the ISD Director - NP Nonjola		
	Salary and other allowances	1 601 856	1 559 838
	Travel Allowance	204 000	204 000
	Telephone allowance	24 000	22 800
	Contributions to UIF, Medical and Pension Funds	2 249	1 932
	Acting Allowance	68 439	-
	Performance Bonuses	380 326	115 389
	Total	**2 280 870**	**1 903 959**
27	**REMUNERATION OF COUNCILLORS**		
	Councillors' Allowances	5 367 691	5 236 371
	Councillors' Pension and Medical Aid Contributions	351 448	735 556
	Total	**5 719 138**	**5 971 927**

In-kind Benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor and the Speaker may utilise official Council transportation when engaged in official duties.

30 JUNE 2022

Remuneration per Councillor	**Remuneration** **R**	**Contributions** **R**	**Total** **R**
Up to Election Date - 7 November 2021			
Executive Mayor - ZI Dumzela	275 162	55 465	330 627
Speaker - TZ Notyeke	236 371	31 090	267 461
Mayoral Committee - EM Lakabane	204 702	46 968	251 670
Mayoral Committee - D Mvumvu	217 902	33 768	251 670
Mayoral Committee - S Mei	198 570	39 693	238 263
Mayoral Committee - LN Gova	251 670	-	251 670
Proportional - NU Hlathuka (Hokwana)	123 816	11 989	135 805
Proportional - N Ngendane	102 449	12 299	114 748
Proportional - AM van Zyl	109 090	-	109 090
Proportional - M Yiliwe	114 747	-	114 747
Representative Councillors	38 674	-	38 674

		2022	2021
		R	R

27 REMUNERATION OF COUNCILLORS (CONTINUED)

Subsequent Election Date

Executive Mayor - NL Mposelwa	537 597	-	537 597
Speaker - M Bomela	433 069	9 960	443 029
Mayoral Committee - NU Hlathuka	365 951	51 008	416 959
Mayoral Committee - SE Ntsoelinyane	409 855	7 104	416 959
Mayoral Committee - N Mabunu	416 959	-	416 959
Mayoral Committee - A Skoti	416 959	-	416 959
Proportional - SG Moroahae	217 623	-	217 623
Proportional - NL Lengs	197 874	13 070	210 944
Proportional - AM van Zyl	237 660	-	237 660
Proportional - S Mei	198 627	39 033	237 660
Representative Councillors	62 364	-	62 364
Sub-Total	**5 367 691**	**351 447**	**5 719 138**

30 JUNE 2021

Remuneration per Councillor	Remuneration R	Contributions R	Total R
Executive Mayor - ZI Dumzela	772 099	166 151	938 250
Speaker - TZ Notyeke	666 207	93 271	759 478
Mayoral Committee - EM Lakabane	574 491	140 296	714 787
Mayoral Committee - D Mvumvu	624 103	90 684	714 787
Mayoral Committee - S Mei	596 388	118 399	714 787
Mayoral Committee - L Tokwe	297 933	53 891	351 824
Mayoral Committee - LN Gova	279 312	-	279 312
Proportional - NU Hokwana	371 449	35 968	407 417
Proportional - N Ngendane	290 374	36 896	327 270
Proportional - AM van Zyl	327 270	-	327 270
Proportional - M Yiliwe	327 270	-	327 270
Representative Councillors	109 476	-	109 476
Total	**5 236 371**	**735 556**	**5 971 927**

28 DEBT IMPAIRMENT

	2022	2021
Contributions to provision	92 787 838	93 219 132
Less Movement VAT included in debt impairment	(15 432 612)	(10 796 476)
Total	**77 355 226**	**82 422 656**

		2022	2021
		R	R
29	**DEPRECIATION AND AMORTISATION**		
	Investment Property	45 496	45 496
	Property, Plant and Equipment	65 314 594	57 894 707
	Intangible Assets	1 037	7 669
	Total	**65 361 127**	**57 947 872**
30	**IMPAIRMENTS**		
	Property, Plant and Equipment	2 300 888	617 221
	Investment Property	336 898	-
	Total	**2 637 786**	**617 221**
31	**ACTUARIAL LOSSES**		
	Post Retirement Medical Obligations	-	1 337 300
	Ex Gratia Gratuities	-	26 756
	Total	**-**	**1 364 056**
32	**REPAIRS AND MAINTENANCE**		
	Infrastructure	7 726 142	9 165 257
	Land and Buildings	177 681	69 502
	Other Assets	1 691 121	1 293 202
	Total	**9 594 944**	**10 527 961**

It should be noted that a substantial amount of Repairs and Maintenance that were done are reflecting under the Employee related cost due to the fact that the repairs and maintenance are done internally.

		2022	2021
33	**FINANCE CHARGES**		
	Long-term Liabilities	2 275 336	335 210
	Non-current Employee Benefits	3 918 429	3 294 337
	Total	**6 193 765**	**3 629 547**
34	**BULK PURCHASES**		
	Water	7 022 022	5 300 478
	Total	**7 022 022**	**5 300 478**

		2022 R	2021 R
35	**CONTRACTED SERVICES**		
	Sanitation Services	19 244 491	17 839 521
	Water Services	17 786 142	12 113 869
	Total	**37 030 632**	**29 953 390**
36	**TRANSFERS AND GRANTS**		
	Joe Gqabi Economic Development Agency (SoC) Ltd	5 000 000	7 500 000
	Total	**5 000 000**	**7 500 000**

The grant paid to Joe Gqabi Economic Development Agency (SoC) Ltd (JoGEDA) is in terms of the service level agreement with the IDC. This grant is used for operating activities by JoGEDA.

		2022 R	2021 R
37	**VIP TOILET EXPENDITURE**		
	Technical Services	39 000 693	49 659 301
	Total	**39 000 693**	**49 659 301**
38	**OTHER EXPENDITURE**		
	Advertising Fees	466 108	773 399
	Audit Fees	3 963 889	4 250 933
	Bank Charges	478 352	554 449
	Bursaries	11 049	75 672
	Chemicals	11 330 174	6 482 237
	Consulting Fees	6 001 932	5 269 957
	Fuel and oil	10 851 518	9 247 923
	Insurance	3 213 875	3 525 601
	IT Cost	2 643 170	4 069 169
	Legal Fees	2 710 434	1 446 680
	Local Economic Development	500 000	1 130 766
	Material and protective clothing	6 131 070	7 679 560
	Membership Fees	2 550 788	2 444 964
	Occupational Health	8 995	743 081
	Postage	3 205	4 771
	Printing and Stationary	508 029	455 930
	Security	3 333 734	3 662 499
	Special Programmes	194 466	50 460
	Telephone	1 699 604	1 389 301
	Training	1 205 705	1 127 261
	Travel and Subsistence	13 259 932	11 297 520

		2022 R	2021 R
38	**OTHER EXPENDITURE (CONTINUED)**		
	Vehicle and Other Rentals	6 848 285	5 671 448
	Water and Electricity	28 385 008	26 526 043
	Water Testing & Quality Monitoring	2 539 524	2 915 476
	Other	4 200 560	2 890 016
	Total	**113 039 403**	**103 685 117**

The Vehicle Rentals (R 4 173 572) and Rentals (R1 497 876) were consolidated in one line based on the similar nature of these 2 line items which did not warrant separate disclosure. The prior year disclosure relating to IT Cost and Consulting Fees were also adjusted by R 3 967 504 to reallocated cost incorrectly included in Consulting Fees rather than IT Cost.

