SIYA PHAMBILI - ASIJIKI

JOE GQABI

DISTRICT MUNICIPALITY

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2023

JOE GQABI DISTRICT MUNICIPALITY

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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	**Councillor**
Executive Mayor	NP Mposelwa
Speaker	M Bomela
Portfolio head: Financial Services	NU Hlatuka
Portfolio head: Technical Services	SE Ntsoelinyane
Portfolio head: Corporate Services	N Mabunu
Portfolio head: Community Services	A Skoti

MUNICIPAL MANAGER

Mr M P Nonjola	Acting from 1 June 2022 to 28 February 2023. Appointed on 1 March 2023

ACTING CHIEF FINANCIAL OFFICER

Ms S du Toit	Acting from 1 March 2023

OTHER DIRECTORS AND SENIOR MANAGERS DIRECTLY REPORTING TO THE ACCOUNTING OFFICER

Mr R J Fortuin	- Director: Technical Services
Vacant	- Director: Community Services
Vacant	- Director: Corporate Services
Abolished	- Director: Institutional support and advancement
Ms N Mshumi	- Chief Operations Officer
Mr D Lusawana	- Manager Water Service provider

REGISTERED OFFICE

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

POSTAL ADDRESS

P/Bag X102, Barkly 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	(Resigned effective on 1 July 2023)

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	Councillor	
Executive Mayor	NP Mposelwa	
Speaker	M Bomela	
Councillors: JGDM	SE Ntoelinyane	
	A Skoti	
	S Mei	
	N Mabunu	
	NU Hlatuka	
	NR Lengs	
	AM van Zyl	(resigned 10 August 2022)
	Cllr GJ Shaw	(sworn in 08 September 2022)
	SG Maroahae	

MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL - REPRESENTATIVE COUNCILLORS

Municipality	Councillor	
Senqu Local Municipality	N Ngendane	
	S Mfisa	
	N Nyongwana	
	L Ndakisa	
	M Moahloli	
	NM Phama	
Elundini Local Municipality	FM Maqanda	
	Z Mampintsha	
	M Siphamla	
	S Mdoda	
	M Telile	
	L Pili	(removed on 26 January 2023)
Walter Sisulu Local Municipality	V Davids	
	NS Mathetha	
	E Theron	

JOE GQABI DISTRICT MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2023, 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 2024 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.

30 November 2023

MR MP Nonjola **Date**
Municipal Manager

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

	Notes	2023 R (Actual)	2022 R (Restated)
Assets			
Total Current Assets		**669 834 191**	**504 662 097**
Current Assets		**11 032 858**	**26 760 703**
Cash and Cash Equivalents	2	5 989 746	24 931 312
Current Investments	6	2 147 455	-
Inventory	3	2 895 658	1 829 391
Current Assets from Exchange Transactions		**652 599 479**	**466 990 355**
Receivables from Exchange Transactions	4	652 599 479	466 990 355
Current Assets from Non-Exchange Transactions		**6 201 854**	**10 911 039**
Unpaid Conditional Government Grants	5	6 201 854	10 911 039
Total Non-Current Assets		**1 985 371 093**	**1 941 883 976**
Non-Current Investments	6	621 319	3 947 510
Investment Property	7	1 773 414	1 796 343
Property, Plant And Equipment	8	1 982 837 797	1 936 139 086
Intangible Assets	9	138 563	1 038
Total Assets		**2 655 205 284**	**2 446 546 073**
Total Current Liabilities		**238 567 832**	**273 255 817**
Current Liabilities		**42 101 203**	**40 743 539**
Current Employee Benefits	10	42 101 203	40 743 539
Current Liabilities from Exchange Transactions		**196 314 665**	**230 273 314**
Current Portion of Long-Term Liabilities	11	844 891	60 755 295
Consumer Deposits	12	1 390 387	1 376 986
Payables from Exchange Transactions	13	161 775 826	162 369 160
South African Revenue Services	14	32 303 561	5 771 873
Current Liabilities from Non-Exchange Transactions		**151 964**	**2 238 964**
Unspent Conditional Government Grants	15	151 964	2 238 964
Total Non-Current Liabilities		**35 203 002**	**37 409 488**
Non-Current Liabilities		**34 748 280**	**36 111 980**
Employee Benefits	16	34 748 280	36 111 980
Non-Current Liabilities from Exchange Transactions		**454 722**	**1 297 508**
Long-Term Liabilities	11	454 722	1 297 508
Total Liabilities		**273 770 834**	**310 665 305**
Net Assets		**2 381 434 451**	**2 135 880 769**
Community Wealth			
Accumulated Surplus	17	2 381 434 451	2 135 880 769
Total Community Wealth		**2 381 434 451**	**2 135 880 769**

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2023

REVENUE	Notes	2023 R (Actual)	2022 R (Restated)
REVENUE FROM NON-EXCHANGE TRANSACTIONS		**607 294 534**	**572 478 907**
Transfer Revenue		**601 091 129**	**569 948 717**
Government Grants and Subsidies - Capital	**18**	161 233 271	163 022 437
Government Grants and Subsidies - Operating	**18**	439 857 858	405 866 450
Contributed Assets	**19**	-	1 059 830
Other Revenue		**6 203 405**	**2 530 190**
Actuarial Gains	**20**	6 061 180	2 530 190
Inventory Adjustments	**37**	142 225	-
REVENUE FROM EXCHANGE TRANSACTIONS		**290 739 804**	**203 796 879**
Operating Activities		**290 739 804**	**203 796 879**
Service Charges	**21**	203 156 852	148 788 432
Interest Earned - External Investments	**22**	3 346 072	2 055 681
Interest Earned - Outstanding Debtors	**23**	81 600 875	50 207 135
Other Income	**24**	2 636 005	2 745 630
TOTAL REVENUE		**898 034 339**	**776 275 786**
EXPENDITURE			
Employee Related Costs	**25**	263 344 897	256 688 602
Remuneration of Councillors	**26**	6 314 448	5 719 138
Debt Impairment	**27**	86 829 204	82 787 204
Depreciation and Amortisation	**28**	73 307 556	65 517 028
Impairments	**29**	3 584 305	2 637 786
Repairs and Maintenance	**30**	28 410 236	9 598 063
Finance Charges	**31**	4 874 025	6 193 765
Bulk Purchases	**32**	5 106 678	7 022 022
Contracted Services	**33**	17 075 089	37 139 490
Transfers and Grants	**34**	11 000 000	5 000 000
VIP Toilet Expenditure	**35**	18 694 298	39 000 693
Other Expenditure	**36**	133 901 085	115 966 034
Inventory Adjustments	**37**	-	78 686
Loss on Disposal of PPE	**38**	38 835	19 422 660
TOTAL EXPENDITURE		**652 480 657**	**652 771 171**
NET SURPLUS FOR THE YEAR		**245 553 682**	**123 504 615**

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2023

	ACCUMULATED SURPLUS R	TOTAL R
Balance on 30 June 2021	**2 014 765 666**	**2 014 765 666**
Prior period adjustment - Refer to note 39.07	(2 389 512)	(2 389 512)
Restated Balance on 30 June 2021	**2 012 376 154**	**2 012 376 154**
Net Surplus for the Year	123 504 615	123 504 615
Restated Balance on 30 June 2022	**2 135 880 769**	**2 135 880 769**
Net Surplus for the Year	245 553 682	245 553 682
Balance on 30 June 2023	**2 381 434 451**	**2 381 434 451**

JOE GQABI DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2023

	Notes	2023 R (Actual)	2022 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Service Charges		33 117 501	24 782 534
Other Revenue		2 232 579	4 212 420
Transfers and Subsidies - Operational		442 480 044	402 640 985
Transfers and Subsidies - Capital		161 233 271	163 022 437
Interest		3 252 071	1 961 681
Payments			
Suppliers		(194 439 827)	(180 971 776)
Employees		(268 491 921)	(268 466 718)
Finance Charges		(4 114 229)	(299 894)
Transfers and Grants		(11 000 000)	(5 000 000)
NET CASH FROM OPERATING ACTIVITIES	**40**	**164 269 490**	**141 881 670**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments			
Purchase of Property, Plant and Equipment		(122 306 067)	(181 765 899)
Purchase of Intangible Assets		(165 200)	-
NET CASH USED INVESTING ACTIVITIES		**(122 471 267)**	**(181 765 899)**
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
Borrowing long term/refinancing		-	60 000 000
Increase in Consumer Deposits		13 401	246 160
Payments			
Repayment of borrowing		(60 753 190)	(673 319)
NET CASH FROM/(USED) FINANCING ACTIVITIES		**(60 739 789)**	**59 572 841**
NET INCREASE/(DECREASE) IN CASH HELD		**(18 941 566)**	**19 688 612**
Cash and Cash Equivalents at the beginning of the year		24 931 312	5 242 699
Cash and Cash Equivalents at the end of the year	**41**	5 989 746	24 931 312
NET INCREASE/(DECREASE) IN CASH HELD		**(18 941 566)**	**19 688 612**

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2023 R (Actual)	2023 R (Final Budget)	2023 R (Variance)
ASSETS			
Current Assets			
Cash	722 306	5 084 425	(4 362 119)
Call Investment Deposits	7 414 895	4 789 902	2 624 993
Consumer Debtors	646 441 781	630 523 914	15 917 867
Other debtors	12 359 552	136 545 544	(124 185 992)
Inventory	2 895 658	2 202 946	692 712
Total Current Assets	**669 834 191**	**779 146 731**	**(109 312 540)**
Non-Current Assets			
Investments	621 319	13 993 181	(13 371 862)
Investment Property	1 773 414	1 874 346	(100 932)
Property, Plant and Equipment	1 982 837 797	1 972 001 633	10 836 164
Intangible Assets	138 563	159 369	(20 806)
Total Non-Current Assets	1 985 371 093	1 988 028 529	(2 657 436)
TOTAL ASSETS	**2 655 205 284**	**2 767 175 260**	**(111 969 976)**
LIABILITIES			
Current Liabilities			
Borrowing	844 891	968 850	(123 959)
Consumer Deposits	1 390 387	1 476 989	(86 602)
Trade and Other Payables	194 231 352	285 251 642	(91 020 290)
Provisions	42 101 203	42 421 496	(320 293)
Total Current Liabilities	**238 567 832**	**330 118 977**	**(91 551 145)**
Non-Current Liabilities			
Borrowing	454 722	627 212	(172 490)
Provisions	34 748 280	37 267 664	(2 519 384)
Total Non-Current Liabilities	**35 203 002**	**37 894 876**	**(2 691 874)**
TOTAL LIABILITIES	**273 770 834**	**368 013 853**	**(94 243 019)**
NET ASSETS	**2 381 434 451**	**2 399 161 407**	**(17 726 956)**
COMMUNITY WEALTH			
Accumulated Surplus	2 381 434 451	2 399 161 407	(17 726 956)
TOTAL COMMUNITY WEALTH/EQUITY	**2 381 434 451**	**2 399 161 407**	**(17 726 956)**

Refer to note 42.2 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 2023

ADJUSTMENTS TO APPROVED BUDGET

	2023 R (Original Budget)	2023 R (Adjustments)	2023 R (Final and Approved Budget)
ASSETS			
Current assets			
Cash	4 447 998	636 427	5 084 425
Call Investment Deposits	4 789 902	-	4 789 902
Consumer Debtors	330 373 595	300 150 319	630 523 914
Other debtors	124 344 439	12 201 105	136 545 544
Inventory	2 443 074	(240 128)	2 202 946
Total Current Assets	**466 399 008**	**312 747 723**	**779 146 731**
Non-Current Assets			
Investments	8 751 594	5 241 587	13 993 181
Investment Property	2 302 237	(427 891)	1 874 346
Property, Plant And Equipment	2 019 539 043	(47 537 410)	1 972 001 633
Intangible Assets	152 076	7 293	159 369
Total Non-Current Assets	**2 030 744 950**	**(42 716 421)**	**1 988 028 529**
TOTAL ASSETS	**2 497 143 958**	**270 031 302**	**2 767 175 260**
LIABILITIES			
Current Liabilities			
Borrowing	30 962 698	(29 993 848)	968 850
Consumer Deposits	1 230 829	246 160	1 476 989
Trade and Other Payables	157 356 616	127 895 026	285 251 642
Provisions	38 634 549	3 786 947	42 421 496
Total Current Liabilities	**228 184 692**	**101 934 285**	**330 118 977**
Non-Current Liabilities			
Borrowing	2 548 927	(1 921 715)	627 212
Provisions	45 623 625	(8 355 961)	37 267 664
Total Non-Current Liabilities	**48 172 552**	**(10 277 676)**	**37 894 876**
TOTAL LIABILITIES	**276 357 244**	**91 656 609**	**368 013 853**
NET ASSETS	**2 220 786 714**	**178 374 693**	**2 399 161 407**
COMMUNITY WEALTH			
Accumulated Surplus	2 220 786 714	178 374 693	2 399 161 407
TOTAL COMMUNITY WEALTH/EQUITY	**2 220 786 714**	**178 374 693**	**2 399 161 407**

Refer to note 42.2 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 2023

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2023 R (Actual)	2023 R (Final Budget)	2023 R (Variance)
REVENUE BY SOURCE			
Service Charges - Water Revenue	168 555 559	187 450 340	(18 894 781)
Service Charges - Sanitation Revenue	34 619 002	44 437 241	(9 818 239)
Rental of facilities and equipment	30 088	5 000 000	(4 969 912)
Interest Earned - External Investments	3 346 072	8 707 874	(5 361 802)
Interest Earned - Outstanding Debtors	81 600 875	54 691 619	26 909 256
Licences and Permits	-	88 870	(88 870)
Agency Services	420 556	514 000	(93 444)
Transfers and subsidies	439 857 858	399 904 708	39 953 150
Other Revenue	2 167 652	6 812 757	(4 645 105)
Gains	6 203 405	4 847 616	1 355 789
TOTAL OPERATING REVENUE	**736 801 068**	**712 455 025**	**24 346 043**
EXPENDITURE BY TYPE			
Employee Related Costs	260 884 023	257 518 149	3 365 874
Remuneration of Councillors	6 314 448	7 333 095	(1 018 647)
Debt Impairment	86 829 204	89 045 319	(2 216 115)
Depreciation & Asset Impairment	73 307 556	87 807 225	(14 499 669)
Finance Charges	4 874 025	6 017 450	(1 143 425)
Inventory Consumed	20 116 164	27 587 302	(7 471 138)
Contracted Services	79 691 201	64 122 254	15 568 947
Transfers and subsidies	11 072 400	13 560 470	(2 488 070)
Other Expenditure	105 768 495	117 635 495	(11 867 000)
Losses	3 623 140	-	3 623 140
TOTAL OPERATING EXPENDITURE	**652 480 657**	**670 626 759**	**(18 146 102)**
OPERATING SURPLUS FOR THE YEAR	**84 320 411**	**41 828 266**	**42 492 145**
Transfers and subsidies - Capital	161 233 271	209 897 292	(48 664 021)
NET SURPLUS FOR THE YEAR	**245 553 682**	**251 725 558**	**(6 171 876)**

Refer to note 42.2 for further details relating to material variances.

