Amajuba District Municipality
(Registration number KZN DC 25)
Annual Financial Statements
for the year ended June 30, 2021

General Information

Nature of business and principal activities	The provision of services (water and sanitation) to communities in a sustainable manner; to promote social and economic development and to provide a safe and healthy environment
Mayoral committee	
Executive Mayor	MG Ngubane SE Nkosi P Mgcina MM Mdlalose ZC Msibi
Councillors	MV Buhali MA Buthelezi SB Buthelezi XN Dladla NS Hlatshwayo NC Khabanyane BV Khumalo NP Khumalo MJ Madela HN Mkhwanazi MV Molefe VP Nzima TM Ndaba JA Vorster VC Ndlovu RN Ngcobo D Ngwenya M Msibi TM Nzuza MN Ntshangase L M Zulu SE Shabalala M Mbatha ZG Mabaso
Grading of local authority	Grade 2
Chief Finance Officer (CFO)	M Sithole
Accounting Officer	S . Mdakane
Registered office	B9356 Section 1 Madadeni Newcastle 2951
Business address	B9356 Section 1 Madadeni Newcastle 2951
Auditors	Auditor General of South Africa Registered Auditors

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.4.

S . Mdakane
Acting Municipal Manager

Accounting officer's Report

The accounting officer submits her report for the year ended June 30, 2021.

1. Going concern

We draw attention to the fact that at June 30, 2021, the municipality had an accumulated surplus (deficit) of 621,463,542 and that the municipality's current liabilities exceed its current assets by R 20,306,740.

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

2. Subsequent events

Subsequent to year-end, due to the local government elections,there has been a change in the oversight structures relating to the municipal council.

3. Auditors

Auditor General of South Africa will continue in office for the next financial period.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August , 2021 and were signed on its behalf by:

S . Mdakane
Acting Municipal Manager

Statement of Financial Position as at June 30, 2021

	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	6	1,798,751	993,967
Receivables from exchange transactions	7	2,831,148	3,454,601
Receivables from non-exchange transactions	8	14,852	14,852
VAT receivable	9	36,119,514	15,606,344
Cash and cash equivalents	11	44,581,071	89,221,740
		85,345,336	**109,291,504**
Non-Current Assets			
Property, plant and equipment	2	468,967,517	406,317,566
Intangible assets	3	1,270	26,655
Investments in associates	4	181,554,425	210,941,068
		650,523,212	**617,285,289**
Total Assets		**735,868,548**	**726,576,793**
Liabilities			
Current Liabilities			
Other financial liabilities	14	1,140,134	974,174
Payables from exchange transactions	16	81,867,369	108,727,060
Employee benefit obligation	5	41,600	55,485
Unspent conditional grants and receipts	13	5,147,870	16,230,595
Provisions	15	17,455,103	14,605,604
		105,652,076	**140,592,918**
Non-Current Liabilities			
Other financial liabilities	14	4,088,812	5,298,964
Finance lease obligation	12	36,127	159,291
Employee benefit obligation	5	393,400	520,865
Provisions	15	4,234,591	4,504,468
		8,752,930	**10,483,588**
Total Liabilities		**114,405,006**	**151,076,506**
Net Assets		**621,463,542**	**575,500,287**
Accumulated surplus		621,463,542	575,500,287

* See Note 42

Statement of Financial Performance

	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		179,350	124,282
Service charges	18	30,723,161	28,062,169
Rental of facilities and equipment	19	19,780	25,025
Other income	23	272,349	25,421
Interest received - investment	24	10,531,987	13,285,269
Fair value adjustments		1,500,511	12,193,974
Actuarial gains		-	1,655,649
Total revenue from exchange transactions		**43,227,138**	**55,371,789**
Revenue from non-exchange transactions			
Taxation revenue			
Licences and Permits (Non-exchange)	21	30,000	-
Transfer revenue			
Government grants & subsidies	25	293,062,726	244,351,184
Fines, Penalties and Forfeits	20	-	2,820,421
Total revenue from non-exchange transactions		**293,092,726**	**247,171,605**
Total revenue	17	**336,319,864**	**302,543,394**
Expenditure			
Employee related costs	26	(104,522,442)	(95,166,137)
Remuneration of councillors	27	(7,215,651)	(6,181,438)
Depreciation and amortisation	28	(18,300,943)	(18,680,672)
Impairment of assets	29	(4,532,728)	(6,110,632)
Finance costs	30	(570,949)	(1,105,012)
Lease rentals on operating lease	22	(50,400)	(25,858)
Debt Impairment	31	(26,045,508)	(23,462,934)
Bulk purchases	32	(20,267,940)	(18,562,461)
Contracted services	33	(53,362,459)	(36,349,187)
Actuarial losses		(65,397)	-
Share of deficits from associates	4	(29,386,643)	(27,150,082)
General Expenses	34	(26,035,548)	(28,662,825)
Total expenditure		**(290,356,608)**	**(261,457,238)**
Surplus for the year		**45,963,256**	**41,086,156**

* See Note 42

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at July 1, 2019	**668,216,838**	**668,216,838**
Changes in net assets		
Surplus for the year	41,086,156	41,086,156
Total changes	41,086,156	41,086,156
Opening balance as previously reported	709,302,994	709,302,994
Adjustments		
Correction of errors	(133,802,708)	(133,802,708)
Restated* Balance at July 1, 2020 as restated*	**575,500,286**	**575,500,286**
Changes in net assets		
Surplus for the year	45,963,256	45,963,256
Total changes	45,963,256	45,963,256
Balance at June 30, 2021	**621,463,542**	**621,463,542**

Note(s)

* See Note 42

Cash Flow Statement

	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		14,011,954	14,651,021
Grants		281,980,001	232,459,000
Interest income		3,722,157	5,270,669
		299,714,112	252,380,690
Payments			
Employee costs		(110,395,311)	(101,072,799)
Suppliers		(147,518,850)	(81,489,839)
Finance costs		(570,949)	(1,105,012)
		(258,485,110)	(183,667,650)
Net cash flows from operating activities	37	**41,229,002**	**68,713,040**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(84,702,315)	(49,088,901)
Cash flows from financing activities			
Repayment of other financial liabilities		(1,044,192)	(954,496)
Finance lease payments		(123,164)	116,807
Net cash flows from financing activities		**(1,167,356)**	**(837,689)**
Net increase/(decrease) in cash and cash equivalents		**(44,640,669)**	**18,786,450**
Cash and cash equivalents at the beginning of the year		89,221,740	70,435,290
Cash and cash equivalents at the end of the year	11	**44,581,071**	**89,221,740**