		2022 R	2021 R
39	**INVENTORY ADJUSTMENTS**		
	Stock Surpluses - Refer to note 3	78 686	15 164
	Total	**78 686**	**15 164**
40	**LOSS ON DISPOSAL OF PPE**		
	Carrying value of Property, Plant and Equipment disposed or written off	19 125 722	1 844 861
	Total	**19 125 722**	**1 844 861**

41 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3

41.01 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported	**377 857 413**
Correction of Water and Sewerage Debtors in the Walter Sisulu Local Municipality area up to 30 June 2021	(9 400 348)
Effect on Accumulated Surplus - Refer to note 41.07	(9 180 632)
Effect on Statement of Financial Performance - Refer to note 41.08	650 682
Effect on South African Revenue Services - Refer to note 41.06	(870 397)
Restated Balance on 30 June 2021	**368 457 065**

41.02 UNPAID CONDITIONAL GOVERNMENT GRANTS

Balance previously reported	**17 397 428**
Revenue incorrectly raised on Covid 19 Relief grant which did not accrue to the municipality during 2020/21 - Refer to note 41.08	(2 235 000)
Receivable relating to the Department of Public Works overstated on 30 June 2020 - Refer to note 41.07	(1 952 660)
Restated Balance on 30 June 2021	**13 209 768**

		2021 R
41	**PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3**	
41.03	**PROPERTY PLANT AND EQUIPMENT**	
	Balance previously reported	**1 837 169 826**
	Operating Expenditure incorrectly capitalised as part of Work in Progress up to 30 June 2020 - Refer to note 41.07	(282 811)
	Correction of Water and Sewerage Infrastructure incorrectly accounted for up to 30 June 2020	2 732 754
	Effect on Cost (Sewerage) 30 June 2020	48 567
	Effect on Cost (Water) 30 June 2020	931 010
	Effect on Work in Progress 30 June 2020	(979 576)
	Effect on Accumulated Depreciation (Sewerage) 30 June 2020 - Refer to note 41.07	642 351
	Effect on Accumulated Depreciation (Water) 30 June 2020 - Refer to note 41.07	2 090 403
	Correction of Water and Sewerage Infrastructure incorrectly accounted for during 2020/2021 - Refer to note 41.08	(130 063)
	Effect on Depreciation (Sewerage) 30 June 2020 - Refer to note	(22 617)
	Effect on Depreciation (Water) 30 June 2020 - Refer to note	(107 446)
	Correction of Vehicles incorrectly expensed prior to 30 June 2020	514 800
	Effect on Cost - 30 June 2020 - Refer to note 41.07	585 000
	Effect on Accumulated Depreciation - 30 June 2020 - Refer to note 41.07	(35 100)
	Effect on Depreciation - 2020/2021 - Refer to note 41.08	(35 100)
	Tablets procured in line with the retention policy incorrectly capitalised during 2020/2021 - Refer to note 41.08	(107 858)
	Effect on Additions	(132 374)
	Effect on Depreciation	24 516
	Restated Balance on 30 June 2021	**1 839 896 649**
41.04	**CURRENT EMPLOYEE BENEFITS**	
	Balance previously reported	**44 392 888**
	Provision for cascading of the performance bonus to the task grade 11 to 15 previously not provided for.	3 040 685
	Effect on Accumulated Surplus - Refer to note 41.07	1 427 439
	Effect on Statement of Financial Performance - Refer to note 41.08	1 613 245
	Restated Balance on 30 June 2021	**47 433 572**

		2021 R
41	**PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)**	
41.05	**PAYABLES FROM EXCHANGE TRANSACTIONS**	
	Balance previously reported	**106 461 186**
	Account for Operating Expenditure (including Walter Sisulu Service Charges) previously not accrued for on 30 June 2020	20 407 496
	Effect on Accumulated Surplus - Refer to note 41.07	17 776 084
	Effect on South African Revenue Services - Refer to note 41.06	2 631 412
	Restated Balance on 30 June 2021	**126 868 682**
41.06	**SOUTH AFRICAN REVENUE SERVICES**	
	Balance previously reported	**6 471 073**
	Account for Operating Expenditure (including Walter Sisulu Service Charges) previously not accrued for on 30 June 2020 41.05	(2 631 412)
	Correction of Water and Sewerage Debtors in the Walter Sisulu Local Municipality area up to 30 June 2021 - Refer to note 41.01	(870 397)
	Restated Balance on 30 June 2021	**2 969 264**
41.07	**ACCUMULATED SURPLUS**	
	Balance previously reported	**2 045 573 222**
	Corrections during 2020/2021 - Refer to note 41.08	(3 470 584)
	Corrections up to 30 June 2020	(27 336 972)
	Account for Operating Expenditure (including Walter Sisulu Service Charges) previously not accrued for on 30 June 2020 - Refer to note 41.05	(17 776 084)
	Correction of Water and Sewerage Debtors in the Walter Sisulu Local Municipality area on 30 June 2020 - Refer to note 41.01	(9 180 632)
	Provision for cascading of the performance bonus to the task grade 11 to 15 previously not provided for - Refer to note 41.04	(1 427 439)
	Operating Expenditure incorrectly capitalised as part of Work in Progress up to 30 June 2020 - Refer to note 41.03	(282 811)
	Correction of Water and Sewerage Infrastructure incorrectly accounted for up to 30 June 2020 - Refer to note 41.03	2 732 754
	Correction of Vehicles incorrectly expensed prior to 30 June 2020 - Refer to note 41.03	549 900
	Receivable relating to the Department of Public Works overstated on 30 June 2020 - Refer to note 41.02	(1 952 660)
	Restated Balance on 30 June 2021	**2 014 765 666**
41.08	**STATEMENT OF FINANCIAL PERFORMANCE**	
	Surplus previously reported	**170 409 230**
	Revenue incorrectly raised on Covid 19 Relief grant which did not accrue to the municipality during 2020/21 - Refer to note 41.02	(2 235 000)

		2021 R
41	**PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)**	
	Correction of Water and Sewerage Debtors in the Walter Sisulu Local Municipality area during 2020/2021 - Refer to note 41.01	650 682
	Effect on Service Charges	360 282
	Effect on Interest Earned - Outstanding Debtors	(286 830)
	Debt Impairment	577 230
	Provision for cascading of the performance bonus to the task grade 11 to 15 previously not provided for - Refer to note 41.04	(1 613 245)
	Correction of Water and Sewerage Infrastructure incorrectly accounted for during 2020/2021 - Refer to note 41.03	(130 063)
	Correction of Vehicles incorrectly expensed prior to 30 June 2020 - Refer to note 41.03	(35 100)
	Tablets procured in line with the retention policy incorrectly capitalised during 2020/2021 - Refer to note 41.03	(107 858)
	Effect on Depreciation	24 516
	Effect on Other Expenditure	(132 374)
	Restated Surplus on 30 June 2021	**166 938 646**

41.09 APPROPRIATIONS STATEMENT

Due to reclassifications in budget items in line with the appoved budget allocations, the following line items in the comparatives were also affected by these reclassifications:

	Previously reported	Adjustments	Restated
Revenue			
Service charges	161 963 108	360 282	162 323 390
Investment revenue	1 935 082	-	1 935 082
Transfers recognised - operational	443 612 113	(2 235 000)	441 377 113
Transfers recognised - capital	138 097 910	-	138 097 910
Other own revenue	37 812 445	(286 830)	37 525 615
Revenue classifications and errors	**783 420 658**	**(2 161 548)**	**781 259 110**
Expenditure			
Employee costs	252 267 667	(559 518)	251 708 148
Remuneration of councillors	5 971 927	-	5 971 927
Debt impairment	82 999 886	(577 230)	82 422 656
Depreciation & asset impairment	58 424 446	(476 574)	57 947 872
Finance charges	3 629 547	-	3 629 547
Inventory consumed and bulk	5 300 478	13 795 658	19 096 136
Contracted Services	-	107 217 056	107 217 056
Transfers and grants	7 500 000	64 200	7 564 200
Other Expenditure	196 917 476	(118 154 555)	78 762 921
Expenditure classifications and errors	**613 011 428**	**1 309 036**	**614 320 464**
Total classifications and errors	**170 409 230**	**(3 470 584)**	**166 938 646**

		2022	2021
42	**NET CASH FROM OPERATING ACTIVITIES**	**R**	**R**
	Net Surplus for the year	132 670 192	166 938 646
	Adjusted for:		
	Non-Cash Revenue	(3 684 020)	(895 464)
	Actuarial Gains	(2 530 190)	(671 463)
	Interest Earned - External Investments	(94 000)	(94 000)
	Contributed Assets	(1 059 830)	-
	Public Contributions and Donations	-	(130 000)
	Non-Cash Expenditure	168 476 975	147 636 167
	Debt Impairment	77 355 226	82 422 656
	Depreciation and Amortisation	65 361 127	57 947 872
	Impairments	2 637 786	617 221
	Actuarial Losses	-	1 364 056
	Finance Charges	3 918 429	3 294 337
	Loss on disposal of PPE	19 125 722	1 844 861
	Inventory Adjustments	78 686	15 164
	Public Contributions and Donations	-	130 000
	Contributions - Provisions and Employee Benefits	16 841 652	26 478 475
	Post Retirement Medical Benefits	1 364 000	1 173 000
	Long Service Awards	1 137 000	1 119 000
	Performance Bonuses	4 098 816	5 851 206
	Bonuses	12 466 824	10 957 235
	Staff Leave	(2 224 988)	7 378 034
	Expenditure - Provisions and Employee Benefits	(22 900 629)	(17 803 403)
	Post Retirement Medical Benefits	(1 461 907)	(1 363 300)
	Long Service Awards	(599 285)	(355 537)
	Ex Gratia Gratuities	(28 158)	(56 208)
	Performance Bonuses	(5 979 550)	(2 679 943)
	Bonuses	(12 474 894)	(10 716 616)
	Staff Leave	(2 356 835)	(2 631 799)
	Other adjustments	(14 727 467)	(8 096 072)
	Bad Debts Written Off	(9 736 333)	(5 886 072)
	Grants Returned to National Treasury	(4 991 134)	(2 210 000)
	Operating Surplus before changes in working capital	276 676 703	314 258 349
	Movement in working capital	(134 795 033)	(179 981 006)
	Receivables from Exchange Transactions	(163 252 064)	(167 666 010)
	Inventory	161 442	100 893
	Payables from exchange transactions	31 943 218	(9 277 736)
	Unspent Conditional Government Grants	2 183 392	5 042 175
	Unpaid Conditional government grants	(417 722)	(1 388 369)
	South African Revenue Services	(5 413 299)	(6 791 959)
	Cash Flow from Operating Activities	**141 881 670**	**134 277 343**

		2022	2021
		R	R
43	**CASH AND CASH EQUIVALENTS**		
	Cash and Cash Equivalents comprise out of the following:		
	Primary Bank Account	3 264 009	182 197
	Call and short-term investments deposits	21 595 703	4 988 902
	Cash floats	300	300
	Petty cash	71 300	71 300
	Total	**24 931 312**	**5 242 699**

Refer to note 2 for more details relating to cash and cash equivalents.