ADJUSTMENTS TO APPROVED BUDGET

	2023 R (Original Budget)	2023 R (Adjustments)	2023 R (Final and Approved Budget)
REVENUE BY SOURCE			
Service Charges - Water Revenue	180 950 340	6 500 000	187 450 340
Service Charges - Sanitation Revenue	41 437 241	3 000 000	44 437 241
Rental of facilities and equipment	5 000 000	-	5 000 000
Interest Earned - External Investments	8 707 874	-	8 707 874
Interest Earned - Outstanding Debtors	54 691 619	-	54 691 619
Licences and Permits	88 870	-	88 870
Agency Services	480 000	34 000	514 000
Transfers and subsidies	389 206 300	10 698 408	399 904 708
Other Revenue	3 760 372	3 052 385	6 812 757
Gains	2 500 000	2 347 616	4 847 616
TOTAL OPERATING REVENUE	**686 822 616**	**25 632 409**	**712 455 025**
EXPENDITURE BY TYPE			
Employee Related Costs	255 713 884	1 804 265	257 518 149
Remuneration of Councillors	7 333 095	-	7 333 095
Debt Impairment	89 045 319	-	89 045 319
Depreciation & Asset Impairment	87 807 225	-	87 807 225
Finance Charges	9 669 500	(3 652 050)	6 017 450
Inventory Consumed	28 516 547	(929 245)	27 587 302
Contracted Services	59 997 055	4 125 199	64 122 254
Transfers and subsidies	14 040 470	(480 000)	13 560 470
Other Expenditure	104 318 772	13 316 723	117 635 495
TOTAL OPERATING EXPENDITURE	**656 441 867**	**14 184 892**	**670 626 759**
OPERATING SURPLUS FOR THE YEAR	**30 380 749**	**11 447 517**	**41 828 266**
Transfers and subsidies - Capital	234 233 700	(24 336 408)	209 897 292
NET SURPLUS FOR THE YEAR	**264 614 449**	**(12 888 891)**	**251 725 558**

Refer to note 42.2 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 2023

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2023 R (Actual)	2023 R (Final Budget)	2023 R (Variance)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Service Charges	33 117 501	160 721 638	(127 604 137)
Other Revenue	2 232 579	3 669 056	(1 436 477)
Transfers and Subsidies - Operational	442 480 044	401 383 758	41 096 286
Transfers and Subsidies - Capital	161 233 271	218 909 592	(57 676 321)
Interest	3 252 071	8 707 874	(5 455 803)
Payments			
Suppliers and Employees	(462 931 748)	(483 285 887)	20 354 139
Finance Charges	(4 114 229)	(4 533 195)	418 966
Transfers and Grants	(11 000 000)	(5 595 179)	(5 404 821)
NET CASH FROM OPERATING ACTIVITIES	**164 269 490**	**299 977 657**	**(135 708 167)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Decrease in non-current investments	-	4 992 121	(4 992 121)
Payments			
Capital Assets	(122 471 267)	(298 844 060)	176 372 793
NET CASH USED IN INVESTING ACTIVITIES	**(122 471 267)**	**(293 851 939)**	**171 380 672**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase in Consumer Deposits	13 401	359 877	(346 476)
Payments			
Repayment of borrowing	(60 753 190)	(906 152)	(59 847 038)
NET CASH USED IN FINANCING ACTIVITIES	**(60 739 789)**	**(546 275)**	**(60 193 514)**
NET INCREASE/(DECREASE) IN CASH HELD	**(18 941 566)**	**5 579 443**	**(24 521 009)**
Cash/cash equivalents at the year begin:	24 931 312	4 294 885	20 636 427
Cash/cash equivalents at the year end:	5 989 746	9 874 328	(3 884 582)
NET INCREASE/(DECREASE) IN CASH HELD	**(18 941 566)**	**5 579 443**	**(24 521 009)**

Refer to note 42.2 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 2023

ADJUSTMENTS TO APPROVED BUDGET

	2023 R (Original Budget)	2023 R (Adjustments)	2023 R (Final and Approved Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Service Charges	160 721 638	-	160 721 638
Other Revenue	1 287 440	2 381 616	3 669 056
Transfers and Subsidies - Operational	390 685 350	10 698 408	401 383 758
Transfers and Subsidies - Capital	243 246 000	(24 336 408)	218 909 592
Interest	8 707 874	-	8 707 874
Payments			
Suppliers and Employees	(546 034 058)	62 748 171	(483 285 887)
Finance Charges	(8 185 245)	3 652 050	(4 533 195)
Transfers and Grants	(5 595 179)	-	(5 595 179)
NET CASH FROM OPERATING ACTIVITIES	**244 833 820**	**55 143 837**	**299 977 657**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Decrease in non-current investments	4 992 121	-	4 992 121
Payments			
Capital Assets	(269 183 652)	(29 660 408)	(298 844 060)
NET CASH USED IN INVESTING ACTIVITIES	**(264 191 531)**	**(29 660 408)**	**(293 851 939)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Borrowing long term/refinancing	30 000 000	(30 000 000)	-
Increase in Consumer Deposits	359 877	-	359 877
Payments			
Repayment of borrowing	(906 152)	-	(906 152)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**29 453 725**	**(30 000 000)**	**(546 275)**
NET INCREASE IN CASH HELD	**10 096 014**	**(4 516 571)**	**5 579 443**
Cash/cash equivalents at the year begin:	4 294 885	-	4 294 885
Cash/cash equivalents at the year end:	14 390 899	(4 516 571)	9 874 328
NET INCREASE IN CASH HELD	**10 096 014**	**(4 516 571)**	**5 579 443**

Refer to note 42.2 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 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. No significant amendments were made to the accounting policy in the current year.

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 20	Related Party Disclosures	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.

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

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

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.

The impact of the revised Standard may be significant on the financial statements, due to the following key changes to the Standard:

(a) Changes in the classification of instruments for subsequent measurement – financial assets are measured at either amortised cost or fair value based on the reason why they are held and their economic characteristics. Specific liabilities are measured at fair value, and all others are measured at amortised cost.
(b) The approach to impairing financial assets changed from an incurred loss to an expected loss model. As indicated in the name, expected losses estimate the expected default of financial assets over a period of time rather than only recognising an impairment loss when an event occurs.
(c) Loan commitments and financial guarantee contracts are recognised and measured differently. They are no longer in the scope of GRAP 19 on Provisions, Contingent Liabilities and Contingent Assets. When entering into these transactions there is an economic consequence that exposes an entity to risk. Accounting for them as financial instruments best captures this risk exposure.
(d) With the changes in the classification of instruments and impairment approach, there is new information that GRAP 104 requires entities to disclose

1.08.2 GRAP 25 (Revised 2021) - Employee Benefits (effective 1 April 2023)

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.

The impact, other than additional disclosure, of the Standards on the financial statements will be not be significant.

1.08.3 iGRAP 7 (Revised 2021) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective 1 April 2023)

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.

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

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 103 (Revised 2022) - Heritage Assets

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

The impact of this Standard on the financial statements will not be significant, as the Municipality does not have any assets that meet the definition of a heritage asset as prescribed per GRAP 103.

1.08.2.2 Amendments to GRAP 1 on Presentation of Financial Statements (2022)

The amendments to the Standard clarifies how to apply going concern assumption in the public sector and improve disclosure on related judgements and conclusions.

The impact of these amendments to the Standard on the financial statements will not be significant.

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.

1.09 INVESTMENT PROPERTY (CONTINUED)

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.

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 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 INVESTMENT PROPERTY (CONTINUED)

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.

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 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

1.11 INTANGIBLE ASSETS (CONTINUED)

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 impairment 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.

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 and Website	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.

1.11 INTANGIBLE ASSETS (CONTINUED)

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 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

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.

1.12.4 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.

1.13 INVENTORIES (CONTINUED)

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.

1.13.2 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 cell phones) 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 uncollectibility 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 uncollectibility 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 an 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 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 on 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.

		2023	2022
		R	R
2	**CASH AND CASH EQUIVALENTS**		
	Primary Bank Account	586 706	3 264 009
	Call and short-term investments deposits	5 267 440	21 595 703
	Cash floats	300	300
	Petty cash	135 300	71 300
	Total	**5 989 746**	**24 931 312**

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:

	2023	2022
Unspent Conditional Grants	151 964	2 238 964
Less: Unpaid Conditional Grants	(6 201 854)	(10 911 039)
Resources available for internal distribution	12 039 635	33 603 387
Total	**5 989 746**	**24 931 312**

Primary Bank Account

ABSA Bank - Barkly East Branch - 23 800 000 19

	2023	2022
Bank Statement Balance - Opening Balance	3 264 009	182 197
Bank Statement Balance - Closing Balance	509 761	3 264 009
Cashbook Balance - Opening Balance	3 264 009	182 197
Cashbook Balance - Closing Balance	586 706	3 264 009

The cashbook balance on 30 June 2021 was incorrectly disclosed as R 5 209 725. This disclosure was corrected to R 182 197 in the comparative year.

Call and short-term investments deposits

Call and Notice Deposits consist of the following accounts:

	2023	2022
ABSA - Acc no 9084169245	345 685	5 349 406
ABSA - Acc no 9185426744	4 733 472	12 885 408
ABSA - Acc no 9072226158	62 842	59 668
ABSA - Acc no 9122637071	1 478	1 427
ABSA - Acc no 9270029895	1 987	1 914
ABSA - Acc no 9276836949	121 976	3 297 880
Total	**5 267 440**	**21 595 703**

Interest of 4.6% (2022 - between 2.5% and 4.6%) were attracted by these short term deposits.

		2023	2022
		R	R
3	**INVENTORY**		
	Fuel and oil – at cost	328 100	337 033
	Stationery and materials - at cost	19 706	146 651
	Spare parts - at cost	1 895 822	835 903
	Water stock - net realisable value	652 030	509 805
	Total	**2 895 658**	**1 829 391**

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.

	2023	2022
Inventory recognised as an expense during the year.	161 308	161 442
Inventory Adjustments made for the year (loss)	-	78 686

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:

	2023	2022
Bulk purchases	5 106 678	7 022 022
Contracted Services	1 661 172	17 894 999
Depreciation and Amortisation	57 371 725	49 486 010
Employee related costs	104 032 156	106 979 039
Other Expenditure	36 468 318	24 278 298
Repairs and Maintenance	24 869 027	3 562 957
Total cost	**229 509 075**	**209 223 324**
The above cost can be classified as follows:		
Inventory consumed	172 734 156	160 836 530
Inventory loss - Refer to note 44	56 774 919	48 386 794
	229 509 075	**209 223 324**

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.

	2023	2022
Number of pre paid meters procured for the period:	-	-
Number of pre paid meters in stores at year end:	-	10

4 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2023

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	**1 246 211 201**	**598 122 855**	**648 088 346**
Water	971 810 162	466 904 577	504 905 585
Sewerage	259 722 664	118 186 468	141 536 196
Walter Sisulu Local Municipality	14 678 375	13 031 811	1 646 564
Other Receivables	**6 882 947**	**2 371 814**	**4 511 134**
Deposits	144 961	-	144 961
DBSA Interest	2 137 309	-	2 137 309
Staff and other debtors	4 600 678	2 371 814	2 228 864
Total	**1 253 094 148**	**600 494 669**	**652 599 479**

30 JUNE 2022

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	**970 154 470**	**505 683 558**	**464 470 912**
Water	748 759 806	383 663 897	365 095 909
Sewerage	206 716 289	108 987 850	97 728 438
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	**974 498 550**	**507 508 196**	**466 990 355**
Balance Previously Reported	**974 867 945**	**507 508 196**	**467 359 749**
Prior period adjustment - Refer to note 39.03	(369 395)	-	(369 395)
Restated balance on 30 June 2022	**974 498 550**	**507 508 196**	**466 990 355**

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.

		2023 R	2022 R
4	**RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)**		
	Ageing of service receivables:		
	Water Ageing		
	Current (0 - 30 days)	62 940 819	18 431 724
	Past Due (31 - 60 Days)	19 398 026	25 939 320
	Past Due (61 - 90 Days)	18 559 334	15 651 126
	Past Due (90 Days +)	870 911 983	688 737 636
	Total	**971 810 162**	**748 759 806**
	Sewerage Ageing		
	Current (0 - 30 days)	16 694 585	3 581 701
	Past Due (31 - 60 Days)	5 074 512	6 781 911
	Past Due (61 - 90 Days)	4 893 560	3 196 153
	Past Due (90 Days +)	233 060 007	193 156 524
	Total	**259 722 664**	**206 716 289**
	Other Services Ageing		
	Current (0 - 30 days)	2 423 700	82 067
	Past Due (31 - 60 Days)	86 490	73 294
	Past Due (61 - 90 Days)	94 414	89 208
	Past Due (90 Days +)	18 956 718	18 777 886
	Total	**21 561 323**	**19 022 456**
	Total Service Receivables Ageing		
	Current (0 - 30 days)	82 059 105	22 095 492
	Past Due (31 - 60 Days)	24 559 028	32 794 525
	Past Due (61 - 90 Days)	23 547 307	18 936 488
	Past Due (90 Days +)	1 122 928 709	900 672 046
	Total	**1 253 094 148**	**974 498 550**
	Reconciliation of Allowance for impairment		
	Balance at the beginning of the year	507 508 196	424 456 691
	Contribution to the provision	96 435 623	92 787 838
	Water	85 675 006	74 920 361
	Sewerage	10 211 573	18 041 162
	Staff and other debtors	549 044	(173 686)
	Bad Debts Written off	(3 449 150)	(9 736 333)
	Water	(2 434 326)	(8 808 959)
	Sewerage	(1 012 956)	-
	Staff and other debtors	(1 868)	(927 373)
	Balance at the end of the year	**600 494 669**	**507 508 196**

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.

5 UNPAID CONDITIONAL GOVERNMENT GRANTS

	2023 R	2022 R
National Government	4 563 240	4 563 240
Balance Previously Reported		4 648 543
Prior Period Adjustment - Refer to note 39.06		(85 303)
Provincial Government	1 638 614	6 347 799
Balance Previously Reported		8 978 948
Prior Period Adjustment - Refer to note 39.06		(2 631 148)
Total Unpaid Grants	**6 201 854**	**10 911 039**

Unpaid Conditional Grants and Receipts consist out of the following:

	2023 R	2022 R
Municipal Infrastructure Grant (MIG)	4 563 240	4 563 240
Public Works - Special Programme	1 638 614	6 347 799
Total Unpaid Grants	**6 201 854**	**10 911 039**

6 NON-CURRENT INVESTMENTS

	2023 R	2022 R
Financial Instruments		
Fixed Deposits	2 147 455	2 053 454
Transferred to Current Investments	(2 147 455)	-
Unlisted		
Joe Gqabi Economic Development Agency (Soc) Ltd	621 319	1 894 055
Cost	6 886 141	6 886 141
Provision for Impairment	(6 264 822)	(4 992 086)
Total	**621 319**	**3 947 510**

Fixed deposit consist of the following accounts:

	2023 R	2022 R
ABSA - Account number 660000135 - DBSA Loan	**2 147 455**	**2 053 454**

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

This investment matures on 1 April 2024. Accordingly, the investment was transferred to current investments on 30 June 2023.

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.13% per annum. (2022 - 9.13%). Interest rates are considered to be market related. The carrying amount of these fixed deposits approximates their fair value.

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.

6 NON-CURRENT INVESTMENTS (CONTINUED)

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. The provision for impairment is calculated on an annual basis. Net asset value of JoGEDA as disclosed in their annual financial statements was stated at R 621 319 (2022 - R 4 574 493) and accordingly the asset was inpaired to this level in 2022/2023.

7 INVESTMENT PROPERTY

	2023 R	2022 R
Investment Property - Carrying Value	**1 773 414**	**1 796 343**
Balance previously reported		1 919 843
Prior period adjustment - Refer to note 39.02		(123 500)
The movement in investment properties is reconciled as follows:		
Opening Carrying Value	**1 796 343**	**2 178 736**
Cost	2 759 857	2 759 857
Accumulated Depreciation	(626 616)	(581 120)
Accumulated Impairment	(336 898)	-
Depreciation for the year	(22 928)	(45 496)
Write-offs	-	-
Cost	(642 331)	-
Accumulated Depreciation	305 433	-
Accumulated Impairment	336 898	-
Impairment	-	(336 898)
Closing Carrying Value	**1 773 414**	**1 796 343**
Cost	2 117 526	2 759 857
Accumulated Depreciation	(344 111)	(626 616)
Accumulated Impairment	-	(336 898)

No revenue derived from the rental of investment property.

No operating expenditure was incurred on investment property during the 2021/2022 and 2022/2023 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. The properties were demolished in the 2022/2023 financial year.