* See Note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	100,000	(50,000)	**50,000**	179,350	**129,350**	
Service charges	37,217,062	(8,390,719)	**28,826,343**	30,723,161	**1,896,818**	
Rental of facilities and equipment	100,000	(70,000)	**30,000**	19,780	**(10,220)**	
Other income	6,000	5,000	**11,000**	272,349	**261,349**	
Interest earned	4,700,000	-	**4,700,000**	10,531,987	**5,831,987**	
Total revenue from exchange transactions	**42,123,062**	**(8,505,719)**	**33,617,343**	**41,726,627**	**8,109,284**	
Revenue from non-exchange transactions						
Taxation revenue						
Licences and Permits (Non-exchange)	-	-	**-**	30,000	**30,000**	
Transfer revenue						
Government grants & subsidies	272,996,000	24,553,990	**297,549,990**	293,062,726	**(4,487,264)**	
Total revenue from non-exchange transactions	**272,996,000**	**24,553,990**	**297,549,990**	**293,092,726**	**(4,457,264)**	
Total revenue	**315,119,062**	**16,048,271**	**331,167,333**	**334,819,353**	**3,652,020**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Personnel	(100,351,774)	(4,401,404)	**(104,753,178)**	(104,522,442)	**230,736**	
Remuneration of councillors	(6,121,449)	(1,498,367)	**(7,619,816)**	(7,215,651)	**404,165**	
Depreciation and amortisation	(32,635,000)	-	**(32,635,000)**	(18,300,943)	**14,334,057**	
Impairment loss/ Reversal of impairments	-	-	**-**	(4,532,728)	**(4,532,728)**	
Finance costs	(1,264,000)	-	**(1,264,000)**	(570,949)	**693,051**	
Lease rentals on operating lease	-	-	**-**	(50,400)	**(50,400)**	
Debt Impairment	(23,500,000)	7,000,000	**(16,500,000)**	(26,045,508)	**(9,545,508)**	
Bulk purchases	(20,000,000)	-	**(20,000,000)**	(20,267,940)	**(267,940)**	
Contracted Services	(34,377,999)	2,220,289	**(32,157,710)**	(53,362,459)	**(21,204,749)**	
General Expenses	(58,231,883)	(1,085,605)	**(59,317,488)**	(26,035,548)	**33,281,940**	
Total expenditure	**(276,482,105)**	**2,234,913**	**(274,247,192)**	**(260,904,568)**	**13,342,624**	
Operating surplus	**38,636,957**	**18,283,184**	**56,920,141**	**73,914,785**	**16,994,644**	
Fair value adjustments	-	-	**-**	1,500,511	**1,500,511**	
Actuarial gains/losses	-	-	**-**	(65,397)	**(65,397)**	
Share of surpluses or deficits from associates	-	-	**-**	(29,386,643)	**(29,386,643)**	
Total gains and losses	**-**	**-**	**-**	**(27,951,529)**	**(27,951,529)**	
contribution to capital expenditure -Transfer revenue	(90,779,000)	(11,451,769)	**(102,230,769)**	(84,056,077)	**18,174,692**	
contribution to capital expenditure -own revenue	(1,538,800)	400,000	**(1,138,800)**	(735,655)	**403,145**	
Surplus or deficit after capital expenditure	**(53,680,843)**	**7,231,415**	**(46,449,428)**	**(38,828,476)**	**7,620,952**	

Accounting Policies

	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure 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 period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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, it's 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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

1.5 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Buildings	Straight-line	50
Plant and machinery	Straight-line	5-15 years
Furniture and fixtures	Straight-line	5
Office equipment	Straight-line	3
Infrastructure	Straight-line	15-120 years
Community	Straight-line	15-50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	3 years

The municipality discloses relevant information relating to assets under construction or development, in

Accounting Policies

1.7 Investments in associates

An investment in an associate is carried at cost using the equity method.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:
- cash;

1.8 Financial instruments (continued)

- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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.

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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price 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.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;

Accounting Policies

1.8 Financial instruments (continued)

- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.9 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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 incurs to acquire the asset on the reporting date.

1.10 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

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

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Value in use

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.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

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 (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

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

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.13 Employee benefits (continued)

Short-term employee 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;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises 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 entity recognises 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.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity 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.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- 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 requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and

1.13 Employee benefits (continued)

- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- 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.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Provisions and contingencies

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

Accounting Policies

1.14 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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, and only 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 does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Accounting Policies

1.14 Provisions and contingencies (continued)

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

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

1.16 Revenue from exchange transactions

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

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

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

1.16 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

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

1.20 Unauthorised expenditure

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

1.20 Unauthorised expenditure (continued)

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2020 to 6/30/2021.

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

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

1.24 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

1.24 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are 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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships 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 terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Events after reporting date

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

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

	2021	2020

2. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	569,591	-	569,591	569,591	-	569,591
Buildings	25,572,233	(9,488,530)	16,083,703	25,361,472	(8,253,268)	17,108,204
Plant and machinery	21,486,270	(9,120,436)	12,365,834	18,572,158	(7,018,114)	11,554,044
Furniture and office equipment	12,539,698	(10,823,381)	1,716,317	12,060,149	(9,949,803)	2,110,346
Motor vehicles	15,283,468	(10,240,670)	5,042,798	10,185,943	(9,082,310)	1,103,633
Leased assets	402,220	(306,421)	95,799	402,220	(208,841)	193,379
Recreational assets	36,338,568	(21,982,485)	14,356,083	36,337,513	(20,515,299)	15,822,214
Work in progress	268,695,281	-	268,695,281	196,648,059	-	196,648,059
Building under construction	30,618,033	-	30,618,033	30,489,026	-	30,489,026
Water network	395,827,872	(276,403,794)	119,424,078	395,827,872	(265,108,802)	130,719,070
Total	**807,333,234**	**(338,365,717)**	**468,967,517**	**726,454,003**	**(320,136,437)**	**406,317,566**

Notes to the Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Fair value	Transfers received	Transfers	Reclassification	Depreciation	Impairment loss	Total
Land	569,591	-	-	-	-	-	-	-	569,591
Buildings	17,108,204	-	-	-	-	170,304	(1,166,694)	(28,111)	16,083,703
Plant and machinery	11,554,044	2,914,113	-	-	-	-	(2,102,323)	-	12,365,834
Furniture and office equipment	2,110,346	735,655	-	-	-	(170,304)	(959,380)	-	1,716,317
Motor vehicles	1,103,633	5,097,525	-	-	-	-	(1,158,360)	-	5,042,798
Leased assets	193,379	-	-	-	-	-	(97,580)	-	95,799
Community	15,822,214	-	590	-	-	-	(1,466,721)	-	14,356,083
Work in progress	196,648,059	75,915,432	-	-	(3,868,210)	-	-	-	268,695,281
Building under construction	30,489,026	129,007	-	-	-	-	-	-	30,618,033
Infrastructure assets	130,719,070	-	29,510	4,504,617	-	-	(11,324,502)	(4,504,617)	119,424,078
	406,317,566	**84,791,732**	**30,100**	**4,504,617**	**(3,868,210)**	**-**	**(18,275,560)**	**(4,532,728)**	**468,967,517**