44 BUDGET COMPARISONS

44.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

Statement of financial position

Consumer Debtors consist only out of Water and Sanitation Debtors included under Receivables from Exchange Transactions

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats, including the remainder of Receivables from Exchange Transactions after excluding Water and Sanitation debtors the South African Revenue Services (if in receivable position).

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants and the South African Revenue Services (if in payable position).

Employee Benefits (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and donations, Other Income and Inventory Adjustments. Actuarial Gains are included as part of Gains for budget comparison purposes.

44 BUDGET COMPARISONS (CONTINUED)

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, the following line items are aggregated:

Contracted Services also includes VIP Toilets as well as Repairs and Maintenance and actuarial losses and inventory adjustments (expense) are included as part of Other Expenditure.

Other than the items identified above (relating to aggregations), the following actual results were also reclassified to ensure that the performance for the year is measured on a comparable basis to the budget approved, which are guided by mSCOA and National Treasury classifications and principles These reclassifications can be illustrated as follows:

	Actual per Statement of Financial R	Reclassification due to mSCOA/NT versus GRAP R	Per Budget Comparison R
Revenue			
Government Grants and Subsidies - Capital	163 022 437	(163 022 437)	-
Government Grants and Subsidies - Operating	405 866 450	(405 866 450)	-
Transfers Recognised - Operational	-	405 866 450	405 866 450
Transfers Recognised - Capital	-	163 022 437	163 022 437
Contributed Assets	1 059 830	-	1 059 830
Actuarial Gains	2 530 190	(2 530 190)	-
Service Charges	149 016 569	(149 016 569)	-
Service Charges - Water Revenue	-	126 120 055	126 120 055
Service Charges - Sanitation Revenue	-	22 896 514	22 896 514
Interest Earned - External Investments	2 055 681	-	2 055 681
Interest Earned - Outstanding Debtors	50 221 151	-	50 221 151
Other Income	2 745 630	(2 745 630)	-
Agency Services	-	463 164	463 164
Other Revenue	-	2 282 466	2 282 466
Gains	-	2 530 190	2 530 190
Total Revenue	**776 517 939**	**-**	**776 517 939**
Expenditure			
Employee Related Costs	256 688 602	(2 265 739)	254 422 862
Remuneration of Councillors	5 719 138	-	5 719 138
Debt Impairment	77 355 226	-	77 355 226
Depreciation and Amortisation	65 361 127	(65 361 127)	-
Depreciation & Asset Impairment	-	65 361 127	65 361 127
Impairments	2 637 786	(2 637 786)	-
Repairs and Maintenance	9 594 944	(9 594 944)	-
Finance Charges	6 193 765	-	6 193 765

44 BUDGET COMPARISONS (CONTINUED)

	Actual per Statement of Financial R	Reclassification due to mSCOA/NT versus GRAP R	Per Budget Comparison R
Bulk Purchases	7 022 022	(7 022 022)	-
Inventory Consumed	-	22 066 802	22 066 802
Contracted Services	37 030 632	65 563 463	102 594 096
Transfers and Grants	5 000 000	38 865	5 038 865
VIP Toilet Expenditure	39 000 693	(39 000 693)	-
Other Expenditure	113 039 403	(29 785 732)	83 253 672
Inventory Adjustments	78 686	(78 686)	-
Loss on Disposal of PPE	19 125 722	(19 125 722)	-
Losses	-	21 842 194	21 842 194
Total Expenditure	**643 847 746**	**-**	**643 847 746**

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

44.2 MATERIAL VARIANCES

Statement of financial position - Budget Adjustments

Property, Plant And Equipment	Although immaterial, the adjustment made as a result of the reallocation of operating expenditure to capital projects.
Accumulated Surplus	Align opening balance of budget to audited results for the year ending 30 June 2021.

Statement of financial position - Budget versus Actual

Cash and Call Investments	Municipality received a loan advance during June 2022. This advance was not received according to projections.
Consumer Debtors	Variance is as result of reduced billing due and more accurate provision of doubtful debt, based on historical information instead of estimates.
Other Receivables	Variance is as result of a higher VAT receivable than estimated
Investments	Variance is as result of planned long term investements not occuring due to a lack of surplus funding.
Property, Plant And Equipment	Variance is as result of a significant decrease in depreciation and the transfer of funding from operating expenditure to capital projects as well as corrections of error done
Trade and Other Payables	Variance is as result of actual cash flow not being as planned as evident from the unfavourable Property, Plant and Equipment and Cash and Cash Equivalents variances and corrections of error done.
Provisions and Employee Benefits (Current)	Variance is as result of the underlying assumption not being as planned when estimating the Provisions and Employee Benefits
Borrowing (Non Current)	Variance is as result of the loan advancements received during the year not occurring according to planned projections.

44 BUDGET COMPARISONS (CONTINUED)

Provisions and Employee Benefits (Non Current)	Variance is as result of the underlying assumption not being as planned when estimating the Provisions and Employee Benefits
Accumulated Surplus	Variance is as result of the surplus being less than estimated as well as the net effect of variances in the statement of financial position

Statement of financial performance - Budget Adjustments

Transfers Recognised - Operational	Although immaterial, the adjustment made as a result of the reallocation of operating expenditure to capital projects which was partially offset by an increase in allocation from the Provincial Department of Roads and Transport as a result of the extension of the service level agreement from 1 April 2022 to 30 June 2022.
Employee Related Costs	The increase is due to the extension of the service level agreement between the municipality and the Provincial Department of Roads and Transport (from 1 April 2022 to 30 June 2022) and to also provide for other increases not fully accounted for in the original budget.
Depreciation & Asset Impairment	Align depreciation to prior year audited results, also taking into account expected projects to be completed in the current year.
Contracted Services	Although immaterial, the adjustment made as a result of the reallocation of operating expenditure to capital projects.
Other Expenditure	The increase is largely due to the municipality providing additional budget allocations towards municipal services received from the local municipalities. The extension of the service level agreement between the municipality and the Provincial Department of Roads and Transport (from 1 April 2022 to 30 June 2022) also contributed to the additional budget allocation.
Transfers Recognised - Capital	The adjustment made as a result of the reallocation of operating expenditure to capital projects.

Statement of financial performance - Budget versus Actual

Service Charges - Water Revenue	Variance is as result of reduced billing, partially due to the water restrictions which were implemented during the periods of drought within the district.
Service Charges - Sanitation Revenue	Variance is as result of reduced billing, partially due to the water restrictions which were implemented during the periods of drought within the district.
Interest Earned - External Investments	Variance is as result of the loan advancements received during the year not occurring according to planned projections as evident from the Borrowing variances.
Transfers Recognised - Operational	Variance is as result of the reduction in operational project expenditure in favour of capital project expenditure

44 BUDGET COMPARISONS (CONTINUED)

Other Revenue	Variance is as result of Other Revenue estimated based in the actual of the prior year Financial Statements figures not materialising in the year under review
Depreciation & Asset Impairment	Variance is as result of the value of Work In Progress PPE transferred to Infrastructure assets being larger than estimated.
Inventory Consumed	Variance is as result of differences in classification as well as the municipality incurring less expenditure due to the municipality experiencing financial difficulties at period during the year.
Contracted Services	Variance is as result of differences in classification as well as the municipality incurring less expenditure due to the municipality experiencing financial difficulties at period during the year.
Other Expenditure	Variance is as result of differences in classification as well as the municipality incurring less expenditure due to the municipality experiencing financial difficulties at period during the year.
Losses	The municipality incurred losses, mainly due to infrastructure write offs that were not fully budgeted for. Losses are linked to floods and vandalism.
Transfers Recognised - Capital	Variance is as result of the reduction in capital project expenditure

Cash Flow Statement - Budget Adjustments

Government - Operating	Allocation from the Provincial Department of Roads and Transport as a result of the extension of the service level agreement from 1 April 2022 to 30 June 2022.
Suppliers and Employees	The increase is due to the extension of the service level agreement between the municipality and the Provincial Department of Roads and Transport (from 1 April 2022 to 30 June 2022) and to also
Capital Assets	Additional projects from own funding combined with the reallocation of costs between operating and capital.