8 PROPERTY PLANT AND EQUIPMENT

Reconciliation of Carrying Value:

30 June 2023	Opening Carrying Value R	Cost: Opening Balance R	Cost: Additions R	Cost: Write Offs R	Cost: Transfers R	Cost: Closing Balance R	Accumulated Depreciation: Opening Balance R	Accumulated Depreciation: Additions R	Accumulated Depreciation: Write Offs R	Accumulated Depreciation: Closing Balance R	Accumulated Impairment: Opening Balance R	Accumulated Impairment: Additions R	Accumulated Impairment: Write Offs R	Accumulated Impairment: Closing Balance R	Closing Carrying Value R
Land and Buildings	**8 917 241**	**17 787 494**	**-**	**-**	**-**	**17 787 494**	**8 870 253**	**587 753**	**-**	**9 458 006**	**-**	**-**	**-**	**-**	**8 329 489**
Land	2 043 000	2 043 000	-	-	-	2 043 000	-	-	-	-	-	-	-	-	2 043 000
Buildings	6 874 241	15 744 494	-	-	-	15 744 494	8 870 253	587 753	-	9 458 006	-	-	-	-	6 286 489
Infrastructure	**1 913 412 233**	**2 578 859 575**	**120 755 018**	**(3 345 284)**	**-**	**2 696 269 309**	**662 712 391**	**70 930 584**	**(3 306 647)**	**730 336 327**	**2 734 951**	**2 287 728**	**-**	**5 022 679**	**1 960 910 302**
Sewerage network	323 992 242	464 756 527	-	(1 377 350)	56 392 538	519 771 715	139 026 548	13 558 859	(1 376 791)	151 208 616	1 737 737	1 894 147	-	3 631 885	364 931 215
Water network	1 112 454 797	1 637 137 853	-	(1 967 934)	101 213 196	1 736 383 116	523 685 843	57 371 725	(1 929 856)	579 127 711	997 214	393 581	-	1 390 794	1 155 864 610
Work in Progress	476 965 194	476 965 194	120 755 018	-	(157 605 735)	440 114 478	-	-	-	-	-	-	-	-	440 114 478
Other Assets	**13 809 611**	**44 687 458**	**1 551 049**	**(1 527 636)**	**-**	**44 710 870**	**30 772 042**	**1 738 617**	**(1 527 439)**	**30 983 220**	**105 804**	**23 841**	**-**	**129 645**	**13 598 005**
Office Equipment	488 492	2 110 752	44 939	(723 065)	-	1 432 626	1 622 260	73 712	(726 916)	969 056	-	949	-	949	462 620
Furniture & Fittings	675 044	3 360 872	-	(173 616)	-	3 187 256	2 683 593	80 762	(169 813)	2 594 542	2 234	1 188	-	3 423	589 291
Motor Vehicles	5 590 874	16 018 390	644 459	-	-	16 662 849	10 427 516	381 545	-	10 809 060	-	-	-	-	5 853 788
Fire Engines	2 021 273	10 228 477	-	-	-	10 228 477	8 207 203	66 703	-	8 273 906	-	-	-	-	1 954 570
Computer Equipment	2 223 861	4 164 410	772 978	(70 887)	-	4 866 501	1 940 548	562 198	(66 441)	2 436 306	-	3 982	-	3 982	2 426 213
Special Vehicles	1 770 699	5 568 825	-	-	-	5 568 825	3 798 126	430 093	-	4 228 219	-	-	-	-	1 340 607
Tools and Equipment	1 039 367	3 235 732	88 673	(560 068)	-	2 764 337	2 092 795	143 605	(564 269)	1 672 131	103 570	17 721	-	121 291	970 916
Total	**1 936 139 086**	**2 641 334 527**	**122 306 067**	**(4 872 921)**	**-**	**2 758 767 673**	**702 354 686**	**73 256 953**	**(4 834 086)**	**770 777 553**	**2 840 755**	**2 311 568**	**-**	**5 152 324**	**1 982 837 797**

8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2022		Cost					Accumulated Depreciation				Accumulated Impairment				
	Carrying Value R	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	**9 494 449**	**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	-	-	-	-	-	-	-	-	2 043 000
Buildings	7 451 449	15 744 494	-	-	-	15 744 494	8 293 045	577 208	-	8 870 253	-	-	-	-	6 874 241
Infrastructure	**1 816 000 136**	**2 440 411 293**	**181 449 196**	**(43 000 915)**	**-**	**2 578 859 575**	**623 428 011**	**63 205 738**	**(23 921 358)**	**662 712 391**	**983 146**	**2 300 888**	**(549 083)**	**2 734 951**	**1 913 412 233**
Sewerage network	325 059 903	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	1 071 393 452	1 553 133 805	1 059 830	(10 151 758)	93 095 976	1 637 137 853	481 281 921	49 486 010	(7 082 088)	523 685 843	458 432	958 105	(419 323)	997 214	1 112 454 797
Work in Progress	419 546 781	419 546 781	180 389 366	-	(122 970 953)	476 965 194	-	-	-	-	-	-	-	-	476 965 194
Other Assets	**15 012 814**	**47 036 723**	**1 376 533**	**(3 725 798)**	**-**	**44 687 458**	**31 917 426**	**1 687 549**	**(2 832 933)**	**30 772 042**	**106 483**	**-**	**(678)**	**105 804**	**13 809 611**
Office Equipment	527 154	2 613 217	49 216	(551 680)	-	2 110 752	2 086 062	71 681	(535 483)	1 622 260	-	-	-	-	488 492
Furniture & Fittings	784 454	3 841 417	-	(480 545)	-	3 360 872	3 054 475	86 317	(457 199)	2 683 593	2 488	-	(254)	2 234	675 044
Motor Vehicles	5 639 907	16 139 490	493 529	(614 629)	-	16 018 390	10 499 583	300 866	(372 933)	10 427 516	-	-	-	-	5 590 874
Fire Engines	2 093 197	10 228 477	-	-	-	10 228 477	8 135 280	71 924	-	8 207 203	-	-	-	-	2 021 273
Computer Equipment	2 530 254	5 194 449	833 788	(1 863 828)	-	4 164 410	2 664 195	537 858	(1 261 505)	1 940 548	-	-	-	-	2 223 861
Special Vehicles	2 252 917	5 568 825	-	-	-	5 568 825	3 315 908	482 218	-	3 798 126	-	-	-	-	1 770 699
Tools and Equipment	1 184 931	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	**1 840 507 400**	**2 505 235 510**	**182 825 729**	**(46 726 712)**	**-**	**2 641 334 527**	**663 638 482**	**65 470 495**	**(26 754 291)**	**702 354 686**	**1 089 629**	**2 300 888**	**(549 761)**	**2 840 755**	**1 936 139 086**
Reported	**1 839 896 649**	**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**
Prior Period Adjustment	610 751	2 288 103	-	(296 938)	-	1 991 165	1 677 352	155 901	-	1 833 253	-	-	-	-	157 912
Restated on 30 June 2022	**1 840 507 400**	**2 505 235 510**	**182 825 729**	**(46 726 712)**	**-**	**2 641 334 527**	**663 638 482**	**65 470 495**	**(26 754 291)**	**702 354 686**	**1 089 629**	**2 300 888**	**(549 761)**	**2 840 755**	**1 936 139 086**

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.

There are no assets pledged as security for liabilities.

8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of Work in Progress -

30 June 2023 Project Name	Opening Balance R	WIP Transfers 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	Current phase starting date	Number of years current phase is on WIP	Comment
Ugie Bulk Water Infrastructure Phase B	779 473	-	-	-	779 473	-	-	-	779 473	2014/15	9	2019/2020	4	Phase B In planning phase. No delays
RBIG - LADY GREY BULK WATER	13 132 410	-	2 546 398	-	15 678 808	14 261 660	472 383	944 765	-	2015/16	8	2017/2018	6	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	13	2011/2012	12	Delay in close out to death of consultant. Council approved VO in 2022/23 to close out project.
UPGRADING STERKSPRUIT WATER TREATMENT WORKS	33 275 534	-	2 136 319	-	35 411 854	30 353 814	519 483	4 538 556	-	2010/11	13	2011/2012	12	Linked with Project 73. Delay in completion of Herschel pipeline due to contractor's dispute
JAMESTOWN BUCKET ERADICATION & SANITATION - PHASE 2	46 723 319	-	13 785 249	(52 782 114)	7 726 454	6 763 362	98 914	864 178	-	2010/11	13	2018/2019	5	Multi-year project. Phase 3 is complete and partial unbundling was done.
MACLEAR BULK SANITATION INFRASTRUCTURE UPGRADE	42 948 224	-	15 143 817	-	58 092 041	41 243 420	2 808 104	14 040 518	-	2012/13	11	2017/2018	6	No delays. Multi-year project. Phase 3B in construction phase.
ORIO & MIG ELUNDINI RURAL WATER PROGRAMME	43 135 136	-	10 132 703	-	53 267 839	53 267 839	-	-	-	2012/13	11	2017/2018	6	Linked with Project No.147. Project in Final Design Stage in Zone 1. Zone 2 & 3 in prelim Design
WSOS STERKSPRUIT WTW REFURBISHMENT	146 751	-	-	-	146 751	146 751	-	-	-	2012/13	11	2012/2013	11	Linked with Project 59. Delay in completion of Herschel pipeline due to testing of pipeline
SENQU RURAL WATER SUPPLY (WORK PACKAGE 1 TO 7)	96 373 733	(16 331 618)	-	-	80 042 115	72 492 516	-	7 549 599	-	2013/14	10	2013/2014	10	Linked with projects No. 153 to 159. Work packages 1 to 7. Partial unbundling in 2022/23.
SENQU RURAL WATER SUPPLY: Work Package 1	-	-	845 978	-	845 978	766 185	-	79 793	-	2022/23	1	2022/2023	1	Linked with Project No.76. under design phase and or construction
SENQU RURAL WATER SUPPLY: Work Package 2: Lusizini/ Ntubeni Village	-	3 910 603	5 716 764	(9 627 368)	-	-	-	-	-	2022/23	1	2022/2023	1	Linked with Project No.76. under design phase and or construction
SENQU RURAL WATER SUPPLY: Work Package 3	-	-	5 812 095	-	5 812 095	5 263 896	-	548 199	-	2022/23	1	2022/2023	1	Linked with Project No.76. under design phase and or construction
SENQU RURAL WATER SUPPLY: Work Package 4	-	-	3 990 711	-	3 990 711	3 614 305	-	376 405	-	2022/23	1	2022/2023	1	Linked with Project No.76. under design phase and or construction
SENQU RURAL WATER SUPPLY: Work Package 5	-	-	7 453 964	(5 355 342)	2 098 622	1 900 679	-	197 943	-	2022/23	1	2022/2023	1	Linked with Project No.76. under design phase and or construction
SENQU RURAL WATER SUPPLY: Work Package 6	-	12 421 015	8 693 967	(21 114 982)	-	-	-	-	-	2022/23	1	2022/2023	1	Linked with Project No.76. under design phase and or construction
SENQU RURAL WATER SUPPLY: Work Package 7	-	-	6 107 034	-	6 107 034	5 531 016	-	576 017	-	2022/23	1	2022/2023	1	Linked with Project No.76. under design phase and or construction
MACLEAR BULK WATER INFRASTRUCTURE UPGRADE (All Phases)	43 299 260	-	8 199 414	(50 056 757)	1 441 917	1 355 402	14 419	72 096	-	2013/14	10	2018/2019	5	Multi-year project and phases. Partial unbundling in 2022/23.
RBIG - Sterkspruit Bulk Sanitation - started 2015	9 268 030	-	1 691 120	-	10 959 149	10 301 600	109 591	547 957	-	2014/15	9	2018/2019	5	DWS approval achieved in 2022/23. Project in tender stage.
WSIG - REFURBISH BURGERSDORP SEWAGE MANAGEMENT SYSTEM (Pump station)	1 854 271	-	-	-	1 854 271	1 854 271	-	-	-	2016/17	7	2016/2017	7	Emergency procurement done in 2022/23 to complete all 3 pump stations. To unbundle in 2023/24
Refurbish WTWs	40 734 942	-	-	-	40 734 942	7 119 865	6 548 391	26 193 566	873 119	2017/18	6	2017/2018	6	Linked to projects 126b to 126g. Partial unbundling done in 2022/23
Augment clear water storage	23 164 973	-	-	-	23 164 973	23 164 973	-	-	-	2017/18	6	2017/2018	6	At handover stage. To be unbundled in 2023/24 financial year
Bulk meters	3 555 926	-	-	-	3 555 926	-	-	3 555 926	-	2017/18	6	2017/2018	6	At handover stage. To be unbundled in 2023/24 financial year
MIG PLANNING STUDIES	930 587	-	-	-	930 587	-	-	-	930 587	2012/13	11	2012/2013	11	No delays. Planning studies. To remain in WIP
Refurbishment of Aliwal North & Burgersdorp WWTW	3 896 154	-	-	-	3 896 154	-	797 724	3 098 430	-	2019/20	4	2019/2020	4	Linked to project 112. Emergency work underway to complete outstanding work.
Refurbishment of Mt Fletcher WTW	727 827	-	-	-	727 827	-	-	727 827	-	2019/20	4	2019/2020	4	Emergency procurement done in 2022/23 to complete final phase of work. To unbundle in 2023/24
Electro-mechanical Assets Replacement	4 296 951	-	-	-	4 296 951	-	-	4 296 951	-	2019/20	4	2019/2020	4	At handover stage. To be unbundled in 2023/24 financial year

8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 June 2023 Project Name	Opening Balance R	WIP Transfers 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	Current phase starting date	Number of years current phase is on WIP	Comment
District Wide Drought Relief Mitigation	13 116 310	-	-	-	13 116 310	2 292 537	2 108 527	8 434 109	281 137	2019/20	4	2019/2020	4	Linked with project 135b and 135c. Partial unbundling done.
Rural Rudimentary Water Supply (Mt Fletcher, Maclear and Ugie)	9 347 952	-	-	-	9 347 952	1 695 692	1 559 588	5 884 726	207 945	2020/21	3	2020/2021	3	At handover stage. To be unbundled in 2023/24 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	3	2020/2021	3	Linked to projects 149b, 149c, 149d, 149e and 149f. Partial unbundling done.
Supply and install two raw water pumps at Rhodes pump station	-	-	73 704	(73 704)	-	-	-	-	-	2022/23	1	2022/2023	1	Project capitalised
3 KSB Pumps in Mount Fletcher	-	-	1 250 000	(1 250 000)	-	-	-	-	-	2022/23	1	2022/2023	1	Project capitalised
Replacement of asbestos water pipeline - Oviston WTWS	-	-	5 216 771	-	5 216 771	911 814	838 628	3 354 512	111 817	2022/23	1	2022/2023	1	Under construction
REPAIRS OF MACLEAR WWTW AERATORS_ MIXERS AND CLARIFIER'S	-	-	70 000	(70 000)	-	-	-	-	-	2022/23	1	2022/2023	1	Project capitalised
Sewer pumps for Thembisa Pump Station. 15kw motor rexa supra submersible pump	-	-	843 399	(843 399)	-	-	-	-	-	2022/23	1	2022/2023	1	Project capitalised
Electro-mechanical work at Aliwal North WWTW	-	-	2 568 800	(2 568 800)	-	-	-	-	-	2022/23	1	2022/2023	1	Project capitalised
Service Pumps T6 Gorman-rupp- Assembly T6 Gorman-rupp-Impeller 37kw Motor-1400rpm 380v	-	-	128 225	(128 225)	-	-	-	-	-	2022/23	1	2022/2023	1	Project capitalised
Geohydrological Professional Services Provider for Elundini Rural Water S	-	-	4 560 417	-	4 560 417	1 422 791	-	2 472 369	665 258	2022/23	1	2022/2023	1	Linked with Project No.71. Project in Final Design Stage in Zone 1. Zone 2 & 3 in prelim Design
Upgrade Ugie Water Treatment works sedimentation tank	974 339	-	12 626 122	(13 600 460)	-	-	-	-	-	2021/22	2	2021/2022	2	No delays. Project in construction phase.
Aliwal North Water Treatment Works Holding Dams	-	-	1 027 464	-	1 027 464	1 027 464	-	-	-	2022/23	1	2022/2023	1	No delays. Project in design stage.
Capitalised from O&M	-	-	134 583	(134 583)	-	-	-	-	-	2022/23	1	2022/2023	1	Project capitalised
Total	**476 965 194**	**-**	**120 755 018**	**(157 605 735)**	**440 114 478**	**322 620 891**	**18 812 704**	**94 657 911**	**4 022 971**					

30 June 2022 Project Name	Opening Balance R	WIP Transfers 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	Current phase starting date	Number of years current phase is on WIP	Comment
Ugie Bulk Water Infrastructure Phase B	779 473	-	-	-	779 473	-	-	-	779 473	2014/15	8	2019/2020	3	Phase B In planning phase. No delays
LADY GREY BULK WATER SUPPLY	30 852 934	-	-	(30 852 934)	-	-	-	-	-	2015/16	7	2015/2016	7	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	7	2017/2018	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	12	2011/2012	11	Delay in close out to death of consultant and transfer processes
UPGRADING STERKSPRUIT WATER TREATMENT WORKS	28 807 436	-	4 468 098	-	33 275 534	28 482 679	492 247	4 300 608	-	2010/11	12	2011/2012	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	12	2018/2019	4	Multi-year project. Final construction phase underway. Project progressing well.
MACLEAR BULK SANITATION INFRASTRUCTURE UPGRADE	11 463 199	-	31 485 025	-	42 948 224	30 936 032	2 002 032	10 010 160	-	2012/13	10	2017/2018	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	10	2017/2018	5	No delays. Multi-year project. No delays. Project in design phase.
WSOS STERKSPRUIT WTW REFURBISHMENT	146 751	-	-	-	146 751	146 751	-	-	-	2012/13	10	2012/2013	10	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	9	2013/2014	9	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	9	2018/2019	4	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	8	2018/2019	4	Delay in approval of IRS by National DWS due to design queries.