Notes to the Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Fair value	Depreciation	Impairment loss	Total
Land	569,591	-	-	-	-	569,591
Buildings	18,188,925	-	-	(1,080,721)	-	17,108,204
Plant and machinery	1,200,578	11,355,074	-	(1,001,608)	-	11,554,044
Furniture and office equipment	2,722,825	680,344	-	(1,292,823)	-	2,110,346
Motor vehicles	2,469,314	-	-	(1,365,681)	-	1,103,633
Leased assets	12,423	-	263,563	(82,607)	-	193,379
Community	17,665,528	-	-	(1,843,314)	-	15,822,214
Work In progress	131,938,950	64,709,109	-	-	-	196,648,059
Building under construction	30,489,026	-	-	-	-	30,489,026
Infrastructure Assets	145,870,991	-	-	(11,880,647)	(3,271,274)	130,719,070
	351,128,151	**76,744,527**	**263,563**	**(18,547,401)**	**(3,271,274)**	**406,317,566**

Assets subject to finance lease (Net carrying amount)

IT equipment	95,799	193,379

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintainance of plant & equipment	9,439,208	5,181,613

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

Notes to the Annual Financial Statements

2. Property, plant and equipment (continued)

Fully depreciated assets still in use

Included in property, plant and equipment are individual assets are beyond their economic useful lives.These are historical assets that are still in use and have exceeded their planned useful life amounting to R20.7 million at cost, with an accumulated depreciation of R20.1 million. The assets are assessed annually for changes in useful life, residual value and possible impairment triggers and adjusted accordingly. Most of these assets identified were recommended for disposal to Council as the status of these assets are too old and are no longer functioning properly , no future economic benefits can be realised by the municipality and in some instances are not found.

Asset class	Cost	Accumulated depreciation	Carrying value
Plant and machinery	R5 696 321	R5 617 113.73	R79 207.37
Motor vehicles	R4 731 764	R4 731 764	R0
Furniture and office equipment	R8 737 987.33	R8 290 556	R447 431.53
Community assets	R475 383.95	R471 395	R3 988.51
Office buildings	R1 070 451	R1 070 451	R0
Total	**R20 711 907.3**	**R20 181 279.7**	**R451 499**

Notes to the Annual Financial Statements

3. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	6,809,997	(6,808,727)	1,270	6,809,997	(6,783,342)	26,655

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	26,655	(25,385)	1,270

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Impairment loss	Total
Computer software, other	166,424	(133,271)	(6,498)	26,655
Intangible assets under development	2,832,332	-	(2,832,332)	-
	2,998,756	**(133,271)**	**(2,838,830)**	**26,655**

Notes to the Annual Financial Statements

	2021	2020

4. Investments in associates

Name of entity	Listed / Unlisted	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
Uthukela Water (Pty) Ltd	Unlisted	33.00 %	33.00 %	181,554,425	210,941,068

Movements in carrying value

	2021	2020
Opening balance	210,941,068	238,091,149
Share of surplus/deficit	(29,386,643)	(27,150,081)
	181,554,425	**210,941,068**

Summary of controlled entity's interest in associate

	2021	2020
Total assets	984,164,522	1,019,212,208
Total liabilities	433,999,596	379,996,850
Revenue	166,797,465	150,554,241
Surplus (deficit)	(89,050,432)	(91,828,627)

Notes to the Annual Financial Statements

	2021	2020

5. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

	2021	2020
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(576,350)	(614,080)
Benefits paid	55,485	51,812
Interest cost	(52,502)	(50,511)
Actuarial Gain	138,367	36,429
	(435,000)	**(576,350)**

	2021	2020
Non-current liabilities	(393,400)	(520,865)
Current liabilities	(41,600)	(55,485)
	(435,000)	**(576,350)**

Net expense recognised in the statement of financial performance

	2021	2020
Interest cost	52,502	50,511

Calculation of actuarial gains and losses

	2021	2020
Actuarial (gains) losses – Obligation	138,367	36,429

Notes to the Annual Financial Statements

	2021	2020

5. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2021	2020
Discount rates used	8.70 %	9.57 %
Health care cost inflation rate	6.09 %	5.91 %
Net-of-health-care-cost-inflation discount rate	2.46 %	3.46 %
Maximum subsidy inflation rate	4.19 %	4.06 %
Net-of-maximum-subsidy-inflation discount rate	4.33 %	5.30 %

The next contribution rate increase is assumed to occur at 1 January 2022.

Key Demographic Assumptions

Table below summarises the key demographic assumptions used.

Assumption	Value
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010

Sensitivity analysis

The liability at the Valuation Date was recalculated to show the effect of:
(i) A one percentage point increase and decrease in the assumed rate of health care cost inflation;
(ii) A one percentage point increase and decrease in the discount rate; and
(iii) A one-year age increase and decrease in the assumed rates of post-employment mortality.

Table below summarises the results of the sensitivity analysis.

Assumptions	Change	Liability	% Change
Central assumptions		435 000	
Health care inflation rate	+1%	455 000	5%
	-1%	407 000	-6%
Discount rate	+1%	405 000	-7%
	-1%	469 000	8%
Post-employment mortality	+1 years	418 000	5%
	-1 years	452 000	-6%

Notes to the Annual Financial Statements

	2021	2020

6. Inventories

Maintenance materials	1,623,719	838,900
Water for distribution	175,032	155,067
	1,798,751	**993,967**

Maintenance inventory that was initially valued at R721 473 in the 2020 financial years was reversed due to internal control deficiencies that are within the municipality caused by absence of proper maintenance stores of the inventory that is owned by the municipality. It was impracticable to retrospectively correct and restate the 2020 financial years figures accurately as a result of the absence of internal controls.

These assets were revalued by the municipality after after conducting a stock take as at 30 June 2021 to be of R1 421 226.

In the 2020 financial , the municipality received a donation of 145 jojo tanks valued at R838 900 to be distributed to be distributed within the district to alleviate water shortages . These assets were not previously recognised in the accounting records due to absence to asset transfer/donation documentation.