Cash Flow Statement - Budget versus Actual

Service Charges	Variance is as result of reduced billing, partially due to the water restrictions which were implemented during the periods of drought within the district as well as the collection rate being lower than estimated
Government - Capital	Variance is as result of the reduction in operational project expenditure in favour of capital project expenditure
Interest	Variance is as result of planned long term investements not occuring due to a lack of surplus funding. As is evident from the Investments variance.
Suppliers and Employees	Variance is as result of actual cash flow not being as planned as evident from the increase in trade and other payables
Finance Charges	Variance is as result of the loan advancements received during the year not occurring according to planned projections.
Capital Assets	Variance is as of delays in capital expenditure due. One of the delays were as result of the loan advancements received during the year
New Loans Raised	Variance is as result of the loan advancements received during the year not occurring according to planned projections.

	2022 R	2021 R

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

45.1 UNAUTHORISED EXPENDITURE

Unauthorised expenditure consist out of the following:

	2022 R	2021 R
Opening balance	109 474 258	109 474 258
Unauthorised expenditure current year - operating	-	-
Unauthorised expenditure current year - capital	-	-
Written of by Council	(109 309 505)	-
Unauthorised expenditure awaiting approval	**164 753**	**109 474 258**

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

	2022 (Actual) R	2022 (Final Budget) R	2022 (Unauthorised) R
Unauthorised expenditure - Operating			
Office of the Municipal Manager	34 661 943	42 325 902	-
Financial Services	41 958 120	53 302 849	-
Corporate Services	76 090 141	81 843 198	-
Technical Services	89 386 778	93 149 902	-
Community Services	53 665 796	64 112 988	-
Institutional Support Advancement	21 346 701	30 503 364	-
Water Services Provision	326 738 267	329 955 619	-
Total	**643 847 746**	**695 193 822**	**-**
Unauthorised expenditure - Capital			
Corporate Services	493 529	2 000 000	-
Technical Services	133 237 726	188 052 103	-
Community Services	-	200 000	-
Institutional Support Advancement	883 004	2 190 000	-
Water Services Provision	48 211 470	72 000 000	-
Total	**182 825 729**	**264 442 103**	**-**

	2022 R	2021 R

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

45.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

	2022 R	2021 R
Opening balance	625 130	625 130
Fruitless and wasteful expenditure incurred	-	-
Written of by Council	-	-
Fruitless and wasteful expenditure awaiting approval	**625 130**	**625 130**

On the 28 March 2019 the Council resolved to rescind its previous resolution to extend the employment contracts of the Municipal Manager, the Director: Corporate Services, the Director: Technical Services and the Director: Community Services.

The matter was determined to be unlawful. A Council meeting did not sit to reverse the decision. The matter was taken to the Labour Court by the affected senior managers and a Rule Nisi was granted in favour of the managers and Joe Gqabi District Municipality was directed to pay the applicant's costs associated with this matter.

An advice was then sought form the National Treasury in this regard and they indicated that is likely fruitless and wasteful expenditure and that it must establish an interim committee to investigate the recoverability of the identified fruitless and wasteful expenditure if the MPAC members are conflicted. The Audit committee was then tasked to investigate the matter and found that the money must be recovered from Councillors.

45.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

	2022 R	2021 R
Opening balance	-	199 350 877
Irregular expenditure incurred	15 910 470	53 067 316
Written of by Council	(15 910 470)	(252 418 193)
Irregular expenditure awaiting approval	**-**	**-**

Details of Irregular expenditure incurred :

	2022 R	2021 R
Jogeda Contractor Development Programme	15 910 470	53 067 316
Due to locality non-compliance (2019/20)	15 910 470	47 765 206
Due to locality non-compliance (2018/19)	-	5 302 110
Total	**15 910 470**	**53 067 316**

Approved by council on 29 October 2020. On 14 December 2021 the new Council was also briefed on the matter before a resolution was taken in line with the former council to approve the irregular expenditure incurred relating to functionality.

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

The Council of Joe Gqabi District Municipality took a resolution that JoGEDA be the implementing agent for the District Municipality in the implementation of identified the water and sanitation projects. JoGEDA as an entity of the Joe Gqabi District Municipality is bound by the laws and regulations affecting the parent entity. Any findings of irregular expenditure within the entity reflect on the parents records.

Functionality issue:
JoGEDA as an economic development agency used the locality of Joe Gqabi District Municipality as a functionality criterion in its procurement processes until December 2019. This has raised an irregularity in all the procurement undertaken by JoGEDA until December 2019 as procurement was seen as a key driver of local economic development and being able to prefer local suppliers was a stated intention of the agency. The finding has been that locality of Joe Gqabi District Municipality cannot be used as a functionality criterion as the policy refers to South African being the local area and this may be seen as unfair to all bidders.

Due to this finding, management has reviewed all tenders awarded prior to the ruling on the matter of locality and included those in irregular expenditure.

Jogeda Contractor Development Programme

Multiyear contracts were awarded on the 2018/19 and 2019/20 Financial years for the construction of Ventilated Improved Pit (VIP) Latrines and Senqu rural Water projects to various companies employed by the JGDM development agency JoGEDA and were deemed as irregular appointments as they were limited to contractors residing in the Joe Gqabi District Municipal area. Subsequently the Council of JGDM investigated the finding and on 20 October 2020 it approved the write off of expenditure on contracts appointed in this regard. The contracts were not suspended and therefore an additional amount of R53 067 316 was incurred in the year under review.

46 MATERIAL LOSSES

	2022	2021
Water distribution losses		
Kilo litres raw	16 229 409	15 286 196
Kilo litres treated	13 198 043	12 860 025
Kilo litres sold	(10 240 415)	(10 284 257)
Kilo litres lost during cleaning	3 031 366	2 426 171
Kilo litres lost from treated	2 957 628	2 575 768
Kilo litres lost from raw	5 988 994	5 001 939
Percentage water lost during cleaning	18.68%	15.90%

		2022	2021
46	**MATERIAL LOSSES (CONTINUED)**		
	Percentage lost from treated vs billed	22.41%	20.00%
	Percentage water lost since abstraction	36.90%	32.70%
	Average cost per kilolitre in Rands (Treated)	16.36	19.36
	Average cost per kilolitre in Rands (Untreated)	0.6023	0.5970
	Loss in Rand value (Treated) at Treated Value	48 386 794	49 866 868
	Loss in Rand value (Raw) at Untreated Value	1 825 792	1 448 424

There were minor improvements in Senqu and slight increase in the previously known Gariep and Elundini areas this past year. There was however a significant increase recorded for the Maletswai area. There are some mitigating factors beyond the control of JGDM that influenced the result as explained below.

There have been two instances of flood disaster recorded in the Joe Gqabi District during the past financial year. This resulted in major damages to water infrastructure across the district which would have led to some of the water losses recorded due to the length of time the infrastructure could be repaired so that water supply could be restored.

The area of Maletswai local area delivered a significant increase in water losses, from 19.4% to 36.8%. This has resulted in a marginal increase in the water loss figure for the district, from 32.7% to 36.9%. The increase in water losses in Maletswai can mainly be attributed to the regular pipe busts due to aging infrastructure in the town of Aliwal North. The municipality is slowly making strides in replacing the old dilapidated pipeline system through the WSIG funded project called Aliwal North Pipeline Replacement, as implemented by JoGEDA.

The municipality is in the process of implementing a Water Conservation & Demand Management Project funded by the WSIG for the last 2 years, focusing on installation of bulk water meters and fixing of leaks. Another initiative is the provision of new reservoirs in strategic areas to replace old leaking water reservoirs. There is also the MIG funded project being implemented in Maclear called AC Pipe Replacement which will also, once completed, contribute to the reduction of water losses.

Water treatment losses occur at the water treatment plant where both raw water (measured after the raw water intake meter) and treated water are used to clean the water treatment system by means of processes called backwashing and flushing. These losses are unavoidable as it is a critical operation & maintenance procedure to ensure the water treatment plant operates optimally.