8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 June 2022 Project Name	Opening Balance R	WIP Transfers 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	Current phase starting date	Number of years current phase is on WIP	Comment
WSOS - Refurbishment of Oviston WTW Phase 1	7 441 422	-	-	(7 441 422)	-	-	-	-	-	2015/16	7	2015/2016	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	2020/2021	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	2016/2017	6	Completed and unbundled in the FAR for this financial year.
WSIG - REFURBISH BURGERSDORP SEWAGE MANAGEMENT SYSTEM (Pump station)	1 854 271	-	-	-	1 854 271	1 854 271	-	-	-	2016/17	6	2016/2017	6	No delays. To be finalized in 2022/23.
WSIG - BURGERSDORP EMERGENCY SEWER PROJECT (Pipelines)	4 233 802	-	-	(4 233 802)	-	-	-	-	-	2016/17	6	2016/2017	6	Completed and unbundled in the FAR for this financial year.
TELEMETRY SYSTEM	16 477 226	-	-	(16 477 226)	-	-	-	-	-	2017/18	5	2017/2018	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	2018/2019	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	2017/2018	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	2017/2018	5	No delays. Construction phase underway.
Bulk meters	3 555 926	-	-	-	3 555 926	-	-	3 555 926	-	2017/18	5	2017/2018	5	No delays. To be finalized in 2022/23.
MIG PLANNING STUDIES	930 587	-	-	-	930 587	-	-	-	930 587	2012/13	10	2012/2013	10	No delays. Planning studies
Refurbishment of Venterstad & Oviston WWTW	2 680 635	-	-	(2 680 635)	-	-	-	-	-	2019/20	3	2019/2020	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	2019/2020	3	No delays. To be finalized in 2022/23.
Refurbishment of Mt Fletcher WTW	727 827	-	-	-	727 827	-	-	727 827	-	2019/20	3	2019/2020	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	2019/2020	3	No delays. To be finalized in 2022/23.
Elundini Drought Relief Mitigation	5 438 542	-	-	(5 438 542)	-	-	-	-	-	2019/20	3	2019/2020	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	2019/2020	3	No delays. Construction phase underway. Partial unbundling done.
Jamestown WTW	2 839 448	-	-	(2 839 448)	-	-	-	-	-	2019/20	3	2019/2020	3	Completed and unbundled in the FAR for this financial year.
Ugie Pipeline	1 442 164	-	-	(1 442 164)	-	-	-	-	-	2019/20	3	2019/2020	3	Completed and unbundled in the FAR for this financial year.
Herschel Booster Pumps	2 081 834	-	-	(2 081 834)	-	-	-	-	-	2019/20	3	2019/2020	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	2020/2021	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	2020/2021	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	2020/2021	2	No delays. Construction phase underway. Partial unbundling done.
Aliwal North Pipeline Replacement	1 799 532	-	-	(1 799 532)	-	-	-	-	-	2020/21	2	2020/2021	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	2020/2021	2	No delays. Construction phase underway.
Steynsburg Pipeline Replacement	4 020 550	-	-	(4 020 550)	-	-	-	-	-	2020/21	2	2020/2021	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	2020/2021	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	2021/2022	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)

During the current year the remaining useful lives of Property, Plant and Equipment were reviewed, and accordingly adjusted. The effect on the current and future periods are as follows:

	2023 R	2024 R	2024 onwards R
Increase / (Decrease) in Depreciation and Amortisation	6 386 286	5 542 982	(11 929 268)
Increase / (Decrease) in Accumulated Surplus	(6 386 286)	(5 542 982)	11 929 268
Increase / (Decrease) in Property, Plant and Equipment	(6 386 286)	(5 542 982)	11 929 268

9 INTANGIBLE ASSETS

	2023 R	2022 R
Intangible Assets - Carrying Value	**138 563**	**1 038**

The movement in intangible assets is reconciled as follows:

	2023 R	2022 R
Opening Carrying Value	**1 038**	**2 076**
Cost	1 087 209	1 087 209
Accumulated Amortisation	(1 086 171)	(1 085 134)
Additions	165 200	-
Amortisation for the year	(27 675)	(1 037)
Closing Carrying Value	**138 563**	**1 038**
Cost	1 252 409	1 087 209
Accumulated Amortisation	(1 113 846)	(1 086 171)

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

Intangible Assets consist only out of Computer Software and Websites

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.

		2023	2022
		R	R
10	**CURRENT EMPLOYEE BENEFITS**		
	Bonuses	6 092 215	5 750 268
	Staff Leave	19 210 526	19 264 752
	Performance Bonuses	12 909 570	12 459 586
	Other Provisions	582 342	582 342
	Current Portion of Non-Current Employee Benefits - Refer to note 16	3 306 550	2 686 590
	Post-Retirement Medical Benefits	1 525 000	1 490 000
	Long Service Awards	1 754 000	1 166 000
	Ex Gratia Gratuities	27 550	30 590
	Total	**42 101 203**	**40 743 539**

The movement in current employee benefits are reconciled as follows:

Bonuses

	2023	2022
Opening Balance	5 750 268	5 758 338
Contribution during the year	13 336 650	12 466 824
Payments made	(12 994 704)	(12 474 894)
Closing Balance	**6 092 215**	**5 750 268**

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

	2023	2022
Opening Balance	19 264 752	23 846 575
Contribution during the year	3 455 671	(2 224 988)
Payments made	(3 509 897)	(2 356 835)
Closing Balance	**19 210 526**	**19 264 752**

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.

		2023	2022
		R	R
10	**CURRENT EMPLOYEE BENEFITS**		

Performance Bonuses

	2023 R	2022 R
Opening Balance	12 459 586	14 340 320
Contribution during the year	5 840 303	4 098 816
Payments made	(5 390 320)	(5 979 550)
Closing Balance	**12 909 570**	**12 459 586**

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.

Other Provisions

	2023 R	2022 R
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

	2023 R	2022 R
Annuity Loans	1 299 613	62 052 803
Sub-Total	**1 299 613**	**62 052 803**
Less: Current portion of Long-term Liabilities	844 891	60 755 295
Annuity Loans	844 891	60 755 295
Total	**454 722**	**1 297 508**

Included in Cash and Cash Equivalents, as per note 2, is an amount of R 2 147 455 (2022 - R 2 053 454 (as part of Non-Current Investments in note 6) held as guarantee by the DBSA.

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

		2023 R	2022 R
11	**LONG-TERM LIABILITIES (CONTINUED)**		
	Annuity Loans		
	Development Bank of South Africa (DBSA)	1 299 613	2 052 803
	The loan was raised to finance the main municipal building in Barkly East. Interest is calculated at 11.50% (2022 - 11.50%) and instalments are paid every 6 months. The loan will be fully redeemed on 30 September 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 of 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 was fully redeemed on 30 June 2023. The capital portion of the loan will be redeemed utilising the MIG allocation of the municipality.		
		1 299 613	**62 052 803**

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

	2023	2022
Opening Balance - Unspent Financing/(Outstanding Financing)	10 830 795	(13 182 678)
Assets purchased	(10 830 795)	(35 986 527)
Annuity Loans Raised	-	60 000 000
Closing Balance - Unspent Financing/(Outstanding Financing)	**-**	**10 830 795**

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 2023 in line with previous Council Resolutions.

Annuity loans are payable as follows:

	2023	2022
Payable within one year	968 850	64 502 872
Payable within two to five years	484 425	1 453 275
Total amount payable	**1 453 275**	**65 956 148**
Less: Outstanding Future Finance Charges	(153 663)	(3 903 345)
Present value of annuity loans	**1 299 613**	**62 052 803**

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	
	2023	2022	2023	2022
	R	R	R	R
1	-	3 439 042	-	-
	-	**3 439 042**	**-**	**-**

The ownership of the vehicles was transferred to the municipality in the current year after all operating lease commitments was settled.

12 CONSUMER DEPOSITS

Water	1 390 387	1 376 986
Total	**1 390 387**	**1 376 986**
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.

		2023	2022
		R	R
13	**PAYABLES FROM EXCHANGE TRANSACTIONS**		
	Trade Payables	142 659 616	142 483 437
	Balance previously reported		138 926 177
	Prior period adjustment - Refer to note 39.04		3 557 260
	Retentions	10 270 225	10 696 883
	Interest Accrued	37 359	2 027 973
	Unallocated Receipts	1 324 166	353 088
	Payments received in advance	4 308 153	3 409 168
	Senqu Local Municipality	3 176 307	3 398 610
	Total	**161 775 826**	**162 369 160**

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 (2022 - 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 (2022 - R 36 775 586) 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.

		2023	2022
14	**SOUTH AFRICAN REVENUE SERVICES**		
	VAT Payable	32 303 561	5 771 873
	Balance previously reported		825 478
	Prior period adjustment - Refer to note 39.05		4 946 395
	Total	**32 303 561**	**5 771 873**

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

		2023	2022
15	**UNSPENT CONDITIONAL GOVERNMENT GRANTS**		
	National Government	151 964	2 238 964
	Total Unspent Grants	**151 964**	**2 238 964**

		2023 R	2022 R
15	**UNSPENT CONDITIONAL GOVERNMENT GRANTS (CONTINUED)**		
	Total Conditional Grants and Receipts due to Municipality taking into account unpaid grants included in note 5	**6 049 889**	**8 672 075**

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

	2023 R	2022 R
Post-Retirement Medical Benefits	26 411 000	27 828 000
Ex Gratia Gratuities	27 830	41 570
Long Service Awards	11 616 000	10 929 000
Sub-Total	**38 054 830**	**38 798 570**
Less: Current portion of Employee Benefits - Refer to note 10	**3 306 550**	**2 686 590**
Post-Retirement Medical Benefits	1 525 000	1 490 000
Ex Gratia Gratuities	27 550	30 590
Long Service Awards	1 754 000	1 166 000
Total	**34 748 280**	**36 111 980**

16.1 Post-Retirement Medical Benefits

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

	2023 R	2022 R
Opening Balance	**27 828 000**	**26 552 000**
Contribution during the year	5 121 000	4 412 000
Current Service Cost	1 367 000	1 364 000
Interest Cost	3 754 000	3 048 000
Payments made	(1 467 737)	(1 461 907)
Actuarial Gain	(5 070 263)	(1 674 093)
Total balance at year-end	**26 411 000**	**27 828 000**
Less Current Portion	1 525 000	1 490 000
Total	**24 886 000**	**26 338 000**

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

	2023	2022
In-service members	202	199
Continuation members	37	38
Total	**239**	**237**

16 EMPLOYEE BENEFITS (CONTINUED)

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

	2023	2022
	R	R
In-service members	12 506 000	14 040 000
Continuation members	13 905 000	13 788 000
Total Unfunded Liability	**26 411 000**	**27 828 000**

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

	2021	2020	2019
	R	R	R
In-service members	13 481 000	10 829 000	13 975 000
Continuation members	13 071 000	11 919 000	15 108 000
Total Unfunded Liability	**26 552 000**	**22 748 000**	**29 083 000**

Experience adjustments were calculated as follows:

	2023	2022
	R	R
Liabilities: (Gain)/Loss	(936 000)	(253 000)
Assets: Gain/(Loss)	-	-

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

	2021	2020	2019
	R	R	R
Liabilities: (Gain)/Loss	(735 000)	(4 708 000)	1 758 000
Assets: Gain/(Loss)	-	-	-

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

Bonitas	Sizwe-Hosmed	Keyhealth
LA Health	Samwumed	

Key Actuarial Assumptions used are as follows:	2023	2022
Interest Rates		
Discount rate	12.47%	11.82%
Health Care Cost Inflation Rate	8.08%	8.43%
Net-of-health-care-cost-inflation discount rate	4.06%	3.13%
Maximum subsidy inflation rate	5.69%	5.95%
Net-of-maximum-subsidy-inflation discount rate	6.42%	5.54%

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

		2023	2022
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 11 August 2023.

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:

	2023 R	2022 R
Employee Related Cost - Current Service Cost	1 367 000	1 364 000
Finance Charges - Interest Cost	3 754 000	3 048 000
Actuarial Gain	(5 070 263)	(1 674 093)
Net amount charged to Statement of Financial Performance	**50 737**	**2 737 907**

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

Assumption	**Current Service Cost R**	**Interest Cost R**	**Total Cost R**	**% change**
Future Cost	1 294 000	3 770 000	5 064 000	
Health care inflation				
+ 1%	1 403 000	4 048 000	5 451 000	8%
- 1%	1 144 000	3 435 000	4 579 000	-10%
Discount rate				
+ 1%	1 086 000	3 596 000	4 682 000	-8%
- 1%	1 559 000	3 967 000	5 526 000	9%
Post-retirement mortality				
+ 1 year	1 267 000	3 666 000	4 933 000	-3%
- 1 year	1 321 000	3 873 000	5 194 000	3%
Average retirement age				
- 1 year	1 462 000	4 023 000	5 485 000	8%
Continuation of membership at retirement				
- 10%	1 122 000	3 486 000	4 608 000	-9%

	2023	2022
	R	R

16 EMPLOYEE BENEFITS (CONTINUED)

16.2 Ex Gratia Gratuities

The movement in Ex Gratia Gratuities are reconciled as follows:

	2023	2022
Opening Balance	**41 570**	**73 681**
Contribution during the year	1 720	2 429
Interest Cost	1 720	2 429
Payments made	(13 961)	(28 158)
Actuarial Gain	(1 499)	(6 382)
Total balance at year-end	**27 830**	**41 570**
Less Current Portion	27 550	30 590
Total	**280**	**10 980**

The Ex Gratia Gratuities plans are defined benefit plans.

The following members are eligible for Ex Gratia benefits:

	2023	2022
Ex Gratia Members	6	7

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

	2023	2022
	R	R
Ex Gratia Members	27 830	41 570
Total Unfunded Liability	**27 830**	**41 570**

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

	2021	2020	2019
	R	R	R
In-service members	73 681	99 796	97 437
Total Unfunded Liability	**73 681**	**99 796**	**97 437**

		2023	2022
		R	R
16	**EMPLOYEE BENEFITS (CONTINUED)**		

Experience adjustments were calculated as follows:

	2023	2022
Liabilities: (Gain)/Loss	(939)	(6 082)
Assets: Gain/(Loss)	-	-

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

	2021	2020	2019
	R	R	R
Liabilities: (Gain)/Loss	26 994	27 998	(40 747)
Assets: Gain/(Loss)	-	-	-

Key Actuarial Assumptions used are as follows:

	2023	2022
Interest Rates		
Discount rate	6.49%	6.49%
General earnings Inflation rate	0.00%	0.00%
Net discount rate	9.66%	6.49%

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 23 June 2023.