7. Receivables from exchange transactions

Trade debtors	10,500	10,500
Consumer debtors - Water	2,380,536	2,487,389
Consumer debtors - Waste water	440,112	956,712
	2,831,148	**3,454,601**

8. Receivables from non-exchange transactions

Other	14,852	14,852

9. VAT receivable

VAT	36,119,514	15,606,344

Notes to the Annual Financial Statements

	2021	2020

10. Consumer debtors

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	3,412,123	2,776,972
31 - 60 days	1,115,203	3,229,588
61 - 90 days	2,778,156	477,527
91 - 120 days	2,038,610	1,871,244
121 - 365 days	2,571,140	3,954,012
> 365 days	102,957,712	80,345,042
	114,872,944	**92,654,385**
National and provincial government		
Current (0 -30 days)	1,046,573	1,397,683
31 - 60 days	1,043,306	516,426
61 - 90 days	316,981	79,149
91 - 120 days	208,782	164,238
121 - 365 days	150,770	320,037
> 365 days	6,312,595	5,045,595
	9,079,007	**7,523,128**
Industrial/ commercial		
Current (0 -30 days)	340,346	197,089
31 - 60 days	342,003	281,557
61 - 90 days	226,378	55,278
91 - 120 days	243,544	113,441
121 - 365 days	234,513	300,332
> 365 days	7,113,499	4,466,167
	8,500,283	**5,413,864**
Total		
Current (0 -30 days)	4,759,503	4,376,135
31 - 60 days	2,384,757	4,027,571
61 - 90 days	3,245,581	608,954
91 - 120 days	2,353,303	2,148,924
121 - 365 days	2,904,889	4,574,382
> 365 days	115,362,396	89,852,411
	131,010,429	105,588,377
Less: Allowance for impairment	(128,189,783)	(102,144,275)
	2,820,646	**3,444,102**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(102,144,275)	(79,833,506)
Debt impairment written off against allowance	(26,045,508)	(22,310,769)
	(128,189,783)	**(102,144,275)**

Notes to the Annual Financial Statements

	2021	2020

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	40,475	51
Bank balances	7,530,596	1,944,807
Short-term deposits	37,010,000	87,276,882
	44,581,071	**89,221,740**

Notes to the Annual Financial Statements

	2021	2020

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2021	June 30, 2020	June 30, 2019
Absa cheque account 405 347 259 3	7,530,596	1,944,843	805,288	7,530,596	1,944,843	805,288
Standard bank call deposit 068 448 3090 02	2,708,184	2,510,054	72,965	2,708,184	2,510,054	72,965
Standard bank call deposit 068 448 3090 03	-	2,767,259	2,611,486	-	2,767,259	2,611,486
Standard bank call deposit 068 448 3090 04	-	1,016	431,186	-	1,016	431,186
Standard bank call deposit 068 448 3090 05	-	807,301	761,857	-	807,301	761,857
Standard bank call deposit 068 448 3090 06	-	-	384,187	-	-	384,187
Standard bank call deposit 068 448 3090 07	-	-	1,659,618	-	-	1,659,618
Standard bank call deposit 068 448 3090 08	6,056,747	5,848,207	2,825,720	6,056,747	5,848,207	2,825,720
Standard bank call deposit 068 448 3090 09	-	126,853	65,646	-	126,853	65,646
Standard bank call deposit 068 448 3090 10	6,103,207	-	-	6,103,207	-	-
Standard bank call deposit 068 448 3090 11	-	-	494,654	-	-	494,654
Standard bank call deposit 068 448 3090 12	-	54,193	52,804	-	54,193	52,804
Standard bank call deposit 068 448 3090 13	3,595,341	24,417,274	35,497,273	3,595,341	24,417,274	35,497,273
Standard bank call deposit 068 448 3090 14	-	1,315,635	1,241,576	-	1,315,635	1,241,576
Standard bank call deposit 068 448 3090 15	-	601,421	675,744	-	601,421	675,744
Standard bank call deposit 068 448 3090 16	9,873,436	24,229,391	7,482	9,873,436	24,229,391	7,482

Notes to the Annual Financial Statements

					2021	2020

11. Cash and cash equivalents (continued)

Standard bank call deposit 068 448 3090 17	-	2,553,176	2,409,454	-	2,553,176	2,409,454
Standard bank call deposit 068 448 3090 18	-	93,883	89,083	-	93,883	89,083
Standard bank call deposit 068 448 3090 19	-	560,963	-	-	560,963	-
Standard bank call deposit 068 448 3090 20	-	2,344,547	-	-	2,344,547	-
Standard bank call deposit 068 448 3090 21	-	829,407	-	-	829,407	-
Fnb call deposit 62 797 8868 38	321,468	7,243,555	13,372,986	321,468	7,243,555	13,372,986
Investec call deposit 1100 501686 500	-	466,244	467,390	-	466,244	467,390
Investec call deposit 1100 501686 501	-	703,211	664,222	-	703,211	664,222
Investec call deposit 1100 501686 503	-	37,324	156,321	-	37,324	156,321
Investec call deposit 1100 501686 505	-	79,436	75,031	-	79,436	75,031
Investec call deposit 1100 501686 506	-	5,797	5,797	-	5,797	5,797
Investec call deposit 1100 501686 507	-	-	37,108	-	-	37,108
Investec call deposit 1100 501686 508	-	162,083	542,758	-	162,083	542,758
Investec call deposit 1100 501 686 509	-	-	11,681	-	-	11,681
Investec call deposit 1100 501 686 510	-	443,995	419,379	-	443,995	419,379
Investec call deposit 1100 501 686 511	-	303,987	287,133	-	303,987	287,133
Investec call deposit 1100 501 686 512	-	607,897	574,193	-	607,897	574,193
Investec call deposit 1100 501 686 513	1,801,109	1,741,579	3,732,269	1,801,109	1,741,579	3,732,269
Nedbank call deposit 03 7881121661 000002	-	127,895	-	-	127,895	-

Notes to the Annual Financial Statements

					2021	2020

11. Cash and cash equivalents (continued)

Nedbank call deposit 03 7881124067 000002	6,508,410	6,293,295	-	6,508,410	6,293,295	-
Nedbank call deposit 03 71650088195 000018	38,109	-	-	38,109	-	-
Nedbank call deposit 03 71650088195 000022	3,889	-	-	3,889	-	-
Total	**44,540,496**	**89,221,721**	**70,432,291**	**44,540,496**	**89,221,721**	**70,432,291**

12. Finance lease obligation

	2021	2020
Minimum lease payments due		
- within one year	36,852	135,124
- in second to fifth year inclusive	-	36,852
	36,852	171,976
less: future finance charges	725	12,239
Present value of minimum lease payments	**37,577**	**184,215**

	2021	2020
Present value of minimum lease payments due		
- within one year	36,127	138,542
- in second to fifth year inclusive	-	21,195
	36,127	**159,737**

It is municipality policy to lease certain IT equipment under finance leases.