		2022	2021
		R	R
47	**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**		
47.1	**Salga Contributions [MFMA 125 (1)(b)]**		
	Council subscriptions	2 504 612	2 249 580
	Payments	(2 504 612)	(2 249 580)
	Outstanding Balance	-	-

		2022	2021
		R	R

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

47.2 Audit Fees [MFMA 125 (1)(c)]

	2022	2021
Opening balance	63 710	-
Current year audit fee	4 545 319	4 902 201
Amount paid	(4 568 788)	(4 838 491)
Advance Payment	**40 241**	**63 710**

47.3 VAT [MFMA 125 (1)(c)]

	2022	2021
Opening balance	9 193 210	7 152 779
Amounts received during the year	(38 274 463)	(33 267 393)
Amounts paid during the year	40 414 714	35 307 825
Outstanding Balance	**11 333 461**	**9 193 210**

VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.

47.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]

	2022	2021
Current year payroll deductions and Council Contributions	43 880 550	40 827 255
Amount paid - current year	(43 880 550)	(40 827 255)
Outstanding Balance	**-**	**-**

47.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]

	2022	2021
Current year payroll deductions and Council Contributions	49 227 966	47 476 288
Amount paid - current year	(49 227 966)	(47 476 288)
Outstanding Balance	**-**	**-**

47.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]

There are no overdue councillor accounts.

47.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

Approved deviations from Supply Chain Management Regulations were identified on the following categories:

	2022	2021
Emergencies	67 712 663	44 296 564
Goods and services are available from a Single provider only	343 644	-
Other exceptional cases where it is impractical or impossible to follow the official procurement processes eg. Strip and Quotes	1 649 926	1 429 402
Total	**69 706 233**	**45 725 967**

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

The term “strip and quote” is an estimate by a technical person to scope to ascertain any hidden or latent defects before repairs can be started.

It is considered “impractical” where, for example, repairs need to be done and it is not possible for the municipality to ascertain or specify the nature or extent of the work required. This may require a "strip and quote" to determine the scope of work to be done to rectify the situation. This may require dismantling of the asset. This is common on mechanical, electrical and related repairs.

	2022 R	2021 R
Deviations per department:		
ISA	1 130 439	1 229 216
Financial Services	490 797	21 950
Corporate Services	28 689	-
Community Services	456 154	-
Water Service Provision	52 518 034	44 474 801
JoGeda - Water Service Provision	15 082 119	-
Total	**69 706 233**	**45 725 967**

47.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

None

47.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

During the period under review, the municipality engaged with the following employees in service of the state (SCM 44):

None

During the year under review, the municipality engaged with the following entities where family members of suppliers are in service of the state (SCM 45):

Supplier	**Awarded Amount**	**2022** **R**	**2021** **R**
SMS ICT Choice (Pty) Ltd	Rates Based	1 015 455	-
Zutari (Pty) Ltd	Rates Based	1 046 067	1 461 319
Max Internet Technologies CC	R189 980	-	-
Sikhokhele Business Consulting	Rates Based	454 279	454 279
Total		**2 515 801**	**1 915 598**

The amount disclosed above relates to the actual expenditure on the relevant contracts during the 2 years under review.

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

Further disclosure relating to the suppliers above:

Supplier	Initials and Surname of family member and relationship	Organ of State	Capacity of family member
SMS ICT Choice (Pty) Ltd (Sydwell Maqula)	NJ Maqula (Spouse)	Department of Human Settlements	Director: Contracts Management
Zutari (Pty) Ltd (Richard John Ahlschlager)	HC Ahlschlager (Spouse)	SIU (Accountable to parliament and president)	Legal Representative
Zutari (Pty) Ltd (Kevin Pragasen Nadasen)	K Nadasen (Spouse)	National Deparment of Public Works	Director: Key Account Management
Zutari (Pty) Ltd (Ismail Gasant)	S Seegers (Sibling)	City of Cape Town	Head of Security Architecture
Max Internet Technologies CC (Johannes Jurie Steenekamp)	R Steenekamp (Spouse)	Overstrand Municipality	Media & Social Media Liaison Officer
Sikhokhele Business Consulting (Abongile Peter)	M Peter (Spouse)	Western Cape Provincial Treasury	Assistant Director: Local Government Finance

	2022 R	2021 R
48 CAPITAL COMMITMENTS		
Commitments in respect of Capital Expenditure:	**927 557 881**	**568 542 438**
Approved and contracted for:		
Infrastructure	927 557 881	568 542 438
Total	**927 557 881**	**568 542 438**
This expenditure will be financed from:		
Government Grants	927 557 881	568 542 438
Total	**927 557 881**	**568 542 438**

Commitments are disclosed inclusive of Value Added Tax (VAT)

49 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

49.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following financial assets are exposed to credit risk:

	2022 R	2021 R
Receivables from Exchange Transactions	467 359 749	368 457 065
Cash and Cash Equivalents	24 859 712	5 171 099
Non-current Investments	3 947 510	3 853 509
Unpaid Conditional Grants and Subsidies	13 627 491	13 209 768
Total	**509 794 461**	**390 691 442**

<u>Cash and Cash Equivalents</u>

Deposits of the municipality is only held at reputable banks that are listed on the JSE Stock Exchange. The credit quality is regular monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held, no cash were pledged as security and no collateral is held for any cash and cash equivalents, other than the following:

Credit risk is further managed and guided by the Cash Management and Investment Policy.

<u>Receivables from Exchange Transactions</u>

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply

In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 4 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 4 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are passed due, but not impaired:

	2022 R	2021 R
Water	365 412 035	281 656 193
Sanitation	97 781 707	81 341 761
Other Services	103 734	41 405
Staff and other debtors	4 062 273	5 417 706
Total	**467 359 749**	**368 457 065**

These receivables can be aged as follows:

	2022	2021
1 Month Past due	20 961 066	17 885 359
2 Months Past due	26 832 612	33 495 768
3 Months and more Past due	419 566 072	317 075 938
Total	**467 359 750**	**368 457 065**

Non-Current Investments

Non-Current Investments consist out of a fixed deposit at the Development Bank of South Africa as well as an investment in a municipal entity. Management assessed the risk of counter party default on these investments as low.

Refer to note 6 for more detail with regards to these assets and any impairment charges raised against these investments to reduce the carrying value of the investment in line with its recoverable amount.

Unpaid Conditional Government Grants

Although the risk pertaining to unpaid conditional grants and subsidies are considered to be very low, the maximum exposure is disclosed. Amounts are receivable from national and provincial government and there are no expectation of counter party will default.

49.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The financial instruments of the municipality is not directly exposed to any currency risk.

49.3 Interest rate risk (Market Risk)

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

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

	2022 R	2021 R
The following balances are exposed to interest rate fluctuations:		
Cash and Cash Equivalents (Excluding Cash on Hand)	24 859 712	5 171 099
Long-term Liabilities (Including Current Portion)	(62 052 803)	(2 726 122)
Net balance exposed	**(37 193 091)**	**2 444 978**
Potential effect of changes in interest rates on surplus and deficit for the year:		
0.5% (2021 - 0.5%) increase in interest rates	(185 965)	12 225
0.5% (2021 - 0.5%) decrease in interest rates	185 965	(12 225)

Management does not foresee significant interest rate movements during the next 12 months.

49.4 Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

30 JUNE 2022		**PAYABLE**	
	Within 1 Year	**Two to five years**	**After five years**
Annuity Loans	64 502 872	1 453 275	-
Payables from exchange transactions	155 049 644	-	-
Total	**219 552 516**	**1 453 275**	**-**

30 JUNE 2021		**PAYABLE**	
	Within 1 Year	**Two to five years**	**After five years**
Annuity Loans	968 850	2 422 126	-
Payables from exchange transactions	124 356 306	-	-
Total	**125 325 156**	**2 422 126**	**-**

The liquidity risk is further managed and guided by the Liquidity Policy.

There were no changes to the exposure to liquidity risk and how the risk is managed during the period under

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

Unspent Conditional Government Grants were removed from the disclosure as it does not meet the definition of a financial liability. There are no contractual counter party.

Payables from exchange transactions were also restated to remove payments in advance as well as unallocated deposits, as it does not meet the definition of a financial instrument and there are no expectation that funds will flow out of the municipality as a result of these liabilities recognised. Also, there are no contractual counter party.

49.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those 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.

The municipality is not exposed to any other price risk.

50 FINANCIAL INSTRUMENTS

The municipality recognised the following financial instruments
(All balances are recognised at amortised cost.)