Actuarial Valuation Method

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

	2023	2022
	R	R
The amounts recognised in the Statement of Financial Performance are:		
Finance Charges - Interest Cost	1 720	2 429
Actuarial Gain	(1 499)	(6 382)
Net amount charged to Statement of Financial Performance	**221**	**(3 953)**

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	-	1 390	1 390	
Discount rate				
+ 1%	-	1 520	1 520	9%
- 1%	-	1 260	1 260	-9%
Average retirement age				
+1 year	-	1 800	1 800	29%
- 1 year	-	1 400	1 400	1%

16.3 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

	2023 R	2022 R
Opening Balance	**10 929 000**	**10 373 000**
Contribution during the year	2 306 000	2 005 000
Current Service Cost	1 174 000	1 137 000
Interest Cost	1 132 000	868 000
Payments made	(629 582)	(599 285)
Actuarial Gain	(989 418)	(849 715)
Total balance at year-end	**11 616 000**	**10 929 000**
Less Current Portion	1 754 000	1 166 000
Total	**9 862 000**	**9 763 000**

The following members are eligible for long service bonuses:

	2023	2022
In-service members	475	468

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

	2023 R	2022 R
In-service members	11 616 000	10 929 000
Total Unfunded Liability	**11 616 000**	**10 929 000**

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:

	2021	2020	2019
	R	R	R
In-service members	10 373 000	9 647 000	9 806 250
Total Unfunded Liability	**10 373 000**	**9 647 000**	**9 806 250**

Experience adjustments were calculated as follows:

	2023	2022
	R	R
Liabilities: (Gain)/Loss	(439 418)	(597 715)
Assets: Gain/(Loss)	-	-

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

	2021	2020	2019
	R	R	R
Liabilities: (Gain)/Loss	(730 463)	(998 296)	87 999
Assets: Gain/(Loss)	-	-	-

	2023	2022
Key Actuarial Assumptions used are as follows:		
Interest Rates		
Discount rate	11.01%	10.93%
General earnings Inflation (long-term)	6.44%	7.34%
Net discount rate	4.29%	3.34%

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 11 August 2023.

Actuarial Valuation Method

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

		2023	2022
		R	R
16	**EMPLOYEE BENEFITS (CONTINUED)**		

The amounts recognised in the Statement of Financial Performance are:

	2023 R	2022 R
Employee Related Cost - Current Service Cost	1 174 000	1 137 000
Finance Charges - Interest Cost	1 132 000	868 000
Actuarial Gain	(989 418)	(849 715)
Net amount charged to Statement of Financial Performance	**1 316 582**	**1 155 285**

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

Assumption	Current Service Cost R	Interest Cost R	Total Cost R	% change
Future Cost	1 158 000	1 185 000	2 343 000	
General salary inflation				
+ 1%	1 228 000	1 246 000	2 474 000	6%
- 1%	1 094 000	1 128 000	2 222 000	-5%
Discount rate				
+ 1%	1 102 000	1 229 000	2 331 000	-1%
- 1%	1 220 000	1 136 000	2 356 000	1%
Average retirement age				
+ 2 years	1 212 000	1 256 000	2 468 000	5%
- 2 years	1 054 000	1 037 000	2 091 000	-11%
Withdrawal rates				
x 200 %	903 000	979 000	1 882 000	-20%
x 50 %	1 334 000	1 319 000	2 653 000	13%

16.4 Other Pension Benefits

	2023	2022
Defined Benefit Plans	R	R

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.

	2023	2022
	R	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:

	2023 R	2022 R
Consolidated Retirement Fund (former Cape Retirement Fund)	13 668 149	13 036 732
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2022 revealed that the fund is in a sound financial position with a funding level of 131.6%. (30 June 2021 - 133.0%)		
Total	**13 668 149**	**13 036 732**

Defined Contribution Plans

Council contributes to the following defined contribution plans:

	2023 R	2022 R
Government Employees Pension Fund	631 998	624 652
Municipal Councillors Pension Fund	132 986	196 233
IMATU Retirement Fund	3 105 862	2 849 992
SAMWU National Provident Fund	2 035 450	2 162 121
SALA Pension Fund	1 884 394	1 980 188
Total	**7 790 689**	**7 813 186**

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.

		2023 R	2022 R
17	**RESERVES**		
	Accumulated Surplus	2 381 434 451	2 135 880 769
	Total	**2 381 434 451**	**2 135 880 769**

		2023 R	2022 R
18	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Unconditional Grants - National Government	**334 540 000**	**302 992 000**
	Equitable Share	334 540 000	302 992 000
	Unconditional Grants - Other National Departments	**459 319**	**442 064**
	LG Seta	459 319	442 064
	Conditional Grants - National Government	**245 064 000**	**242 247 000**
	Finance Management Grant (FMG)	1 500 000	1 500 000
	Municipal Infrastructure Grant (MIG)	180 246 000	166 188 000
	Expanded Public Works Program (EPWP)	1 314 000	1 559 000
	Water Services Infrastructure Grant (WSIG)	60 000 000	73 000 000
	Regional Bulk Infrastructure Grant (RBIG)	2 000 000	-
	Rural Households Infrastructure Grant	4 000	-
	Conditional Grants - Provincial Government	**21 027 810**	**23 207 822**
	Public Works - Special Programme	21 027 810	23 158 214
	Drought Relief (COGTA)	-	49 608
	Total	**601 091 129**	**568 888 887**

Disclosed as:

	2023	2022
Government Grants and Subsidies - Capital	161 233 271	163 022 437
Government Grants and Subsidies - Operating	439 857 858	405 866 450
Total	**601 091 129**	**568 888 887**

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

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

	2023	2022
Equitable share	334 540 000	302 992 000
Financial Services	3 191 120	1 500 000
Corporate Services	459 319	442 064
Technical Services	202 900 690	190 954 822
Water Services Provision	60 000 000	73 000 000
Total	**601 091 129**	**568 888 887**

		2023 R	2022 R
18	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		

The movements per grant can be summarised as follows:

18.01 Equitable Share

	2023 R	2022 R
Grants Received	334 540 000	302 992 000
Transferred to Revenue - Operating	(334 540 000)	(302 992 000)
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

	2023 R	2022 R
Grants Received	459 319	442 064
Transferred to Revenue - Operating	(459 319)	(442 064)
Closing Unspent Balance	-	-

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

18.03 Finance Management Grant (FMG)

	2023 R	2022 R
Grants received	1 500 000	1 500 000
Transferred to Revenue - Operating	(1 500 000)	(1 500 000)
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)

	2023 R	2022 R
Grants received	180 246 000	166 188 000
Transferred to Revenue - Operating	(48 041 287)	(50 317 203)
Transferred to Revenue - Capital	(132 204 713)	(115 870 797)
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.

		2023 R	2022 R
18	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		
18.05	**Expanded Public Works Program (EPWP)**		
	Grants Received	1 314 000	1 559 000
	Transferred to Revenue - Operating	(1 314 000)	(1 559 000)
	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.

		2023 R	2022 R
18.06	**Water Services Infrastructure Grant (WSIG)**		
	Grants Received	60 000 000	73 000 000
	Transferred to Revenue - Operating	(32 662 561)	(25 848 360)
	Transferred to Revenue - Capital	(27 337 439)	(47 151 640)
	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.

		2023 R	2022 R
18.07	**Rural Households Infrastructure Grant**		
	Opening balance	4 000	4 000
	Transferred to Revenue - Operating	(4 000)	-
	Closing Unspent Balance	**-**	**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.

		2023	2022
		R	R
18	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		
18.08	**Regional Bulk Infrastructure Grant (RBIG)**		
	Opening balance	-	2 791 134
	Grants Received	2 000 000	-
	Transferred to Revenue - Operating	(308 880)	-
	Transferred to Revenue - Capital	(1 691 120)	-
	Monies returned to National Treasury	-	(2 791 134)
	Closing Unspent Balance	**-**	**-**

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

		2023	2022
18.08	**Rural Roads Asset Management System**		
	Opening balance	2 234 965	2 201 965
	Grants Received	150 000	2 233 000
	Monies returned to National Treasury	(2 233 000)	(2 200 000)
	Closing Unspent Balance	**151 965**	**2 234 965**

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).

		2023	2022
18.09	**Drought Relief (COGTA)**		
	Opening balance	-	49 608
	Transferred to Revenue - Operating	-	(49 608)
	Closing Unspent Balance	**-**	**-**

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

		2023	2022
18.1	**Public Works - Special Programme**		
	Grants Received	25 736 996	22 031 181
	Transferred to Revenue - Operating	(21 027 810)	(23 158 214)
	Transfer to/(from) Receivables	(4 709 186)	1 127 033
	Closing Unspent Balance	**-**	**-**

		2023 R	2022 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

	2023 R	2022 R
Opening Balance	2 238 965	5 046 707
Grants Received	605 946 315	569 945 246
Transferred to Revenue - Capital	(161 233 271)	(163 022 437)
Transferred to Revenue - Operating	(439 857 858)	(405 866 450)
Monies returned to National Treasury	(2 233 000)	(4 991 134)
Transfer to/(from) Receivables	(4 709 186)	1 127 033
Closing Unspent Balance	**151 965**	**2 238 965**

19 CONTRIBUTED ASSETS

	2023 R	2022 R
DBSA	-	1 059 830
Total	**-**	**1 059 830**

20 ACTUARIAL GAINS

	2023 R	2022 R
Post-Retirement Medical Obligations	5 070 263	1 674 093
Ex Gratia Gratuities	1 499	6 382
Long Service Awards	989 418	849 715
Total	**6 061 180**	**2 530 190**

21 SERVICE CHARGES

	2023 R	2022 R
Water Revenue	195 409 455	155 029 492
Sewerage and Sanitation Revenue	45 370 699	36 893 687
Total Revenue	**240 780 154**	**191 923 179**
Less: Rebates	(37 623 302)	(43 134 747)
Water Revenue	(26 871 604)	(29 103 828)
Sewerage and Sanitation Revenue	(10 751 698)	(14 030 919)
Total	**203 156 852**	**148 788 432**

		2023	2022
		R	R

21 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.

22 INTEREST EARNED - EXTERNAL INVESTMENTS

	2023 R	2022 R
Call Investment Deposits	3 065 737	1 830 801
Primary Bank Account	280 334	224 880
Total	**3 346 072**	**2 055 681**

23 INTEREST EARNED - OUTSTANDING DEBTORS

	2023 R	2022 R
Water Debtors	64 959 935	38 810 790
Sewerage Debtors	16 239 828	11 168 449
Other	401 112	227 896
Total	**81 600 875**	**50 207 135**

24 OTHER INCOME

	2023 R	2022 R
Environmental Resource Management	2 436 212	1 825 575
Sundry Income	199 793	920 055
Total	**2 636 005**	**2 745 630**

25 EMPLOYEE RELATED COSTS

	2023 R	2022 R
Salaries and Wages	161 017 994	162 608 192
Bonuses	13 336 650	12 466 824
Contributions for UIF, Pensions and Medical Aids	35 164 713	31 923 804
Housing Benefits and Allowances	4 734 778	1 634 238
Overtime Payments	24 540 300	25 661 927
Performance Bonuses	5 840 303	4 098 816
Travel, Motor Car, Telephone, Subsistence and Other Benefits and Allowances	12 713 487	18 018 788
Staff Leave	3 455 671	(2 224 988)
Long Service Awards	1 174 000	1 137 000
Post-Retirement Medical	1 367 000	1 364 000
Total	**263 344 897**	**256 688 602**

		2023	2022
		R	R

25 EMPLOYEE RELATED COSTS (CONTINUED)

The staff leave contribution for the prior 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 Remuneration of the Municipal Manager - MP Nonjola

	2023 R	2022 R
Salary and other allowances	1 642 074	-
Travel Allowance	204 000	-
Telephone allowance	28 400	-
Contributions to UIF, Medical and Pension Funds	2 255	-
Acting Allowance	227 510	-
Leave Pay	424 433	-
Performance Bonuses	335 861	-
Total	**2 864 533**	**-**

MP Nonjola acted as Municipal Manger from 1 July 2022 to 28 February 2023, before he was appointed in the capacity as Municipal Manager on 1 March 2023.

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

	2023 R	2022 R
Salary and other allowances	-	1 442 114
Travel Allowance	-	543 896
Telephone allowance	-	33 550
Contributions to UIF, Medical and Pension Funds	-	215 537
Acting allowance	-	27 500
Performance Bonuses	-	598 002
Leave pay	-	256 746
Ex Gratia payment	-	3 510 946
Total	**-**	**6 628 291**

During the 2022/2023 year a performance bonus amounting to R 443 673 was paid out to the former Municipal Manager relating to the 2020/2021 financial year.

		2023	2022
		R	R
25	**EMPLOYEE RELATED COSTS (CONTINUED)**		

Remuneration of the Director Technical Services - RJ Fortuin

	2023	2022
Salary and other allowances	1 406 493	1 543 082
Travel Allowance	320 000	360 000
Telephone allowance	29 628	29 159
Contributions to UIF, Medical and Pension Funds	104 829	88 704
Leave pay	378 969	-
Performance Bonuses	377 122	508 301
Total	**2 617 041**	**2 529 246**

The contract of RJ Fortuin came to an end on 31 August 2022. He acted in this position from 1 September 2022 up to 31 March 2023, before he was permanently appointed from 1 May 2023. RJ Fortuin also acted as Director Community Services during the year under review at no additional cost to the municipality.

Remuneration of the Director Corporate Services - HZ Jantjie

	2023	2022
Salary and other allowances	1 302 552	1 621 649
Travel Allowance	70 000	84 000
Telephone allowance	25 159	29 159
Contributions to UIF, Medical and Pension Funds	287 274	346 145
Leave pay	45 493	-
Performance Bonuses	297 728	490 719
Total	**2 028 206**	**2 571 672**

The contract of HZ Jantjie concluded on 31 March 2023.

Remuneration of the Acting Director Financial Services - S du Toit

	2023	2022
Salary and other allowances	1 626 377	1 421 419
Travel Allowance	120 000	180 000
Telephone allowance	29 628	29 159
Contributions to UIF, Medical and Pension Funds	56 163	56 383
Leave pay	375 872	-
Performance Bonuses	321 383	433 173
Total	**2 529 423**	**2 120 135**

S du Toit acted as the Director Financial Services from 1 March 2023.

	2023	2022
	R	R

25 EMPLOYEE RELATED COSTS (CONTINUED)

Remuneration of the Director Community Services - FJ Sephton - 31 January 2022

	2023	2022
Salary and other allowances	-	1 069 563
Travel Allowance	-	91 000
Telephone allowance	-	16 114
Contributions to UIF, Medical and Pension Funds	-	1 312
Performance Bonuses	-	508 301
Leave pay	-	286 511
Total	**-**	**1 972 801**

During the 2022/2023 year a performance bonus amounting to R 377 122 was paid out to the former Director Community Services relating to the 2020/2021 financial year.

Remuneration of the Chief Operations Officer - N Mshumi

	2023	2022
Salary and other allowances	1 333 252	1 331 721
Travel Allowance	60 000	60 000
Telephone allowance	5 628	5 159
Contributions to UIF, Medical and Pension Funds	302 302	303 718
Performance Bonuses	287 184	432 617
Total	**1 988 366**	**2 133 215**

Remuneration of the Water Service provision Manager - D Lusawana

	2023	2022
Salary and other allowances	1 344 465	1 339 813
Contributions to UIF, Medical and Pension Funds	290 611	295 376
Telephone allowance	5 628	5 159
Performance Bonuses	276 951	344 281
Total	**1 917 655**	**1 984 629**

Remuneration of the ISD Director - MP Nonjola

	2023	2022
Salary and other allowances	-	1 601 856
Travel Allowance	-	204 000
Telephone allowance	-	24 000
Contributions to UIF, Medical and Pension Funds	-	2 249
Acting Allowance	-	68 439
Performance Bonuses	-	380 326
Total	**-**	**2 280 870**

MP Nonjola acted as Municipal Manger from 1 July 2022 to 28 February 2023, before his was appointed in the capacity as Municipal Manager on 1 March 2023. The ISD Director position was removed from the organogram.