Interest rates are fixed at the contract date. All leases have fixed repayments .

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	5,143,259
Water Services Infrastructure Grant	2,015,731	6,810,079
Councilors Training Grant	70,163	70,163
KZN Cogta Massification grant	865,731	865,731
Disaster Management Grant	1,771,141	1,771,141
Road Asset Management Grant	425,104	1,570,222
	5,147,870	**16,230,595**

Notes to the Annual Financial Statements

	2021	2020

14. Other financial liabilities

	2021	2020
At amortised cost		
DBSA Loan	5,228,946	6,273,138
The financial liability relates to DBSA loans taken over from uThukela Water which are now due and payables by Amajuba		
District Municipality in terms of the transfer of the water and sanitation function. These loans include interest capitalised as they were not serviced by uThukela Water.		
The loans were consolidated into one loan, with fixed repayments of R764 306.92 bi-annually over a period of 10 years. The effective interest rate is 9% and the final repayment date is January 2025.		
Non-current liabilities		
At amortised cost	4,088,812	5,298,964
Current liabilities		
At amortised cost	1,140,134	974,174

Notes to the Annual Financial Statements

Figures in Rand

15. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Actuarial gain/loss	Total
Provision for leave days	9,064,779	2,510,576	(1,789,866)	-	-	9,785,489
Long service awards	4,943,088	1,673,824	(438,620)	419,944	203,764	6,802,000
Provision for worksman compensation	5,102,205	-	-	-	-	5,102,205
	19,110,072	**4,184,400**	**(2,228,486)**	**419,944**	**203,764**	**21,689,694**

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for leave days	8,248,072	1,304,395	(487,688)	-	9,064,779
Long service awards	5,811,171	1,066,930	(337,113)	(1,597,900)	4,943,088
Provision for worksman compensation	4,346,860	755,345	-	-	5,102,205
	18,406,103	**3,126,670**	**(824,801)**	**(1,597,900)**	**19,110,072**

Non-current liabilities	4,234,591	4,504,468
Current liabilities	17,455,103	14,605,604
	21,689,694	**19,110,072**

Notes to the Annual Financial Statements

	2021	2020

15. Provisions (continued)

Provision for leave days

The leave pay provision is based on the number of days each employee has accrued at year-end in terms of the South African Local Government Bargaining Agreement, and is calculated at termination rate.

Employee long service awards

The Municipality offers employees long service awards for every five years of service completed, from five years of service to 45 years of service, inclusive.

Assumptions

The assumptions which tend to have the greatest impact on the valuation results are:
(i) the general earnings inflation rate assumption;
(ii) the discount rate assumption;
(iii) the average retirement age of employees; and
(iv) assumed rates of withdrawal of employees from service.

Key Financial Assumptions

Table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year

Assumption	Value p.a.
Discount rate	9.27%
General earnings inflation rate (long-term)	5.79%
Net effective discount rate	3.29%

Key Demographic Assumptions

Table below summarises the key demographic assumptions used

Assumption	Value		
Average retirement age	62		
Mortality during employment	SA 85-90		
Withdrawal from service (sample annual rates)	**Age**	**Male**	**Female**
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

.
Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of

(i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
(ii) a one percentage point increase and decrease in the discount rate;
(iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
(iv) a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

15. Provisions (continued)

Table below summarises the results of the sensitivity analysis.

Assumptions	Change	Liability	% Change
Central assumptions		6,802,000	
General earnings inflation rate	+1% -1%	7,249,000 6,396,000	7% -6%
Discount rate	+1% -1%	6,389,000 7,264,000	-6% 7%
Average retirement age	+2 years -2 years	7,146,000 6,418,000	5% -6%
Withdrawal rates	x2 x0.5	5,758,000 7,498,000	-15% 10%

Provision for worksman compensation

During the financial periods 2014 and 2020, the municipality had not been filing timeously and accurately returns for worksman compensation in terms of the COID act with Department of Labour. A statement from Department of Labour was indicating that the municipality was owing R364 million in form of COID levies.

The R364 million was incorrectly determined determined using incorrect earnings of the employees in some of the prior financial periods. The municipality has engaged the Department of Labour and has re-submitted the annual returns with corrected employee earnings. The Municipality is currently awaiting the revised amount due and payable from the Department of Labour.

The provisional amount of R5.1 Million based on management estimate of the amount may be required to settle the liability. A rate of 0.88% was applied to the annual earnings from the 2014 to the 2020 financial periods . The rate of 0.88% was determined based on the average of previously assessed amounts of worksman compensation paid over divided by the average earnings of the similar periods.

Notes to the Annual Financial Statements

	2021	2020

16. Payables from exchange transactions

	2021	2020
Trade payables	72,952,442	103,213,464
Payments received in advance	2,706,463	2,127,421
Retentions	7,245,059	4,497,742
Deposits control account	(1,507,110)	(1,331,225)
Consumer deposits	250,659	217,083
Salaries control	219,856	2,575
	81,867,369	**108,727,060**

Unallocated deposits of R1 331 225 arose due to duplication of allocation consumer deposits to the individual debtors accounts

17. Revenue

	2021	2020
Sale of goods	179,350	124,282
Service charges	30,723,161	28,062,169
Rental of facilities and equipment	19,780	25,025
Other income	272,349	25,421
Interest received - investment	10,531,987	13,285,269
Government grants & subsidies	293,062,726	244,351,184
Fines, Penalties and Forfeits	-	2,820,421
	334,789,353	**288,693,771**

	2021	2020
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	179,350	124,282
Service charges	30,723,161	28,062,169
Rental of facilities and equipment	19,780	25,025
Other income	272,349	25,421
Interest received - investment	10,531,987	13,285,269
	41,726,627	**41,522,166**

	2021	2020
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Licences or permits	30,000	-
Transfer revenue		
Government grants & subsidies	293,062,726	244,351,184
Retention forfeits	-	2,820,421
	293,092,726	**247,171,605**

Notes to the Annual Financial Statements

	2021	2020

18. Service charges

	2021	2020
Sale of water	24,766,400	22,840,188
Sewerage and sanitation charges	5,956,761	5,221,981
	30,723,161	**28,062,169**

18. Service charges (continued)

Applying the Probability Test on Initial Recognition of Revenue

The Accounting Standards Board (the Board) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board released iGRAP 1 -Interpretation of the Standards of GRAP on Applying the Probability Test on Initial Recognition of Revenue and the following issues were being addressed impacting GRAP 9 - Revenue from Exchange Transactions and GRAP 23 -Revenue from Non-exchange Transactions

Accounting issues

1-In the public sector, entities are required to provide goods or services and to levy taxes, fines, licence fees and other types of non-exchange revenue in accordance with their legislative mandate.-At the time of invoicing, there may be uncertainty as to whether the revenue will ultimately be collected based on the entity's exposure to credit risk. Nevertheless, entities often continue to provide goods or services and levy taxes, fines, licence fees or other types of non-exchange revenue, despite non payment as they are required in terms of their legislative mandate to undertake these functions and collect the revenue due to them. For example, a municipality is required in terms of the Property Rates Act to levy property rates on the property owner based on the value of the property. These rates are levied without considering the collectability thereof as any possible non-payment is a subsequent event.