	2022 R	2021 R
Financial Assets		
Fixed Deposits (Zero coupon)	2 053 454	1 959 454
Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055
Receivables from Exchange Transactions	467 359 749	368 457 065
Cash and Cash Equivalents	24 931 312	5 242 699
Unpaid Conditional Government Grants and Receipts	13 627 491	13 209 768
Total	**509 866 061**	**390 763 042**
Financial Liabilities		
Long-term Liabilities	1 297 508	2 050 921
Trade and Other Payables	155 049 644	124 356 306
Current Portion of Long-term Liabilities	60 755 295	675 200
Total	**217 102 447**	**127 082 428**

51 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Taxes		
VAT Receivable from SARS (VAT Control)	11 333 461	9 193 210
Total	**11 333 461**	**9 193 210**

51 STATUTORY RECEIVABLES (CONTINUED)

The VAT Receivable is considered an Exchange Receivable

The prior year incorrectly excluded VAT receivable from SARS, which is considered to be Statutory Receivable. The comparative disclosure was updated to include an amount of R 9 193 210. Input Vat in Suspense is not included in the disclosure as there are no transaction to “settle” with a specific counterparty (SARS) at year-end.

52 EVENTS AFTER REPORTING DATE

52.1 None

53 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations during the year. Refer to note 20 for Public contributions and donations received during the year.

54 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The municipality did not enter into any PPP's in the current and prior year.

55 CONTINGENT LIABILITIES

The municipality were exposed to the following contingent liabilities at year end:

<u>Liabilities applicable to both 30 June 2022 and 30 June 2021</u>

55.01 The Department of Water and Sanitation is claiming an amount R37 660 353 from the Municipality for raw water extraction costs. This amount is made up of a number of invoices, dating back as far as 2002. The Municipality has had extensive interactions with the Department, but this amount has not been finalised. The Municipality's Management is of the opinion that this amount is firstly grossly overstated and in some cases refers to areas outside the District's jurisdiction. An accrual of R10 531 551 for bulk water purchases has been made and this amount is considered to be due and payable to the Department. The net amount of the contingency is R27 128 802. The Municipality is in ongoing negotiations with the Department. The Department submitted a request to its Minister and Director General to write off the amount. This decision is still pending. The Department is also considering drought relief measures for the current year's raw water extraction costs. This decision is also pending.

55.02 There was an accident which occurred between a vehicle of Senqu Municipality and a truck driven by an employee of the Municipality. The insurance is claiming for damages from the municipality and the municipality is contesting the claim. The case is Pending, JGDM filed a notice of exception. Likelihood of the municipality to loose this case is medium to low. The amount of the claim in this case is R382 119.66 and we are waiting for the Court date and the likelihood of losing this case is still low. The matter is still in trial stage.

55 CONTINGENT LIABILITIES (CONTINUED)

55.03 TA Stera Enterprise - This is a case where the plaintiff is claiming an amount of R1 800 000 saying there was an illegitimate expectation created by one of the employees of the Municipality where he applied for a tender and such was not granted to him. The likelihood of losing the case is medium. Notice of intention to sue was received and no summons yet. This matter was withdrawn by the Plaintiff. Subsequent to that another summons was received with a different amount of claim and different facts. There is an application to Court by the Municipality for the withdrawal of the case by the Plaintiff on the basis that the Municipality cannot plead to the summons received as there was no notice to amend the first summons received by the Municipality since content is still the same. Rule 30 Notice was served on the Plaintiff. Matter is still pending since the plaintiff is not doing anything about the case and the Municipality is the Respondent and it is the duty of the Plaintiff to set the matter down for trial once all pleadings have been closed and in this matter pleadings are not yet closed but the Plaintiff seem to have abandoned this matter.

55.04 Magnocorp v Spec and Jgdm - In this matter JGDM received a notice of motion wherein Magnocorp is stating that Spec filed fraudulent information while applying for Tender at the Municipality. This comes after Spec interdicted Magnocorp from doing the work after they have been appointed by the Municipality. The Municipality is cited as a second respondent in this matter and Notice to oppose has been filed in Court. The matter is still pending in Court.

55.05 Spec v Jgdm - This is a case where Spec interdicted Magnocorp from carrying on with the works after it had been awarded a Tender by the Municipality. This matter was on trial on the 12 of August 2021 at the Grahamstown High Court and we are waiting for the judgment. This matter is on appeal to the full bench of the Grahamstown High Court as the Applicants are not happy with the decision of the single judge.

<u>Liabilities applicable to 30 June 2021 only</u>

55.06 The Municipality is contesting a claim for damages amounting to R754 702. The claim was lodged by Mr B Ramsay and his spouse for damages, pain and suffering and future medical costs. The claim relates to a motor vehicle accident wherein the vehicle was damaged when entering a site in Aliwal North. The site relates to diggings on a road for the purpose of effecting repairs to water infrastructure. The complainants believe that the Municipality is responsible for the accident that occurred. The Municipality is contesting this claim and the matter has been set down for trial on the 11 October 2016 and then was removed from the roll on basis of they wanted to file their expert witness evidence. Trial run was from 05/02/2019 - 19/02/2019 and the Municipality is awaiting judgement. Likelihood for the Municipality of losing this case is deemed low. The judgement was received and unfortunately it was against the Municipality and the Municipality had to petition the SCA for leave to appeal after Grahamstown High Court did not grant leave to appeal. SCA found in favour of the Municipality and granted the appeal to proceed before the full bench in Grahamstown High Court. Awaiting date of appeal form the Registrar of the Grahamstown High Court. The matter is going to be heard by the full bench in Grahamstown High court on the 26th of October 2021. The reason for the delay is that the advocate who was dealing with this case had succumbed to covid, so a new advocate had to listen to the whole record which had to be transcribed first. The likelihood of losing he case is deemed medium at this stage. (This matter has been finalised in 2021/2022 and all claims have been settled and the file has to be closed)

55 CONTINGENT LIABILITIES (CONTINUED)

55.07 The Municipality is contesting a claim from a Service provider of a Municipal Service provider. A claim has been received for materials delivered on a project. The municipality signed a cession agreement with the service provider appointed to pay their service provider on their behalf, however the claim was never submitted that work has been done. The order on which the cession was signed was fully paid to the JGDM appointed Service provider because the session was signed subsequent to payment already made. Claim amount is R490 000 and the likelihood is deemed high (2020: medium) for the municipality losing the case. This matter is being settled as it is possible that the Municipality might lose the case due to the fact that a cession was signed. (The matter has has been settled during 2021/2022)

55.08 A claim was filed against the Municipality by a service provider for services rendered. Council has filed a counter claim. The Municipality considers the likelihood of the case being lost by the Municipality as being medium. Case is pending a resolution between the Service provider and their third party for the case to proceed. The claim value is R376 000. This is Bunono case and it was settled between the parties and could not proceed to Court. This matter was finalised in 2020/2021 and the file was closed.

55.09 There is a claim from Telkom for infrastructure damages to the value of R110 000. Legal proceedings have not commenced as at year end. The likelihood of the municipality losing is considered to be medium to low. No claim has commenced on 30 June 2020 and the matter was subsequently closed in 2021 as the matter is dormant.

55.10 There is another claim from a service provider for services rendered that are contested by the municipality. The matter was withdrawn but is still pending. The likelihood of the municipality losing is low.

55.11 Mbane v Jgdm. This is a claim for damages and a notice of exception has been served in Court claim not proved by Plaintiff. Likelihood of losing is considered low. (This matter has been finalised and judgment found in favour of the Municipality).

55.12 Budget Insurance v JGDM - This is a claim for damages wherein an employee of JGDM was involved in an accident with another vehicle and this is a third party claim. In this case JGDM are busy with the insurance of JGDM in trying to settle the matter. The insurance has since settled this matter and the file was closed.

56 CONTINGENT ASSETS

The municipality has the following contingent assets at year end:

56.01 The municipality identified possible fraud which is currently under investigation by the SAPS and the outcome is unsure at this stage. The matter has been referred to the Municipal attorneys to claim from the medical aid scheme in question. No court date has been set on the reporting date. The municipality is awaiting the investigation report to proceed with litigation. No report is forthcoming after numerous correspondence to the Medical Aid and the Municipal Attorneys are proceeding with summons against Medichex and Hosmed.

56.02 There is an amount of R287 823.18 which is a contingent asset in the matter of WDR Earthmoving Enterprise v JDGM which relates to costs that the Municipality has to recover from Amadwala. The attorneys advised that they will apply for Amadwala to be declared insolvent and that is the only route available for now since Amadwala has more debt and could not afford to pay any. This is an ongoing matter.

56 CONTINGENT ASSETS (CONTINUED)

56.03 A Payment was made incorrectly to Bobotyane and on attempts to recover it from the service provider they refused to refund the municipality. The owner has since passed away and a claim has been lodged against the estate of the deceased.

56.04 A claim has been lodged against Zamazondo, due to the materials as per the cession agreement, that was paid to Sizabantu based on a court order was never used by the service provider on the project. The claim is to recover the monies from Zamazondo that was paid to Sizabantu.

57 B-BBEE PERFORMANCE

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

58 RELATED PARTIES

Related parties are defined in note 1.35

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 26 and 27

No business transactions took place between the Municipality and management personnel and their close family members (including close members of family members) during the year under review.