		2023 R	2022 R
26	**REMUNERATION OF COUNCILLORS**		
	Councillors' Allowances	6 017 381	5 367 691
	Councillors' Pension and Medical Aid Contributions	297 068	351 448
	Total	**6 314 448**	**5 719 138**

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 2023

Remuneration per Councillor	**Remuneration** **R**	**Contributions** **R**	**Total** **R**
Executive Mayor - NL Mposelwa	961 756	-	961 756
Speaker - M Bomela	752 898	24 732	777 630
Mayoral Committee - NU Hlathuka	641 803	90 105	731 908
Mayoral Committee - SE Ntsoelinyane	714 268	17 640	731 908
Mayoral Committee - N Mabunu	694 333	37 575	731 908
Mayoral Committee - A Skoti	731 908	-	731 908
Proportional - G Shaw	339 376	-	339 376
Proportional - SG Moroahae	316 633	15 823	332 456
Proportional - NL Lengs	391 853	23 155	415 008
Proportional - AM van Zyl	48 136	-	48 136
Proportional - S Mei	326 971	88 037	415 008
Representative Councillors	97 447	-	97 447
Sub-Total	**6 017 381**	**297 068**	**6 314 448**

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

26 REMUNERATION OF COUNCILLORS (CONTINUED)

Remuneration per Councillor	Remuneration R	Contributions R	Total R
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
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
Total	**5 367 691**	**351 448**	**5 719 138**

	2023 R	2022 R
27 DEBT IMPAIRMENT		
Contributions to provision	96 435 623	92 787 838
Less Movement VAT included in debt impairment	(9 606 419)	(10 000 634)
Total	**86 829 204**	**82 787 204**
28 DEPRECIATION AND AMORTISATION		
Investment Property	22 928	45 496
Property, Plant and Equipment	73 256 953	65 470 495
Intangible Assets	27 675	1 037
Total	**73 307 556**	**65 517 028**
29 IMPAIRMENTS		
Property, Plant and Equipment	2 311 568	2 300 888
Investment Property	-	336 898
Non-Current Investments - Joe Gqabi Economic Development Agency (Soc) Ltd	1 272 736	-
Total	**3 584 305**	**2 637 786**

		2023	2022
		R	R
30	**REPAIRS AND MAINTENANCE**		
	Infrastructure	26 884 796	7 726 142
	Land and Buildings	331 064	177 681
	Other Assets	1 194 376	1 694 240
	Total	**28 410 236**	**9 598 063**

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.

		2023	2022
31	**FINANCE CHARGES**		
	Long-term Liabilities	(13 695)	2 275 336
	Non-current Employee Benefits	4 887 720	3 918 429
	Total	**4 874 025**	**6 193 765**
32	**BULK PURCHASES**		
	Water	5 106 678	7 022 022
	Total	**5 106 678**	**7 022 022**
33	**CONTRACTED SERVICES**		
	Sanitation Services	15 413 918	19 244 491
	Water Services	1 661 172	17 894 999
	Total	**17 075 089**	**37 139 490**
34	**TRANSFERS AND GRANTS**		
	Joe Gqabi Economic Development Agency (SoC) Ltd	11 000 000	5 000 000
	Total	**11 000 000**	**5 000 000**

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.

		2023	2022
35	**VIP TOILET EXPENDITURE**		
	Technical Services	18 694 298	39 000 693
	Total	**18 694 298**	**39 000 693**

		2023	2022
		R	R
36	**OTHER EXPENDITURE**		
	Advertising Fees	770 996	466 108
	Audit Fees	4 127 742	3 963 889
	Bank Charges	494 383	478 352
	Bursaries	-	11 049
	Chemicals	8 776 874	11 330 174
	Consulting Fees	6 142 410	6 001 932
	Fuel and oil	16 594 685	10 905 902
	Insurance	3 854 220	3 213 875
	IT Cost	4 863 511	2 643 170
	Legal Fees	1 697 817	2 710 434
	Local Economic Development	189 672	500 000
	Material and protective clothing	5 308 130	6 287 391
	Membership Fees	2 671 580	2 550 788
	Occupational Health	66 359	8 995
	Postage	6 276	3 205
	Printing and Stationary	331 460	508 029
	Security	4 054 534	3 333 734
	Special Programmes	336 359	194 466
	Telephone	634 798	1 699 604
	Training	355 248	1 205 705
	Travel and Subsistence	18 381 549	13 259 932
	Vehicle and Other Rentals	10 323 811	6 885 454
	Water and Electricity	37 466 293	31 063 252
	Water Testing & Quality Monitoring	2 749 864	2 540 036
	Other	3 702 515	4 200 560
	Total	**133 901 085**	**115 966 034**
37	**INVENTORY ADJUSTMENTS**		
	Stock (Surpluses)/Losses - Refer to note 3	(142 225)	78 686
	Total	**(142 225)**	**78 686**
38	**LOSS ON DISPOSAL OF PPE**		
	Carrying value of Property, Plant and Equipment disposed or written off	38 835	19 422 660
	Total	**38 835**	**19 422 660**

		2022 R
39	**PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3**	
39.01	**RECEIVABLES FROM EXCHANGE TRANSACTIONS**	
	Balance previously reported	**467 359 749**
	Correction of Billing transactions up to 30 June 2022. Correction as result of the differences between interim and actual readings, reversal of service charges and correction of charges.	(369 395)
	Effect on Accumulated Surplus - Refer to note 39.07	(85 653)
	Effect on Statement of Financial Performance - Refer to note 39.08	(242 153)
	Effect on South African Revenue Services - Refer to note 39.05	(41 588)
	Restated Balance on 30 June 2022	**466 990 355**
39.02	**INVESTMENT PROPERTY**	
	Balance previously reported	**1 919 843**
	Remove property incorrectly recognised as municipal asset. Asset was identified during the review of asset register - Refer to note 39.07	(123 500)
	Restated Balance on 30 June 2022	**1 796 343**
39.03	**PROPERTY PLANT AND EQUIPMENT**	
	Balance previously reported	**1 935 981 174**
	Recognise assets previously not recorded in asset register on 30 June 2021. These assets were identified during annual asset count - Refer to note 39.07	821 985
	Effect on Motor Vehicles (Cost)	1 256 814
	Effect on Special Vehicles (Cost)	1 466 910
	Effect on Motor Vehicles (Accumulated Depreciation)	(1 098 688)
	Effect on Special Vehicles (Accumulated Depreciation)	(803 050)
	Derecognise assets incorrectly included in the asset register on 30 June 2021. Expenditure identified as operating in nature during unbundling of projects - Refer to note 39.07	(211 234)
	Effect on Infrastructure Water Network (Cost)	(435 621)
	Effect on Infrastructure Water Network (Accumulated Depreciation)	224 387
	Correction of depreciation resulting from assets previously not recorded and incorrectly included (refer above) - Refer to note 39.08	(155 901)
	Effect on Infrastructure Water Network (Depreciation)	22 065
	Effect on Motor Vehicles (Depreciation)	(6 761)
	Effect on Special Vehicles (Depreciation)	(171 205)

		2022 R
39	**PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)**	
	Cost of assets written off during 2021/2022 incorrectly not removed from asset register. Identified during review of asset register - Refer to note 39.08	(296 938)
	Effect on Office Equipment (Cost)	(9 076)
	Effect on Furniture & Fittings (Cost)	(29 013)
	Effect on Computer Equipment (Cost)	(258 848)
	Restated Balance on 30 June 2022	**1 936 139 086**
39.04	**PAYABLES FROM EXCHANGE**	
	Balance previously reported	**158 811 900**
	Account for payables incorrectly not raised on 30 June 2022, resulting from invoices only received during the 2022/23 financial year.	3 557 260
	Effect on Accumulated Surplus - Refer to note 39.07	74 658
	Effect on Statement of Financial Performance - Refer to note 39.08	3 038 607
	Effect on South African Revenue Services - Refer to note 39.05	443 995
	Restated Balance on 30 June 2022	**162 369 160**
39.05	**SOUTH AFRICAN REVENUE SERVICES**	
	Balance previously reported	**825 478**
	Account for payables incorrectly not raised on 30 June 2022, resulting from invoices only received during the 2022/23 financial year. - Refer to note 39.04	(443 995)
	VAT on Debt Impairment was understated in the prior year. The incorrect Provision for doubtful debt percentage was applied to the VAT portion of the Walter Sisulu Local Municipality Trade debtors as at 30 June 2022 - Refer to note 39.08	5 431 978
	Correction of Billing transactions up to 30 June 2022. Correction as result of the differences between interim and actual readings, reversal of service charges and correction of charges. - Refer to note 39.01	(41 588)
	Restated Balance on 30 June 2022	**5 771 873**
39.06	**UNPAID CONDITIONAL GOVERNMENT GRANTS**	
	Balance previously reported	**13 627 491**
	Revenue relating to Grants incorrectly recognised up to 30 June 2018. Error relates to incorrect recognition of receivable/revenue where there are no intention of grant provider to settle the receivable raised. - Refer to note 39.07	(2 716 451)
	Effect on National Grants (Accelerated Community Infrastructure Programme)	(85 303)
	Effect on Provincial Grants (Environmental Health Practioners)	(2 631 148)
	Restated Balance on 30 June 2022	**10 911 039**

	2022 R
39 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)	
39.07 ACCUMULATED SURPLUS	
Balance previously reported	**2 147 435 858**
Corrections up to 30 June 2021	(2 389 512)
Correction of Billing transactions up to 30 June 2022. Correction as result of the differences between interim and actual readings, reversal of service charges and correction of charges. - Refer to note 39.01	(85 653)
Remove property incorrectly recognised as municipal asset. Asset was identified during the review of asset register - Refer to note 39.02	(123 500)
Recognise assets previously not recorded in asset register on 30 June 2021. These assets were identified during annual asset count - Refer to note 39.03	821 985
Derecognise assets incorrectly included in the asset register on 30 June 2021. Expenditure identified as operating in nature during unbundling of projects - Refer to note 39.03	(211 234)
Revenue relating to Grants incorrectly recognised up to 30 June 2018. Error relates to incorrect recognition of receivable/revenue where there are no intention of grant provider to settle the receivable raised. - Refer to note 39.06	(2 716 451)
Account for payables incorrectly not raised on 30 June 2022, resulting from invoices only received during the 2022/23 financial year. - Refer to note 39.04	(74 658)
Restated Balance on 30 June 2022	**2 135 880 769**
39.08 STATEMENT OF FINANCIAL PERFORMANCE	
Surplus previously reported	**132 670 192**
Service Charges	(228 137)
Correction of Billing transactions up to 30 June 2022. Correction as result of the differences between interim and actual readings, reversal of service charges and correction of charges. - Refer to note 39.01	(228 137)
Interest Earned - Outstanding Debtors	(14 017)
Correction of Billing transactions up to 30 June 2022. Correction as result of the differences between interim and actual readings, reversal of service charges and correction of charges. - Refer to note 39.01	(14 017)
Debt Impairment	(5 431 978)
VAT on Debt Impairment was understated in the prior year. The incorrect Provision for doubtful debt percentage was applied to the VAT portion of the Walter Sisulu Local Municipality Trade debtors as at 30 June 2022 - Refer to note 39.05	(5 431 978)
Depreciation and Amortisation	(155 901)
Correction of depreciation resulting from assets previously not recorded and incorrectly included (refer above) - Refer to note 39.03	(155 901)

		2022 R
39	**PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)**	
	Repairs and Maintenance	(3 119)
	Áccount for payables incorrectly not raised on 30 June 2022, resulting from invoices only received during the 2022/23 financial year. - Refer to note 39.04	(3 119)
	Contracted Services	(108 857)
	Áccount for payables incorrectly not raised on 30 June 2022, resulting from invoices only received during the 2022/23 financial year. - Refer to note 39.04	(108 857)
	Other Expenditure	(2 926 630)
	Áccount for payables incorrectly not raised on 30 June 2022, resulting from invoices only received during the 2022/23 financial year. - Refer to note 39.04	(2 926 630)
	Loss on Disposal of PPE	(296 938)
	Cost of assets written off during 2021/2022 incorrectly not removed from asset register. Identified during review of asset register - Refer to note 39.03	(296 938)
	Restated Surplus on 30 June 2022	**123 504 615**

39.09 DISCLOSURE ADJUSTMENTS

- The Cashbook balance on 30 June 2021 was incorrectly disclosed in the Cash and Cash Equivalents note. Accordingly, the disclosure was adjusted by R 5 027 528 (from R 5 209 725 to R 182 197). Refer to note 2 for more detail. The adjustment did not have any effect on any figures included elsewhere in the financial statements.
- SCM 45 disclosures were restated by R 4 270 332. The adjustment did not have any effect on any figures included elsewhere in the financial statements - refer to note 45.9.
- During the review of Property Plant and Equipment, an adjustment between 2 WIP projects amounting to R 5 335 676 was identified and corrected ("Upgrading Sterkspruit water treatment works" and "Maclear bulk sanitation infrastructure upgrade". This change had no effect on total Work in Progress previously reported on 30 June 2021 and 30 June 2022.

		2023	2022
40	**NET CASH FROM OPERATING ACTIVITIES**	**R**	**R**
	Net Surplus for the year adjusted for	245 553 682	123 504 615
	Non-Cash Revenue	(6 297 406)	(3 684 020)
	Actuarial Gains	(6 061 180)	(2 530 190)
	Inventory Adjustments	(142 225)	-
	Interest Earned - External Investments	(94 000)	(94 000)
	Contributed Assets	-	(1 059 830)
	Non-Cash Expenditure	168 647 620	174 361 793
	Debt Impairment	86 829 204	82 787 204
	Depreciation and Amortisation	73 307 556	65 517 028
	Impairments	3 584 305	2 637 786
	Finance Charges	4 887 720	3 918 429
	Loss on disposal of PPE	38 835	19 422 660
	Inventory Adjustments	-	78 686
	Contributions - Provisions and Employee Benefits	25 173 625	16 841 652
	Post-Retirement Medical Benefits	1 367 000	1 364 000
	Long Service Awards	1 174 000	1 137 000
	Performance Bonuses	5 840 303	4 098 816
	Bonuses	13 336 650	12 466 824
	Staff Leave	3 455 671	(2 224 988)
	Expenditure - Provisions and Employee Benefits	(24 006 200)	(22 900 629)
	Post-Retirement Medical Benefits	(1 467 737)	(1 461 907)
	Long Service Awards	(629 582)	(599 285)
	Ex Gratia Gratuities	(13 961)	(28 158)
	Performance Bonuses	(5 390 320)	(5 979 550)
	Bonuses	(12 994 704)	(12 474 894)
	Staff Leave	(3 509 897)	(2 356 835)
	Other adjustments	(7 819 459)	(14 727 467)
	Bad Debts Written Off	(3 449 150)	(9 736 333)
	DBSA interest Receivable	(2 137 309)	-
	Grants Returned to National Treasury	(2 233 000)	(4 991 134)
	Operating Surplus before changes in working capital	401 251 861	273 395 943
	Movement in working capital	(236 982 371)	(131 514 273)
	Receivables from Exchange Transactions	(248 594 502)	(163 009 911)
	Inventory	(924 041)	161 442
	Payables from exchange transactions	(593 334)	35 415 889
	Unspent Conditional Government Grants	146 000	2 183 392
	Unpaid Conditional government grants	4 709 186	(417 722)
	South African Revenue Services	8 274 320	(5 847 362)
	Cash Flow from Operating Activities	**164 269 490**	**141 881 670**

		2023	2022
		R	R
41	**CASH AND CASH EQUIVALENTS**		
	Cash and Cash Equivalents comprise out of the following:		
	Primary Bank Account	586 706	3 264 009
	Call and short-term investments deposits	5 267 440	21 595 703
	Cash floats	300	300
	Petty cash	135 300	71 300
	Total	**5 989 746**	**24 931 312**

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

42 BUDGET COMPARISONS

42.1 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

Cash in the budget statement consists of the Primary Bank Account, Cash Floats and Petty Cash.

Call Investment Deposits on the budget statement consist out of Call and short-term investments deposits as well as Current Fixed Assets

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).

Long Term Liabilities and Current Portion of Long Term Liabilities are disclosed as Borrowing in the budget statement.

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

42 BUDGET COMPARISONS (CONTINUED)

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 and Other Income. Actuarial Gains and Inventory Adjustments are included as part of Gains for budget comparison purposes.