2-At present different practices are applied when determining the probability on initial recognition of revenue where there is uncertainty about the collectability of revenue.Some take into account the likelihood of not receiving all the revenue by considering the past collection experience, and reducing the amounts initially recognised by the estimated credit losses. Others recognise the full amount on initial recognition and subsequently recognise an impairment loss.

In response to the above-mentioned accounting issues , the Board reached the below conclusions:

1.At the time of initial recognition of exchange and non-exchange revenue it is not appropriate to assume that revenue will not be collected as the entity has an obligation to collect all revenue and this would be contrary to normal business principles. Accordingly, the Board concluded that the full amount of exchange and non-exchange revenue should be recognised at the initial transaction date after considering other factors that may impact the inflow of future economic benefits or service potential to the entity

2.Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition

3.The disclosure of the subsequent impairment improves the information provided to users of the financial statements.

Application of iGRAP 1
1.-Amajuba District Municipality is required in terms of section 96 of the Municipal Systems Act of 2000 to collect all monies that are due and payable to it.

2.-Based on the statistical data obtained from the 2011 Census that was conducted STATSA, Local Municipalities within the Amajuba District Municipality (Dannhauser and eMadlangeni) the are predominately rural areas and consumers residing within the control of the municipality may not be able to afford to pay services that are charged based on the average annual incomes that were analysed.The receipts from services charges are mainly collected from one individual significant consumer.

3.-The inability of the municipality to collect service charges in future has been also factored on note 31.

Notes to the Annual Financial Statements

	2021	2020

18. Service charges (continued)

Notes to the Annual Financial Statements

	2021	2020

19. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	19,780	25,025

20. Fines, Penalties and Forfeits

Retentions Forfeits	-	2,820,421

21. Licences and permits (non-exchange)

Licences and permits	30,000	-

22. Lease rentals on operating lease

Equipment		
Contractual amounts	50,400	-
Lease rentals on operating lease		
Contractual amounts	-	25,858
	50,400	**25,858**

23. Other income

Bad debts recovered	44,064	-
collection charges	12,992	25,421
SDL levy refund	137,650	-
Staff recoveries	77,643	-
	272,349	**25,421**

24. Investment revenue

Interest revenue		
Bank	3,722,157	5,270,669
Interest charged on trade and other receivables	6,809,830	8,014,600
	10,531,987	**13,285,269**

Notes to the Annual Financial Statements

	2021	2020

25. Government grants and subsidies

	2021	2020
Operating grants		
Equitable share	185,228,000	161,095,475
Covid 19 Disaster Fund Grant	-	387,000
Energy efficient grant	-	1,600,000
KZN Cogta Massification Grant	-	1,444,269
Finance Management Grant	2,400,001	2,035,000
EPWP	1,850,000	1,387,000
RRAMS	3,368,118	766,778
Shared Services Grant	-	550,000
	192,846,119	**169,265,522**
Capital grants		
Municipal Infrastructure Grant	45,422,259	35,895,741
Water Services Infrastructure Grant	54,794,348	39,189,921
	100,216,607	**75,085,662**
	293,062,726	**244,351,184**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2021	2020
Conditional grants received	107,834,726	82,868,709
Unconditional grants received	185,228,000	161,482,475
	293,062,726	**244,351,184**

Notes to the Annual Financial Statements

	2021	2020

25. Government grants and subsidies (continued)

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Also in terms of Section 74 (2)(i) of the Municipal act requires the extent of subsidisation of tariffs for poor households and other categories of users to fully disclosed.

Based on the average household incomes that were concluded based on the 2011 Statistics as shown below, more than 80% of the community members within the Amajuba District Municipality are indigents (earning less than R3200 per month per household)

The municipality provides free basic services to its indigents through a combination of the following that are not limited to;
-Provision of stand still tapes
-Provision of water tanker delivery services
-Drilling of boreholes
-VIP toilet deslugging
-erection of VIP toilets

Based on the latest detailed statistical data that was conducted by Statistics South Africa in 2011, the following is municipal profiles and data of the local municipalities within the Amajuba District Municipality (excluding Newcastle Local Municipality

Dannhauser Local Municipality
The municipality is predominantly rural, with only 10,1% of the population living in urban settlements.There are 20 439 households in the municipality, with an average household size of 4,9 persons per household. Just over half of all households (50,7%) are headed by females. With regards to services,only 19,5% of households have access to piped water inside the dwelling, while 4 in 5 households(80,7%) have access to electricity for lighting.

Management believes that living conditions within the municipality have worsen off due to the Covid 19 pandemic and high unemployment rates that are currently being reported nationally . The demand for basic services by indigents will be expected to increase,

Average annual household income as per 2011 census

Annual Income	Percentage
None income	17%
R1 - R4,800	5.3%
R4,801 - R9,600	10.3%
R9,601 - R19,600	23.9%
R19,601 - R38,200	23.4%
R38,201 - R76,4000	11.7%
R76,401 - R153,800	4.9%
R153,801 - R307,600	2.2%
R307,601 - R614,400	1.1%
R614,001 - R1,228,800	0.01%
R1,228,801 - R2,457,600	0.01%
R2,457,601+	0.01%

	2021	2020

25. Government grants and subsidies (continued)

Emadlangeni Local Municipality
Predominantly rural, only 26% of the population live in the urban towns of Utrecht, Berouw, Waterval and Kingstown.There are 6 252 households in eMadlangeni municipality with an average of 5,2 persons per household. The percentage of residents residing in formal households is 58,3%. Only 27% of households have access to piped water within the dwelling, and just less than half (48,5%) of households have access to electricity for lighting.