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA) as set out in note 6 to the financial statements. The Municipality incurred expenditure on behalf of JoGEDA.

The Municipality paid a grant to JoGEDA as disclosed in note 36.

Also refer to note 60 relating to the principle agent relationship between the municipality and JoGEDA.

59 IMPACT OF COVID-19 ON FINANCIAL SUSTAINABILITY

A National State of Disaster was declared in terms of the Disaster Management Act, 2002 (Act No. 57 of 2002), and published in Government Gazette No. 43096 on 15 March 2020 due to a SARS-CoV-2 viral pandemic (commonly known as Covid-19). The National State of Disaster was ended during the current financial year.

The Municipality no expenditure directly linked to the fight against the COVID-19 pandemic (Prior year expenditure amounted to R 2 444 229 from own funding).

60 ACCOUNTING FOR PRINCIPALS AND AGENTS

The municipality act as Principle in its binding arrangement with Joe Gqabi Economic Development Agency (Soc) Ltd, which is a fully owned municipal entity. The Joe Gqabi Economic Development Agency (Soc) Ltd engages with service providers and contractors on behalf of the municipality during the implementation of the municipal operating and capital projects. An agency fee is paid to the Joe Gqabi Economic Development Agency (Soc) Ltd in this regard. The following fees were paid and receivables were raised as a result of the agreement:

		2022 R	2021 R
60	**ACCOUNTING FOR PRINCIPALS AND AGENTS (CONTINUED)**		
	Fees Paid to Joe Gqabi Economic Development Agency (Soc) Ltd (Excluding VAT)	9 226 010	10 753 940
	Implementing fee payable (Including VAT)	3 932 165	2 978 210

61 NON-LIVING RESOURCES

Management identified the following non-living resources (other than land):

- Aquifer (from where water is extracted by utilising boreholes)

62 SEGMENT REPORTING

62.1 General information

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The municipal departments were aggregated for reporting purposes as follow:

No	Reportable Segment	Goods and/or services delivered
1	Public Safety	Fire Fighting and Protection Services
2	Planning and Development	Corporate wide strategic planning, economic development and technical project management services
3	Environmental Protection	Nature Conservation
4	Health	Municipal Health Services
5	Road transport	Maintenance relating to Provincial Roads Infrastructure
6	Waste Water Management	Sewerage Services
7	Water Management	Water Services

No	Non-Segments	Goods and/or services delivered
1	Finance and administration	Supply administrative and related support to all segments. Provide and strengthen the overall governance.

62.2 Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

62 SEGMENT REPORTING (CONTINUED)

62.3 Geographic Segment Reporting

Although the Municipality operates in a number of geographical areas (local municipalities), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

62.4 Measurement of specific segment information

The accounting policies of the respective segments are the same as those prescribed in the summary of significant accounting policies.

The Municipality had no changes the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

Information about the surplus/(deficit) and capital expenditure of the respective segments are disclosed as follows:

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

62 SEGMENT REPORTING (CONTINUED)

	Non - Segments	Segments							
30 JUNE 2022	**Finance and administration R**	**Public Safety R**	**Planning and Development R**	**Environmental Protection R**	**Health R**	**Road transport R**	**Waste Water Management R**	**Water Management R**	**Total R**
REVENUE									
External Revenue from Non-Exchange Transactions	**307 464 254**	**-**	**167 796 608**	**-**	**-**	**23 158 214**	**13 514 998**	**60 544 832**	**572 478 907**
Government Grants and Subsidies - Operating	304 934 064	-	51 925 811	-	-	23 158 214	5 414 129	20 434 231	405 866 450
Government Grants and Subsidies - Capital	-	-	115 870 797	-	-	-	8 100 869	39 050 771	163 022 437
Contributed Assets	-	-	-	-	-	-	-	1 059 830	1 059 830
Actuarial Gains	2 530 190	-	-	-	-	-	-	-	2 530 190
External Revenue from Exchange Transactions	**2 551 830**	**-**	**-**	**1 825 575**	**93 433**	**463 164**	**34 084 855**	**165 020 175**	**204 039 032**
Service Charges	-	-	-	-	-	-	22 896 514	126 120 055	149 016 569
Interest Earned - External Investments	2 055 681	-	-	-	-	-	-	-	2 055 681
Interest Earned - Outstanding Debtors	227 896	-	-	-	-	-	11 169 166	38 824 089	50 221 151
Other Income	268 252	-	-	1 825 575	93 433	463 164	19 174	76 032	2 745 630
TOTAL REVENUE	**310 016 084**	**-**	**167 796 608**	**1 825 575**	**93 433**	**23 621 379**	**47 599 852**	**225 565 008**	**776 517 939**
EXPENDITURE	**155 662 287**	**16 739 737**	**84 927 915**	**4 774 840**	**17 548 087**	**22 853 481**	**61 283 639**	**280 057 759**	**643 847 746**
Employee Related Costs	72 390 964	14 286 462	15 415 698	1 395 945	16 998 410	15 536 452	9 515 608	111 149 062	256 688 602
Remuneration of Councillors	5 719 138	-	-	-	-	-	-	-	5 719 138
Debt Impairment	-	-	-	-	-	-	14 811 487	62 543 738	77 355 226
Depreciation and Amortisation	2 133 324	-	-	-	-	-	13 719 729	49 508 075	65 361 127
Impairments	336 898	-	-	-	-	-	1 342 783	958 105	2 637 786
Repairs and Maintenance	1 550 163	315 439	1 314 998	1 885 358	3 200	962 831	-	3 562 957	9 594 944
Finance Charges	6 193 765	-	-	-	-	-	-	-	6 193 765
Bulk Purchases	-	-	-	-	-	-	-	7 022 022	7 022 022
Contracted Services	-	-	-	-	-	-	19 244 491	17 786 142	37 030 632
Transfers and Grants	-	-	5 000 000	-	-	-	-	-	5 000 000
VIP Toilet Expenditure	-	-	39 000 693	-	-	-	-	-	39 000 693
Other Expenditure	66 664 099	2 137 837	5 666 053	1 493 538	546 477	6 354 199	2 649 541	27 527 658	113 039 403
Inventory Adjustments	78 686	-	-	-	-	-	-	-	78 686
Loss on Disposal of PPE	595 249	-	18 530 473	-	-	-	-	-	19 125 722
TOTAL EXPENDITURE	**155 662 287**	**16 739 737**	**84 927 915**	**4 774 840**	**17 548 087**	**22 853 481**	**61 283 639**	**280 057 759**	**643 847 746**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**154 353 797**	**(16 739 737)**	**82 868 692**	**(2 949 265)**	**(17 454 654)**	**767 898**	**(13 683 787)**	**(54 492 751)**	**132 670 192**
CAPITAL EXPENDITURE FOR THE YEAR	1 376 533	-	133 237 726	-	-	-	8 100 869	40 110 601	**182 825 729**