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. Repairs and Maintenance are included in both Contracted Services a well as 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:

	Statement of Financial Performance R	due to mSCOA/NT versus GRAP classification R	Per Budget Comparison R
Revenue			
Government Grants and Subsidies - Capital	161 233 271	(161 233 271)	-
Government Grants and Subsidies - Operating	439 857 858	(439 857 858)	-
Transfers and subsidies	-	439 857 858	439 857 858
Transfers and subsidies - Capital	-	161 233 271	161 233 271
Actuarial Gains	6 061 180	(6 061 180)	-
Inventory Adjustment	142 225	(142 225)	-
Service Charges	203 156 852	(203 156 852)	-
Service Charges - Water Revenue	-	168 555 559	168 555 559
Service Charges - Sanitation Revenue	-	34 619 002	34 619 002
Rental of facilities and equipment	-	30 088	30 088
Interest Earned - External Investments	3 346 072	-	3 346 072
Interest Earned - Outstanding Debtors	81 600 875	-	81 600 875
Other Income	2 636 005	(2 636 005)	-
Agency Services	-	420 556	420 556
Other Revenue	-	2 167 652	2 167 652
Gains	-	6 203 405	6 203 405
Total Revenue	**898 034 339**	**-**	**898 034 339**

42 BUDGET COMPARISONS (CONTINUED)

	Statement of Financial Performance	due to mSCOA/NT versus GRAP classification	Per Budget Comparison
	R	R	R
Expenditure			
Employee Related Costs	263 344 897	(2 460 874)	260 884 023
Remuneration of Councillors	6 314 448	-	6 314 448
Debt Impairment	86 829 204	-	86 829 204
Depreciation and Amortisation	73 307 556	(73 307 556)	-
Depreciation & Asset Impairment	-	73 307 556	73 307 556
Impairments	3 584 305	(3 584 305)	-
Repairs and Maintenance	28 410 236	(28 410 236)	-
Finance Charges	4 874 025	-	4 874 025
Bulk Purchases	5 106 678	(5 106 678)	-
Inventory Consumed	-	20 116 164	20 116 164
Contracted Services	17 075 089	62 616 112	79 691 201
Transfers and Grants	11 000 000	72 400	11 072 400
VIP Toilet Expenditure	18 694 298	(18 694 298)	-
Other Expenditure	133 901 085	(28 132 590)	105 768 495
Loss on Disposal of PPE	38 835	(38 835)	-
Losses	-	3 623 140	3 623 140
Total Expenditure	**652 480 657**	**-**	**652 480 657**

Cash Flow Statement

The Cash flow statement is comparable on a line by line basis except for the following:

Suppliers and Employees are aggregated on the budget statement while shown separately in the Cash Flow Statement.

Capital Assets includes additions to both Property Plant and Equipment as well as intangible assets.

42.2 MATERIAL VARIANCES

Statement of financial position - Budget Adjustments

Consumer Debtors	The adjustment made was as result of the low collection rate experienced during the financial year.
Other Debtors	The adjustment made was as result of the low collection rate experienced during the financial year.
Property, Plant And Equipment	The adjustment made as a result of the reallocation of projects between operational and capital as well as the removal of R30 million budget for municipal fleet. This is also evident from the borrowing variance.

42 BUDGET COMPARISONS (CONTINUED)

Borrowing	The adjustment is as result of R30 million budget for municipal fleet being removed from the budget. This is also evident from the Property, plant and equipment variance.
Trade and Other Payables	Align opening balance of budget to audited results for the year ending 30 June 2022, as well as adjusting outstanding balance to available resources available.
Provisions	Align opening balance of budget to audited results for the year ending 30 June 2022 (downward adjustment due to actuarial gain experienced in prior year).
Accumulated Surplus	Align budget to prior year audited result, also taking into account the budgeted surplus for 2022/2023.

Statement of financial position - Budget versus Actual

Consumer Debtors	Variance is as of result of a lower than expected collection rate.
Other Debtors	Budget significantly exceeded actual results for the current year, due to the 30 June 2022 other receivables closing balance not correctly updated when performing the Adjustments Budget. As well as lesser than estimated other receivables being outstanding as at 30 June 2023. This allowed the municipality to improve trade and other payables management, as evident from the variable trade and other payables variance.
Investments	Variance is as result of the non-current investments transferred to current investments. Lower than expected cash available to invest.
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.
Trade and Other Payables	Lower than expected balance due to more focus placed on the management of payable balances to reduce it over time.
Accumulated Surplus	Refer to statement of financial performance for surplus that exceeded budget expectations.

Statement of financial performance - Budget Adjustments

Service Charges - Water Revenue	Adjustment due to increase identified in estimates based on billing data available.
Transfers and Subsidies	The adjustment made as a result of the reallocation of funds between operational and capital projects and an increase in allocation from the Provincial Department of Roads and Transport.
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 31 March 2023) also contributed to the additional budget allocation.
Transfers and subsidies - Capital	The adjustment made as a result of the reallocation of operating expenditure to capital projects.

42 BUDGET COMPARISONS (CONTINUED)

Statement of financial performance - Budget versus Actual

Service Charges - Water Revenue	Variance is as result of reduced billing compared to estimates during budget cycle.
Service Charges - Sanitation Revenue	Variance is as result of reduced billing compared to estimates during budget cycle.
Interest Earned - Outstanding Debtors	Increase in interest rates and reduction in collectability of outstanding debtors contributed to the variance
Transfers and Subsidies	The reason for the variance is largely as result of WSIG expenditure budgeted for as capital expenditure being classified as operational expenditure during unbundling. This also resulted in the Water Services Provision unauthorised expenditure disclosed. The remaining variance is as result of the VAT portion of capital expenditure not previously classified as operational expenditure.
Depreciation & Asset Impairment	Variance is as result of the reduction in Capital budget of R30 million (municipal fleet) and the value of Work In Progress PPE transferred to Infrastructure assets being less 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.
Transfers Recognised - Capital	Refer to operating Transfers and Subsidies.

Cash Flow Statement - Budget Adjustments

Transfers and Subsidies - Operational	Adjustment is as result of transfers of funds between operational and capital projects and adjustment of Department of Roads and Transport grant allocation for the 2022/23 financial year.
Transfers and Subsidies - Capital	Adjustment is as result of transfers of funds between operational and capital projects
Suppliers and Employees	Adjustment is as result of a reduction in expenditure due to the lower collection rate.
Capital Assets	Adjustment is as result of the R30 million reduction in municipal fleet budget, which would have been financed through borrowings.
Borrowing long term/refinancing	Adjustment is as result of the R30 million reduction in municipal fleet budget, which would have been financed through borrowings.

Cash Flow Statement - Budget versus Actual

Service Charges	Variance is as result of reduced billing as well as the collection rate being lower than estimated
Transfers and Subsidies - Operational	operational and capital projects which and an increase in allocation from the Provincial Department of Roads and Transport.

42 BUDGET COMPARISONS (CONTINUED)

Transfers and Subsidies - Capital	Variance is as result of the reduction in capital project expenditure.
Suppliers and Employees	Variance is as result of actual cash flow not being as planned as evident from the decreased expenditure items
Capital Assets	portion being included in the budgeted amount as required by Treasury and the front loading repayment not forming part of capital
Repayment of Borrowing	Variance is as result of the front loading being repaid during the current financial year not budgeted for
Cash/cash equivalents at the year begin:	Budget not aligned to prior year audited results.

43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

43.1 UNAUTHORISED EXPENDITURE

Unauthorised expenditure consist out of the following:

	2023 R	2022 R
Opening balance	164 753	109 474 258
Unauthorised expenditure current year - operating	24 013 603	-
Unauthorised expenditure current year - capital	-	-
Written off by Council	-	(109 309 505)
Unauthorised expenditure awaiting approval	**24 178 356**	**164 753**

The unauthorised expenditure relates to operating expenditure identified and budgeted for as part of capital expenditure. The municipality is still within the total budget appropriation (operating and capital) for the year.

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. The unauthorised expenditure is still under investigation. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred pending the outcome of the investigation.

	2023 (Actual) R	2023 (Final Budget) R	2023 (Unauthorised) R
Unauthorised expenditure - Operating			
Office of the Municipal Manager	37 550 294	41 657 623	-
Financial Services	42 966 269	56 286 067	-
Corporate Services	85 460 985	93 262 471	-
Technical Services	51 902 390	59 716 131	-
Community Services	50 879 034	53 950 967	-
Institutional Support Advancement	23 785 952	29 831 370	-
Water Services Provision	359 935 733	335 922 130	24 013 603
Total	**652 480 657**	**670 626 759**	**24 013 603**

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

	2023 (Actual) R	2023 (Final Budget) R	2023 (Unauthorised) R
Unauthorised expenditure - Capital			
Office of the Municipal Manager	165 200	166 000	-
Financial Services	322 230	600 000	-
Corporate Services	344 646	526 000	-
Technical Services	96 116 197	154 897 241	-
Community Services	-	1	-
Institutional Support Advancement	788 639	2 334 000	-
Water Services Provision	24 734 355	55 000 000	-
Total	**122 471 267**	**213 523 242**	**-**

43.2 FRUITLESS AND WASTEFUL EXPENDITURE

	2023 R	2022 R
Fruitless and wasteful expenditure consist out of the following:		
Opening balance	625 130	625 130
Fruitless and wasteful expenditure incurred	14 358	-
Written of by Council	-	-
Fruitless and wasteful expenditure awaiting approval	**639 488**	**625 130**

<u>Incurred up to 30 June 2021</u>

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.

<u>Incurred during 2022/2023</u>

Interest were recognised for late payments on invoices of the Auditor General. Preliminary investigations indicate an amount of R 13 730 relates to invoices received in SPAM mailbox and was therefore paid late. This was reported to council as part of the June 2023 SCM report and is still under investigation.

	2023	2022
	R	R

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

43.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

	2023	2022
Opening balance	-	-
Irregular expenditure incurred	43 148 228	15 910 470
Written of by Council	(43 148 228)	(15 910 470)
Irregular expenditure awaiting approval	**-**	**-**

Details of Irregular expenditure incurred :

	2023	2022
JoGEDA Contractor Development Programme	43 148 228	15 910 470
Due to locality non-compliance (2019/20)	43 148 228	15 910 470
Total	**43 148 228**	**15 910 470**

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. The final payments made during 2022/2023 was presented to council before 30 June 2023.

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 Africa 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.

44 MATERIAL LOSSES

	2023	2022
Water distribution losses		
Kilo litres raw	13 016 434	16 229 409
Kilo litres treated	11 542 054	13 198 043
Kilo litres sold	(8 316 893)	(10 240 415)
Kilo litres lost during cleaning	1 474 380	3 031 366
Kilo litres lost from treated	3 225 159	2 957 628
Kilo litres lost from raw	4 699 541	5 988 994
Percentage water lost during cleaning	11.33%	18.68%

	2023	2022
44 MATERIAL LOSSES (CONTINUED)		
Percentage lost from treated vs billed	27.94%	22.41%
Percentage water lost since abstraction	36.10%	36.90%
Average cost per kilolitre in Rands (Treated)	17.60	16.36
Average cost per kilolitre in Rands (Untreated)	0.6300	0.6023
Loss in Rand value (Treated) at Treated Value	56 774 919	48 386 794
Loss in Rand value (Raw) at Untreated Value	928 859	1 825 792

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

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.

	2023 R	2022 R
45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
45.1 SALGA Contributions [MFMA 125 (1)(b)]		
Council subscriptions	2 634 372	2 504 612
Payments	(2 634 372)	(2 504 612)
Outstanding Balance	-	-

		2023 R	2022 R
45	**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)**		

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

	2023 R	2022 R
Opening balance	40 241	63 710
Current year audit fee	4 746 903	4 545 319
Interest charged	14 358	-
Amount paid	(4 758 295)	(4 568 788)
Outstanding Balance	**43 207**	**40 241**

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

	2023 R	2022 R
Opening balance	11 529 427	9 389 176
Amounts received during the year	(39 141 392)	(38 274 463)
Amounts paid during the year	27 843 127	40 414 714
Outstanding Balance	**231 162**	**11 529 427**

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

The balance on 30 June 2021 was restated from R 9 193 210 to 9 389 176 after full reconciliation on VAT was performed.

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

	2023 R	2022 R
Current year payroll deductions and Council Contributions	45 215 008	43 880 550
Amount paid - current year	(45 215 008)	(43 880 550)
Outstanding Balance	**-**	**-**

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

	2023 R	2022 R
Current year payroll deductions and Council Contributions	51 380 153	49 227 966
Amount paid - current year	(51 380 153)	(49 227 966)
Outstanding Balance	**-**	**-**

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

There are no overdue councillor accounts.

45.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

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

	2023 R	2022 R
Emergencies	27 408 644	67 712 663
Goods and services are available from a Single provider only	99 074	343 644
Other exceptional cases where it is impractical or impossible to follow the official procurement processes e.g. Strip and Quotes	2 520 475	1 649 926
Total	**30 028 193**	**69 706 233**

45 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.

	2023 R	2022 R
Deviations per department:		
ISA	1 361 563	1 130 439
Financial Services	1 045 063	490 797
Corporate Services	267 924	28 689
Community Services	619 927	456 154
Water Service Provision	26 729 692	52 518 034
Technical Services	4 025	-
JoGEDA - Water Service Provision	-	15 082 119
Total	**30 028 193**	**69 706 233**

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

None

45.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

During the period under review, the municipality did not engage with the employees in service of the state (SCM 44).

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**	**2023** **R**	**2022** **R**
SMS ICT Choice (Pty) Ltd	Rates Based	586 814	1 015 455
Zutari (Pty) Ltd	Rates Based	504 758	1 046 067
Max Internet Technologies CC	R189 980	189 980	-
Sikhokhele Business Consulting	Rates Based	251 534	454 279
Liqha Group	Per Quotation/Rates Based	719 000	-
Direction Repairs	Per Quotation	68 181	-
Inzalo EMS (Pty) Ltd	Rates Based	5 202 312	4 270 332
Total		**7 522 578**	**6 786 133**

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

The prior year incorrectly excluded expenditure relating to Inzalo EMS (Pty) Ltd amounting to R 4 270 332.

45 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
Liqha Group (Loyiso Hlathuka)	UH Hlatuka (Spouse)	Joe Gqabi District Municipality	Councillor
Direction Repairs (N Labuschagne)	JR Labuschagne (Spouse)	Joe Gqabi District Municipality	Technician
Inzalo EMS (Pty) Ltd (Trinity Sibonelo Mazibuko)	N.T. Mazibuko (Spouse)	KZN Department of Arts and Culture	Provincial Archivist

46 CAPITAL COMMITMENTS

	2023 R	2022 R
Commitments in respect of Capital Expenditure:	**925 280 699**	**927 557 881**
Approved and contracted for:		
Infrastructure	925 280 699	927 557 881
Total	**925 280 699**	**927 557 881**
This expenditure will be financed from:		
Government Grants	925 280 699	927 557 881
Total	**925 280 699**	**927 557 881**

Commitments are disclosed inclusive of Value Added Tax (VAT)

47 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

47.1 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:

	2023 R	2022 R
Receivables from Exchange Transactions	652 599 479	466 990 355
Cash and Cash Equivalents	5 854 146	24 859 712
Current Investments	2 147 455	-
Non-current Investments	621 319	3 947 510
Unpaid Conditional Grants and Subsidies	6 201 854	10 911 039
Total	**667 424 252**	**506 708 615**

Cash and Cash Equivalents

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.

Receivables from Exchange Transactions

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.

47 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:

	2023 R	2022 R
Water	504 905 585	365 412 035
Sanitation	141 536 196	97 781 707
Other Services	132 680	103 734
Staff and other debtors	6 025 018	4 062 273
Total	**652 599 479**	**467 359 749**

These receivables can be aged as follows:

	2023 R	2022 R
1 Month Past due	71 573 305	20 961 066
2 Months Past due	22 395 987	26 832 612
3 Months and more Past due	558 630 187	419 566 072
Total	**652 599 479**	**467 359 750**

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.

47.2 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.

47.3 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.

	2023	2022
	R	R

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following balances are exposed to interest rate fluctuations:

	2023	2022
Cash and Cash Equivalents (Excluding Cash on Hand)	5 854 146	24 859 712
Long-term Liabilities (Including Current Portion)	(1 299 613)	(62 052 803)
Net balance exposed	**4 554 533**	**(37 193 091)**

Potential effect of changes in interest rates on surplus and deficit for the year:

	2023	2022
0.5% (2022 - 0.5%) increase in interest rates	22 773	(185 965)
0.5% (2022 - 0.5%) decrease in interest rates	(22 773)	185 965

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

47.4 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 2023		**PAYABLE**	
	Within 1 Year	**Two to five years**	**After five years**
Annuity Loans	968 850	484 425	-
Payables from exchange transactions	156 143 507	-	-
Total	**157 112 357**	**484 425**	**-**

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	158 606 904	-	-
Total	**223 109 776**	**1 453 275**	**-**

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

47 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.

47.5 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.