Management believes that living conditions within the municipality have worsen off due to the Covid 19 pandemic and high unemployment rates that are currently being reported nationally . The demand for basic services by indigents will be expected to increase,

Average annual household income as per 2011 census

Annual Income	Percentage
None income	11.6%
R1 - R4,800	3.6%
R4,801 - R9,600	10.1%
R9,601 - R19,600	20.8%
R19,601 - R38,200	25%
R38,201 - R76,4000	14%
R76,401 - R153,800	7.6%
R153,801 - R307,600	4.1%
R307,601 - R614,400	2.5%
R614,001 - R1,228,800	0.3%
R1,228,801 - R2,457,600	0.3%
R2,457,601+	0.1%

Notes to the Annual Financial Statements

	2021	2020

25. Government grants and subsidies (continued)

Municipal Infrastructure Grant

	2021	2020
Balance unspent at beginning of year	5,143,259	-
Current-year receipts	40,279,000	41,039,000
Conditions met - transferred to revenue	(45,422,259)	(35,895,741)
	-	**5,143,259**

Water Services Infrastructure Grant (WSIG)

	2021	2020
Balance unspent at beginning of year	6,810,079	24,657,259
Current-year receipts	50,000,000	46,000,000
Conditions met - transferred to revenue	(54,793,657)	(39,189,921)
Roll-overs application not approved	-	(24,657,259)
	2,016,422	**6,810,079**

EPWP

	2021	2020
Current-year receipts	1,850,000	1,377,844
Conditions met - transferred to revenue	(1,850,000)	(1,377,844)
	-	**-**

Rural Road Asset Management Systems Grant (RRAMS)

	2021	2020
Balance unspent at beginning of year	1,570,222	1,237,216
Current-year receipts	2,223,000	2,337,000
Conditions met - transferred to revenue	(3,368,136)	(766,778)
Roll-overs application not approved	-	(1,237,216)
	425,086	**1,570,222**

Conditions still to be met - remain liabilities (see note 13).

Councillors training grant

	2021	2020
Balance unspent at beginning of year	70,163	70,163

Conditions still to be met - remain liabilities (see note 13).

Refurbishmenent of boreholes & pipeline grant

	2021	2020
Balance unspent at beginning of year	865,731	2,310,000
Conditions met - transferred to revenue	-	(1,444,269)
	865,731	**865,731**

Conditions still to be met - remain liabilities (see note 13).

Shared services grant

	2021	2020
Current-year receipts	-	550,000
Conditions met - transferred to revenue	-	(550,000)

Notes to the Annual Financial Statements

	2021	2020

25. Government grants and subsidies (continued)

	-	-

KZN Cogta Disaster Management Grant

	2021	2020
Balance unspent at beginning of year	1,771,141	1,771,141

Conditions still to be met - remain liabilities (see note 13).

Energy sufficient grant

	2021	2020
Current-year receipts	-	1,600,000
Conditions met - transferred to revenue	-	(1,600,000)
	-	-

Notes to the Annual Financial Statements

	2021	2020

26. Employee related costs

Basic	63,194,567	60,040,131
Bonus	4,688,020	4,601,706
Medical aid - company contributions	4,047,875	3,946,033
UIF	324,677	313,837
Leave pay provision charge	2,936,263	1,304,395
Telephone and cellphone allowances	573,597	633,676
Overtime payments	9,436,866	7,117,933
Long-service awards	1,235,204	-
Car allowance	5,719,294	5,333,877
Housing benefits and allowances	484,276	591,892
Post-retirement medical interest	416,961	50,511
Bargain council	18,939	18,342
Group life insuarance	351,969	350,127
Standby allowances	3,075,807	3,162,099
Pension	8,018,127	7,701,578
	104,522,442	**95,166,137**

Remuneration of municipal manager

Annual Remuneration	574,760	985,303
Cellphone allowance Allowance	10,500	18,000
Acting allowance	202,578	-
	787,838	**1,003,303**

The office of the Municipal manager was occupied by Mr S Zwane up to January 2021 and Mrs N Khambule - (Director Corporate services) was acting as the municipal manager for the rest of the financial year .(also see below)

Remuneration of chief finance officer

Annual Remuneration	579,291	906,651
Cellphone allowance	12,000	18,000
	591,291	**924,651**

The office of the CFO was by occupied by Mr WJ Mngomezulu during the first 3 monthsof the 2021 financial year. The position of the CFO was vaccant from October 2020 to January 2021. Mr M Sithole was appointed to occupy the office from February 2021.

Director Corporate services

Annual Remuneration	811,416	811,416
Cellphone Allowance	18,000	18,000
Acting allowance	202,578	-
	1,031,994	**829,416**

The Director corporate services was acting as the Municipal manager from February 2021 during the financial year.

Notes to the Annual Financial Statements

	2021	2020

26. Employee related costs (continued)

Director Engineering services

	2021	2020
Annual Remuneration	405,780	676,180
Cellphone Allowance	9,000	15,000
	414,780	**691,180**

The office of the Director Engineering services was vaccant for the first 6 months of the 2021 financial year . Mrs L Twala was appointed to occupy the office for the remainder of the 2021 financial year.

Director Planning and Development

	2021	2020
Annual Remuneration	540,944	579,583
Cellphone Allowance	12,000	193,194
	552,944	**772,777**

The office of the director planning and development was vaccant from the beginning of the financial until November 2020. Mr S.G Ndaba was appointed to occupy the office from the November 2020.

Director Community services

	2021	2020
Annual Remuneration	751,048	749,744
Bonus	62,587	62,153
Cellphone allowance	18,000	-
	831,635	**811,897**

27. Remuneration of councillors

	2021	2020
Executive Major	1,014,042	855,257
Deputy Executive Mayor	819,800	748,297
Mayoral Committee Members	1,972,286	1,669,256
Speaker	843,906	667,850
Councillors	2,565,617	2,240,818
	7,215,651	**6,181,478**

28. Depreciation and amortisation

	2021	2020
Property, plant and equipment	18,275,558	18,547,401
Intangible assets	25,385	133,271
	18,300,943	**18,680,672**

29. Impairment of assets

	2021	2020
Impairments		
Property, plant and equipment	4,532,728	3,271,802
Intangible assets	-	2,838,830
	4,532,728	**6,110,632**

Notes to the Annual Financial Statements

	2021	2020

30. Finance costs

	2021	2020
Non-current borrowings	484,421	451,958
other	86,528	653,054
	570,949	**1,105,012**

31. Debt impairment

	2021	2020
Debt impairment	26,045,508	23,462,934

32. Bulk purchases

	2021	2020
Water	20,267,940	18,562,461

Notes to the Annual Financial Statements

33. Contracted services

	2021	2020
Presented previously		
Information Technology Services	12,568	-
Outsourced Services		
Administrative and Support Staff	955,472	71,057
Catering Services	4,800	-
Hygiene Services	350	-
Professional Staff	5,042	-
Security Services	8,183,121	6,055,310
Sewerage Services	3,517,545	256,000
Water Tankers	6,392,265	8,477,028
Consultants and Professional Services		
Business and Advisory	9,718,528	9,251,023
Infrastructure and Planning	2,289,421	500,000
Engineering Services	8,534,986	952,884
Legal Costs	256,158	-
Contractors		
Catering Services	-	9,600
Employee Wellness	114,025	-
Fire Services	186,800	-
Gardening Services	55,862	-
Maintenance of Buildings and Facilities	379,755	-
Maintenance of Equipment	7,167,952	3,935,922
Maintenance of Unspecified Assets	4,663,504	4,052,602
Pest Control and Fumigation	90,783	-
Tracing Agents and Debt Collectors	-	32,443
Transportation	708,287	1,594,071
Safeguard and Security	-	968,072
Sewerage Services	-	193,175
Sports and Recreation	125,235	-
	53,362,459	**36,349,187**