62 SEGMENT REPORTING (CONTINUED)

	Non - Segments	Segments							
30 JUNE 2021	**Finance and administration R**	**Public Safety R**	**Planning and Development R**	**Environmental Protection R**	**Health R**	**Road transport R**	**Waste Water Management R**	**Water Management R**	**Total R**
REVENUE									
External Revenue from Non-Exchange Transactions	**330 417 651**	**-**	**156 504 015**	**-**	**-**	**23 224 820**	**9 958 435**	**60 171 565**	**580 276 486**
Government Grants and Subsidies - Operating	329 746 188	-	58 945 481	-	-	23 224 820	9 673 735	19 786 890	441 377 113
Government Grants and Subsidies - Capital	-	-	97 558 534	-	-	-	284 700	40 254 675	138 097 910
Public Contributions and Donations	-	-	-	-	-	-	-	130 000	130 000
Actuarial Gains	671 463	-	-	-	-	-	-	-	671 463
External Revenue from Exchange Transactions	**2 722 757**	**-**	**-**	**3 473 080**	**78 668**	**-**	**33 673 373**	**161 034 745**	**200 982 624**
Service Charges	-	-	-	-	-	-	25 567 146	136 756 244	162 323 390
Interest Earned - External Investments	1 935 082	-	-	-	-	-	-	-	1 935 082
Interest Earned - Outstanding Debtors	177 486	-	-	-	-	-	8 082 369	24 261 808	32 521 664
Other Income	610 190	-	-	3 473 080	78 668	-	23 858	16 693	4 202 489
TOTAL REVENUE	**333 140 408**	**-**	**156 504 015**	**3 473 080**	**78 668**	**23 224 820**	**43 631 808**	**221 206 310**	**781 259 110**
EXPENDITURE	**137 273 369**	**14 809 644**	**53 183 086**	**5 050 172**	**18 296 204**	**24 068 451**	**49 964 805**	**311 674 733**	**614 320 464**
Employee Related Costs	80 114 797	12 893 796	11 103 640	1 634 345	17 739 109	14 681 707	10 109 748	105 603 770	253 880 912
Remuneration of Councillors	5 971 927	-	-	-	-	-	-	-	5 971 927
Debt Impairment	-	-	-	-	-	-	7 748 967	74 673 690	82 422 656
Depreciation and Amortisation	2 231 905	-	-	-	-	-	11 205 029	44 510 938	57 947 872
Impairments	106 483	-	-	-	-	-	102 428	408 310	617 221
Actuarial Losses	1 364 056	-	-	-	-	-	-	-	1 364 056
Repairs and Maintenance	1 131 478	184 682	1 432 174	2 366 222	-	2 134 048	-	3 279 357	10 527 961
Finance Charges	3 629 547	-	-	-	-	-	-	-	3 629 547
Bulk Purchases	-	-	-	-	-	-	-	5 300 478	5 300 478
Contracted Services	-	-	-	-	-	-	17 839 521	12 113 869	29 953 390
Transfers and Grants	-	-	7 500 000	-	-	-	-	-	7 500 000
VIP Toilet Expenditure	-	-	29 044 562	-	-	-	-	20 614 739	49 659 301
Other Expenditure	42 723 175	1 731 166	4 102 710	1 049 604	557 095	7 252 696	2 356 114	43 912 556	103 685 117
Inventory Adjustments	-	-	-	-	-	-	-	15 164	15 164
Loss on Disposal of PPE	-	-	-	-	-	-	602 998	1 241 863	1 844 861
TOTAL EXPENDITURE	**137 273 369**	**14 809 644**	**53 183 086**	**5 050 172**	**18 296 204**	**24 068 451**	**49 964 805**	**311 674 733**	**614 320 464**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**195 867 039**	**(14 809 644)**	**103 320 929**	**(1 577 092)**	**(18 217 536)**	**(843 631)**	**(6 332 997)**	**(90 468 423)**	**166 938 646**
CAPITAL EXPENDITURE FOR THE YEAR	496 425	-	109 021 734	-	-	-	284 700	40 254 675	**150 057 534**

63 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATED OUTCOME 2021 R
Financial Performance						
Service charges	183 863 728	95 003	183 958 731	149 016 569	(34 942 162)	162 323 390
Investment revenue	7 693 556	-	7 693 556	2 055 681	(5 637 875)	1 935 082
Transfers recognised - operational	397 578 250	(4 351 864)	393 226 386	405 866 450	12 640 064	441 377 113
Other own revenue	63 181 235	32 518	63 213 753	55 496 972	(7 716 781)	37 525 615
Total Operating Revenue	**652 316 769**	**(4 224 343)**	**648 092 426**	**612 435 672**	**(35 656 754)**	**643 161 200**
Employee costs	251 640 022	7 653 665	259 293 687	254 422 862	(4 870 825)	251 708 148
Remuneration of councillors	6 715 188	-	6 715 188	5 719 138	(996 050)	5 971 927
Debt impairment	80 950 285	-	80 950 285	77 355 226	(3 595 059)	82 422 656
Depreciation & asset impairment	124 465 439	(46 284 560)	78 180 879	65 361 127	(12 819 752)	57 947 872
Finance charges	10 657 500	(2 602 000)	8 055 500	6 193 765	(1 861 735)	3 629 547
Inventory consumed and bulk purchases	27 153 047	2 149 218	29 302 265	22 066 802	(7 235 463)	19 096 136
Contracted Services	114 285 950	(5 160 989)	109 124 961	102 594 096	(6 530 865)	107 217 056
Transfers and grants	5 720 848	(103 877)	5 616 971	5 038 865	(578 106)	7 564 200
Other Expenditure	84 925 632	33 028 366	117 953 998	105 095 865	(12 858 133)	78 762 921
Total Expenditure	**706 513 911**	**(11 320 177)**	**695 193 734**	**643 847 746**	**(51 345 988)**	**614 320 464**
Surplus/(Deficit)	**(54 197 142)**	**7 095 834**	**(47 101 308)**	**(31 412 074)**	**15 689 234**	**28 840 736**
Transfers recognised - capital	174 150 250	11 400 657	185 550 907	163 022 437	(22 528 470)	138 097 910
Contributed Assets	-	-	-	1 059 830		-
Surplus/(Deficit) for the year	**119 953 108**	**18 496 491**	**138 449 599**	**132 670 192**	**(6 839 237)**	**166 938 646**

63 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATED OUTCOME 2021 R
Capital expenditure & funds sources						
Capital expenditure	**304 237 553**	**(39 795 450)**	**264 442 103**	**182 825 729**	**(81 616 374)**	**150 057 534**
Transfers recognised - capital	175 150 250	11 500 651	186 650 901	163 022 437	(23 628 464)	138 097 910
Borrowing	72 501 202	-	72 501 202	(35 986 527)	(108 487 729)	11 463 199
Internally generated funds	5 150 000	140 000	5 290 000	55 789 819	50 499 819	496 426
Total sources of capital funds	**252 801 452**	**11 640 651**	**264 442 103**	**182 825 729**	**(81 616 374)**	**150 057 534**
Cash flows						
Net cash from (used) operating	118 151 362	12 610 103	130 761 465	141 881 670	11 120 205	134 277 343
Net cash from (used) investing	(252 801 000)	(11 641 103)	(264 442 103)	(181 765 899)	82 676 204	(150 057 534)
Net cash from (used) financing	135 099 000	(969 000)	134 130 000	59 572 841	(74 557 159)	(501 043)
Net Cash Movement for the year	**449 362**	**-**	**449 362**	**19 688 612**	**19 239 250**	**(16 281 234)**
Cash/cash equivalents at beginning of year	8 898 000	-	8 898 000	5 242 699	(3 655 301)	21 523 934
Cash/cash equivalents at the year end	**9 347 362**	**-**	**9 347 362**	**24 931 310**	**15 583 949**	**5 242 699**

The prior year figures were reclassified/restated to ensure consistency with budget disclosures in the current financial year. Refer to note 41.09

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2022

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2021 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2022 R
ANNUITY LOANS							
DBSA - Building - c/o Graham and Cole street, Barkly East	3044713107	11.50%	2024/12/31	2 726 122	-	(673 319)	2 052 803
DBSA - Front Loading	61007760	5.75%	2023/03/31	-	20 000 000	-	20 000 000
DBSA - Front Loading	61007529	6.52%	2023/03/31	-	40 000 000	-	40 000 000
Total Annuity Loans				**2 726 122**	**60 000 000**	**(673 319)**	**62 052 803**
Total Long-Term Liabilities				**2 726 122**	**60 000 000**	**(673 319)**	**62 052 803**

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2022

	OPENING BALANCE	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	TRANSFER TO/ (FROM) RECEIVABLES	FUNDS RETURNED TO NT	CLOSING BALANCE
NATIONAL GOVERNMENT	**R**	**R**	**R**	**R**	**R**	**R**	**R**
Equitable Share	-	302 992 000	(302 992 000)	-	-	-	-
Financial Management Grant (FMG)	-	1 500 000	(1 500 000)	-	-	-	-
Municipal Infrastructure Grant (MIG)	-	166 188 000	(50 317 203)	(115 870 797)	-	-	-
Water Services Infrastructure Grant (WSIG)	-	73 000 000	(25 848 360)	(47 151 640)	-	-	-
Expanded Public Works Program (EPWP)	-	1 559 000	(1 559 000)	-	-	-	-
Rural Roads Asset Management Grant	2 201 964	2 233 000	-	-	-	(2 200 000)	2 234 964
Disaster Relief (COVID 19)	-	-	-	-	-	-	-
Regional Bulk Infrastructure Grant	2 791 134	-	-	-	-	(2 791 134)	-
Rural Households Infrastructure Grant	4 000	-	-	-	-	-	4 000
Total	**4 997 099**	**547 472 000**	**(382 216 563)**	**(163 022 437)**	**-**	**(4 991 134)**	**2 238 964**
PROVINCIAL GOVERNMENT							
Drought Relief (COGTA)	49 608	-	(49 608)	-	-	-	-
Public Works - Special Programme	-	22 031 181	(23 158 214)	-	1 127 033	-	-
Total	**49 608**	**22 031 181**	**(23 207 822)**	**-**	**1 127 033**	**-**	**-**
OTHER GRANT PROVIDERS							
LG Seta	-	442 064	(442 064)	-	-	-	-
Total	**-**	**442 064**	**(442 064)**	**-**	**-**	**-**	**-**
ALL SPHERES GOVERNMENT	**5 046 707**	**569 945 246**	**(405 866 450)**	**(163 022 437)**	**1 127 033**	**(4 991 134)**	**2 238 964**