48 FINANCIAL INSTRUMENTS

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

	2023 R	2022 R
Financial Assets		
Fixed Deposits (Zero coupon)	2 147 455	2 053 454
Joe Gqabi Economic Development Agency (Soc) Ltd	621 319	1 894 055
Receivables from Exchange Transactions	652 599 479	466 990 355
Cash and Cash Equivalents	5 989 746	24 931 312
Unpaid Conditional Government Grants and Receipts	6 201 854	10 911 039
Total	**667 559 852**	**506 780 215**
Financial Liabilities		
Long-term Liabilities	454 722	1 297 508
Trade and Other Payables	156 143 507	158 606 904
Current Portion of Long-term Liabilities	844 891	60 755 295
Total	**157 443 120**	**220 659 707**

49 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)	231 162	11 529 427
Total	**231 162**	**11 529 427**

49 STATUTORY RECEIVABLES (CONTINUED)

The VAT Receivable is considered an Exchange Receivable

The VAT receivable from SARS is considered to be Statutory Receivable. 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.

50 EVENTS AFTER REPORTING DATE

A case of misconduct associated with unauthorised absence from work was being investigated by the municipality during the year under review. The matter was resolved subsequent to the financial year end and the affected employee was dismissed on 16 August 2023. The process of recovering an amount of R277 404.22 associated with the mentioned unauthorised absence from work for a period of 14 months was instituted by the municipality subsequent to year end.

51 IN-KIND DONATIONS AND ASSISTANCE

None

52 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

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

53 CONTINGENT LIABILITIES

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

<u>Liabilities applicable to 30 June 2022 and 30 June 2023</u>

53.01 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.

53.02 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 lose 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. This matter is being negotiated between two parties for a settlement.

53.03 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.

53 CONTINGENT LIABILITIES

53.04 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. The Plaintiff had passed on and awaiting correspondence from his attorneys on the way forward.

53.05 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. This matter was postponed on the date of appeal before the full bench and there is no new court date yet.

53.06 Fiona Sephton v JGDM - The erstwhile Director: Community Services, Mrs F.J Sephton, following her resignation, which took effect on 31 January 2022, referred a constructive dismissal dispute to the SALGBC, which is associated with alleged intolerable working conditions created by the municipality. An arbitration award has since been awarded in favour of the Municipality, which the ex-employee in question has since taken on review to the Labour Court (LC) and which matter has not been heard by the LC yet. The ex-employee is seeking relief in the amount of R1 984 780.09 (One million nine hundred and eighty-four thousand seven hundred and eighty rand and nine cents only), interest on the afore-mentioned amount from the date of mora, alternatively from the date of judgment at the prescribed legal rate of interest of 9% per annum, alternatively an order in terms of section 77A(e) of the BCEA as well as the cost of suit. This constitutes a contingent liability to the municipality. The liability rating, based on the merits of the case is regarded as a medium risk contingent liability to the municipality.

54 CONTINGENT ASSETS

The municipality has the following contingent assets at year end:

54.01 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.

54.02 There is an amount of R287 823.18 which is a contingent asset in the matter of WDR Earthmoving Enterprise v JGDM 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. According to the attorneys, Amadwala is under business rescue with creditors in excess of R149 million. The matter is being attended to by our attorneys for recovery.

54 CONTINGENT ASSETS (CONTINUED)

54.03 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. The matter is still pending.

54.04 There is a contingent asset for legal costs in favour of the Municipality in the TA Stera Enterprise matter which was withdrawn by his attorneys for an amount of R141 396,88. The attorneys is attending to the matter through a claim against his estate.

55 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.

56 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 25 and 26

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 34.

Also refer to note 58 relating to the principle agent relationship between the municipality and JoGEDA.

57 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 previous financial year.

The Municipality incurred no expenditure directly linked to the fight against the COVID-19 pandemic in current and prior year.

58 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:

		2023 R	2022 R
58	**ACCOUNTING FOR PRINCIPALS AND AGENTS (CONTINUED)**		
	Fees Paid to Joe Gqabi Economic Development Agency (Soc) Ltd (Excluding VAT)	**7 220 969**	9 226 010
	Implementing fee payable (Including VAT)	**1 983 356**	3 932 165
	Additional Information - Payables from exchange transactions where the municipality acts as a principal in the principal-agent binding agreement with the Joe Gqabi Economic Development Agency (Soc) Ltd (Including VAT)	**12 162 762**	27 314 750

59 NON-LIVING RESOURCES

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

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

60 SEGMENT REPORTING

60.1 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.

60 SEGMENT REPORTING (CONTINUED)

60.2 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.

60.3 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.

60.4 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 2023

60 SEGMENT REPORTING (CONTINUED)

	Non - Segments	Segments							
30 JUNE 2023	**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	**344 251 619**	**-**	**181 872 880**	**-**	**-**	**21 027 810**	**12 991 224**	**47 151 001**	**607 294 534**
Government Grants and Subsidies - Operating	336 499 319	-	49 668 168	-	-	21 027 810	9 380 799	23 281 762	439 857 858
Government Grants and Subsidies - Capital	1 691 120	-	132 204 713	-	-	-	3 610 424	23 727 014	161 233 271
Actuarial Gains	6 061 180	-	-	-	-	-	-	-	6 061 180
Inventory Adjustments	-	-	-	-	-	-	-	142 225	142 225
External Revenue from Exchange Transactions	**4 655 058**	**-**	**-**	**1 258 285**	**31 581**	**420 556**	**50 858 830**	**233 515 494**	**290 739 804**
Service Charges	-	-	-	-	-	-	34 619 002	168 537 850	203 156 852
Interest Earned - External Investments	3 346 072	-	-	-	-	-	-	-	3 346 072
Interest Earned - Outstanding Debtors	401 112	-	-	-	-	-	16 239 828	64 959 935	81 600 875
Other Income	907 874	-	-	1 258 285	31 581	420 556	-	17 709	2 636 005
TOTAL REVENUE	**348 906 676**	**-**	**181 872 880**	**1 258 285**	**31 581**	**21 448 366**	**63 850 054**	**280 666 496**	**898 034 339**
EXPENDITURE	**172 105 212**	**18 358 270**	**47 089 834**	**2 208 371**	**17 424 337**	**22 470 843**	**57 313 405**	**315 510 384**	**652 480 657**
Employee Related Costs	82 771 046	15 474 785	11 382 421	1 467 616	16 673 574	14 805 462	12 252 070	108 517 922	263 344 897
Remuneration of Councillors	6 314 448	-	-	-	-	-	-	-	6 314 448
Debt Impairment	-	-	-	-	-	-	9 217 869	77 611 335	86 829 204
Depreciation and Amortisation	2 376 972	-	-	-	-	-	13 558 859	57 371 725	73 307 556
Impairments	1 296 577	-	-	-	-	-	1 894 147	393 581	3 584 305
Repairs and Maintenance	1 260 385	263 840	1 142 609	-	1 215	873 161	-	24 869 027	28 410 236
Finance Charges	4 874 025	-	-	-	-	-	-	-	4 874 025
Bulk Purchases	-	-	-	-	-	-	-	5 106 678	5 106 678
Contracted Services	-	-	-	-	-	-	15 413 918	1 661 172	17 075 089
Transfers and Grants	-	-	11 000 000	-	-	-	-	-	11 000 000
VIP Toilet Expenditure	-	-	18 694 298	-	-	-	-	-	18 694 298
Other Expenditure	73 211 560	2 619 645	4 870 506	740 756	749 548	6 792 221	4 975 983	39 940 866	133 901 085
Loss on Disposal of PPE	198	-	-	-	-	-	559	38 078	38 835
TOTAL EXPENDITURE	**172 105 212**	**18 358 270**	**47 089 834**	**2 208 371**	**17 424 337**	**22 470 843**	**57 313 405**	**315 510 384**	**652 480 657**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**176 801 464**	**(18 358 270)**	**134 783 046**	**(950 087)**	**(17 392 756)**	**(1 022 477)**	**6 536 649**	**(34 843 888)**	**245 553 682**
CAPITAL EXPENDITURE FOR THE YEAR	1 620 715	-	90 736 599	-	-	-	3 610 424	26 503 529	**122 471 267**

60 SEGMENT REPORTING (CONTINUED)

30 JUNE 2022	Non - Segments	Segments							
	Finance and administration	Public Safety	Planning and Development	Environmental Protection	Health	Road transport	Waste Water Management	Water Management	Total
	R	R	R	R	R	R	R	R	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**	**34 050 391**	**164 812 486**	**203 796 879**
Service Charges	-	-	-	-	-	-	22 862 768	125 925 664	148 788 432
Interest Earned - External Investments	2 055 681	-	-	-	-	-	-	-	2 055 681
Interest Earned - Outstanding Debtors	227 896	-	-	-	-	-	11 168 449	38 810 790	50 207 135
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**	**47 565 388**	**225 357 318**	**776 275 786**
EXPENDITURE	**158 855 722**	**16 739 737**	**84 927 915**	**4 774 840**	**17 597 068**	**22 853 481**	**61 283 639**	**285 738 767**	**652 771 171**
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	67 975 717	82 787 204
Depreciation and Amortisation	2 311 290	-	-	-	-	-	13 719 729	49 486 010	65 517 028
Impairments	336 898	-	-	-	-	-	1 342 783	958 105	2 637 786
Repairs and Maintenance	1 553 282	315 439	1 314 998	1 885 358	3 200	962 831	-	3 562 957	9 598 063
Finance Charges	6 193 765	-	-	-	-	-	-	-	6 193 765
Bulk Purchases	-	-	-	-	-	-	-	7 022 022	7 022 022
Contracted Services	-	-	-	-	-	-	19 244 491	17 894 999	37 139 490
Transfers and Grants	-	-	5 000 000	-	-	-	-	-	5 000 000
VIP Toilet Expenditure	-	-	39 000 693	-	-	-	-	-	39 000 693
Other Expenditure	69 379 512	2 137 837	5 666 053	1 493 538	595 458	6 354 199	2 649 541	27 689 896	115 966 034
Inventory Adjustments	78 686	-	-	-	-	-	-	-	78 686
Loss on Disposal of PPE	892 186	-	18 530 473	-	-	-	-	-	19 422 660
TOTAL EXPENDITURE	**158 855 722**	**16 739 737**	**84 927 915**	**4 774 840**	**17 597 068**	**22 853 481**	**61 283 639**	**285 738 767**	**652 771 171**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**151 160 361**	**(16 739 737)**	**82 868 692**	**(2 949 265)**	**(17 503 635)**	**767 898**	**(13 718 250)**	**(60 381 449)**	**123 504 615**
CAPITAL EXPENDITURE FOR THE YEAR	1 376 533	-	133 237 726	-	-	-	8 100 869	40 110 601	**182 825 729**

61 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATED OUTCOME 2022 R
Financial Performance						
Service charges	222 387 581	9 500 000	231 887 581	203 174 561	(28 713 020)	148 864 464
Investment revenue	8 707 874	-	8 707 874	3 346 072	(5 361 802)	2 055 681
Transfers and Subsidies	389 206 300	10 698 408	399 904 708	439 857 858	39 953 150	405 866 450
Other own revenue	66 520 861	5 434 001	71 954 862	90 422 577	18 467 715	55 406 923
Total Operating Revenue	**686 822 616**	**25 632 409**	**712 455 025**	**736 801 068**	**24 346 043**	**612 193 519**
Employee costs	255 713 884	1 804 265	257 518 149	260 884 023	3 365 874	254 422 862
Remuneration of councillors	7 333 095	-	7 333 095	6 314 448	(1 018 647)	5 719 138
Debt impairment	89 045 319	-	89 045 319	86 829 204	(2 216 115)	82 787 204
Depreciation & asset impairment	87 807 225	-	87 807 225	73 307 556	(14 499 669)	65 517 028
Finance charges	9 669 500	(3 652 050)	6 017 450	4 874 025	(1 143 425)	6 193 765
Inventory consumed and bulk purchases	28 516 547	(929 245)	27 587 302	20 116 164	(7 471 138)	22 223 124
Contracted Services	59 997 055	4 125 199	64 122 254	79 691 201	15 568 947	102 706 584
Transfers and Subsidies	14 040 470	(480 000)	13 560 470	11 072 400	(2 488 070)	5 038 865
Other Expenditure	104 318 772	13 316 723	117 635 495	109 391 635	(8 243 860)	108 162 599
Total Expenditure	**656 441 867**	**14 184 892**	**670 626 759**	**652 480 657**	**(18 146 102)**	**652 771 171**
Surplus/(Deficit)	**30 380 749**	**11 447 517**	**41 828 266**	**84 320 411**	**42 492 145**	**(40 577 652)**
Transfers and Subsidies - Capital	234 233 700	(24 336 408)	209 897 292	161 233 271	(48 664 021)	163 022 437
Contributed Assets	-	-	-	-	-	1 059 830
Surplus/(Deficit) for the year	**264 614 449**	**(12 888 891)**	**251 725 558**	**245 553 682**	**(6 171 876)**	**123 504 615**

The prior year revenue was restated to reallocate connections fees of R 76 032 from Other Revenue to Service Charges in line with mSCOA requirements.

61 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATED OUTCOME 2022 R
Capital expenditure & funds sources						
Capital expenditure	**269 183 650**	**(55 660 408)**	**213 523 242**	**122 306 067**	**(91 217 175)**	**182 825 729**
Transfers recognised - capital	234 233 650	(24 336 408)	209 897 242	161 233 271	(48 663 971)	163 022 437
Front Loading Expenditure	-	-	-	(52 366 307)	(52 366 307)	(11 463 199)
Borrowing	30 000 000	(30 000 000)	-	9 418 083	9 418 083	31 485 025
Internally generated funds	4 950 000	(1 324 000)	3 626 000	4 021 020	395 020	(218 534)
Total sources of capital funds	**269 183 650**	**(55 660 408)**	**213 523 242**	**122 306 067**	**(91 217 175)**	**182 825 729**
Cash flows						
Net cash from (used) operating	244 833 820	55 143 837	299 977 657	164 269 490	(135 708 167)	141 881 670
Net cash from (used) investing	(264 191 531)	(29 660 409)	(293 851 940)	(122 471 267)	171 380 673	(181 765 899)
Net cash from (used) financing	29 453 725	(29 999 999)	(546 274)	(60 739 789)	(60 193 515)	59 572 841
Net Cash Movement for the year	**10 096 014**	**(4 516 571)**	**5 579 443**	**(18 941 566)**	**(24 521 009)**	**19 688 612**
Cash/cash equivalents at the year begin:	4 294 885	-	4 294 885	24 931 312	20 636 427	5 242 699
Cash/cash equivalents at the year end	**14 390 899**	**(4 516 571)**	**9 874 328**	**5 989 746**	**(3 884 582)**	**24 931 311**

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2023

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2022 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2023 R
ANNUITY LOANS							
DBSA - Building - c/o Graham and Cole street, Barkly East	3044713107	11.50%	2024/09/30	2 052 803	-	(753 190)	1 299 613
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				**62 052 803**	**-**	**(60 753 190)**	**1 299 613**
Total Long-Term Liabilities				**62 052 803**	**-**	**(60 753 190)**	**1 299 613**

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2023

	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	-	332 307 000	(334 540 000)	-	-	2 233 000	-
Financial Management Grant (FMG)	-	1 500 000	(1 500 000)	-	-	-	-
Municipal Infrastructure Grant (MIG)	-	180 246 000	(48 041 287)	(132 204 713)	-	-	-
Water Services Infrastructure Grant (WSIG)	-	60 000 000	(32 662 561)	(27 337 439)	-	-	-
Expanded Public Works Program (EPWP)	-	1 314 000	(1 314 000)	-	-	-	-
Rural Roads Asset Management Grant	2 234 964	150 000	-	-	-	(2 233 000)	151 964
Regional Bulk Infrastructure Grant	-	2 000 000	(308 880)	(1 691 120)	-	-	-
Rural Households Infrastructure Grant	4 000	-	(4 000)	-	-	-	-
Total	**2 238 964**	**577 517 000**	**(418 370 729)**	**(161 233 271)**	**-**	**-**	**151 964**
PROVINCIAL GOVERNMENT							
Public Works - Special Programme	-	25 736 996	(21 027 810)	-	(4 709 186)	-	-
Total	**-**	**25 736 996**	**(21 027 810)**	**-**	**(4 709 186)**	**-**	**-**
OTHER GRANT PROVIDERS							
LG Seta	-	459 319	(459 319)	-	-	-	-
Total	**-**	**459 319**	**(459 319)**	**-**	**-**	**-**	**-**
ALL SPHERES GOVERNMENT	**2 238 964**	**603 713 315**	**(439 857 858)**	**(161 233 271)**	**(4 709 186)**	**-**	**151 964**