Notes to the Annual Financial Statements

	2021	2020

34. General expenses

	2021	2020
Advertising	554,104	1,356,603
Auditors remuneration	3,654,838	4,213,442
Bank charges	504,980	561,274
Cleaning	-	47,677
Entertainment	148,401	65,446
Hire	505,937	1,462,534
Insurance	1,211,516	1,077,441
IT expenses	2,836,762	1,171,829
Levies	945,081	604,976
Fuel and oil	9,348	-
Postage and courier	436,248	951,628
Printing and stationery	104,823	58,000
Protective clothing	231,249	190,732
Subscriptions and membership fees	2,324,519	8,350
Telephone and fax	730,022	1,577,064
Transport and freight	22,400	-
Travel - local	569,602	1,387,891
Electricity	9,601,738	11,391,436
Utilities - Other	854,585	-
Other expenses	789,395	2,536,502
	26,035,548	**28,662,825**

35. Fair value adjustments

	2021	2020
Fair value model	1,500,511	12,193,974

During the 2020FY the KZN Cogta provincial department donated plant and equipment worth R11.3 Million and 145 jojo tanks worth R839 800 to the municipality.

Maintainance inventory owned by the municipality was valued at R1.4 million was brought into the accounting records after after conducting a stock take as at 30 June 2021 . These assets were not properly recorded in the accounting records due to break-down in internal controls.

Fixed assets owned by the municipality valued at R49 184 were brought into the accounting records.

36. Auditors' remuneration

	2021	2020
Fees	3,654,838	4,213,442

Notes to the Annual Financial Statements

	2021	2020

37. Cash generated from operations

	2021	2020
Surplus	45,963,256	41,086,156
Adjustments for:		
Depreciation and amortisation	18,300,943	18,680,672
Income from equity accounted investments	29,386,643	27,150,082
Fair value adjustments	(1,500,511)	(12,193,974)
Impairment of assets	4,532,728	6,110,632
Movements in provisions	2,579,622	(785,056)
Acturial loss - long service awards	203,764	(1,655,649)
Retention forfieted	-	(2,820,421)
Interest cost post retirement medical aid	52,502	-
Acturial gain post retirement medical aid	(138,367)	37,730
Expected benefit payments post retirement medical aid	55,485	-
Interest costs long service awards	419,944	-
other non-cashflow	9,901	-
Changes in working capital:		
Inventories	(804,784)	(916,113)
Receivables from exchange transactions	623,453	(492,582)
Payables from exchange transactions	(26,859,682)	11,281,735
VAT	(20,513,170)	(5,264,988)
Unspent conditional grants and receipts	(11,082,725)	(11,505,184)
	41,229,002	**68,713,040**

38. Commitments

Authorised capital expenditure

	2021	2020
Already contracted for but not provided for		
• Property, plant and equipment	106,157,942	134,331,802

Authorised operational expenditure

	2021	2020
Already contracted for but not provided for		
• Security services	3,915,348	15,206,634
• IT Services	9,002,248	2,928,257
• Maintainance services	6,232	3,269,238
• general expenses	-	182,401
• Professional services	926,072	-
	13,849,900	**21,586,530**

Total commitments

	2021	2020
Total commitments	120,007,842	155,918,332

Notes to the Annual Financial Statements

	2021	2020

39. Contingencies

Litigation against the municipality was instituted by Ntshiana Trading on contract awarded for R53 Million by the municipality and the cancelled again due to breach thereof. The parties are currently engaged in pre-trial proceedings whereafter the matter may be enrolled for trial. Management's estimate of financial implications in the amount of R53 811 021,20 represents the claim amount.Estimated risk for legal costs in this matter is ±R300 000,00.

Litigation against the municipality was instituted by Stratcon – Summons for services rendered for R10 508 997.41.Management consider the likelihood of the action against the municipality being successful as unlikely.

Litigation against the municipality was instituted by Integrity Forensic Solution for unpaid services amounting to R602 502.83.The Appeal Hearing is set down for hearing on 29 October 2021 in the High Court of South Africa in Pietermaritzburg. Management's estimate of financial implications in the amount of R602 502,83 represents the claim amount. Estimated risk for legal costs in this matter is ±R400 000,00

Application was instituted against the Municipality by a former CFO of the municipality in the Labour Court Johannesburg for salary related monies. The parties are currently engaged with pre-trial proceedings, whereafter the matter may be set down for trial.Management's estimate of financial implications in the amount of R487 766,31 represents the claim amount. Estimated risk for legal costs in this matter is ±R100 000,00

Litigation against the municipality was instituted by an ex- municipal employee requesting to be reinstated through the Labour Court . The outcome of the matter is unknown and management's estimate of financial implications is also unknown.

Litigation against the municipality was instituted by Labour Court for discretionary labour reform. Management's estimate of financial implications in the amount of +/- R30 000.

Contingent assets

A claim for R7 488 931.28 aganist Hollard insuarance was instituted by the municipality for unpaid guarantees in respect of the construction Disaster Centre that was not completed by the contractor.Estimated risk for legal costs in this matter is ±R300 000,00.The parties are currently engaged in pre-trial proceedings whereafter the matter will be enrolled for trial.

A claim for R130 876 aganist Post Office for arrear rental monies owing at Thusong Centre was instituted by the municipality .

Notes to the Annual Financial Statements

	2021	2020

40. Related parties

Relationships

Management	Key management personnel compensations and total remuneration for the Municipal Council members and executives are included under staff costs (see note) 27&26
Controlled entities	Amajuba Development Agency (Proprietary) Limited: Amajuba Economic Development Agency (Pty) Ltd was registered in December 2014. This entity is fully owned and controlled by Amajuba District Municipality. The agency is currently not carrying on business and has no assets and liabilities.
Associates	uThukela Water (Proprietary) Limited The entity, uThukela Water (Pty) Ltd, is jointly owned and controlled by Amajuba DM, Newcastle Local Municipality and uMzinyathi District Municiplaity and supplies the municipality with bulk water services: (see note) 4

Related party balances

	2021	2020
Amounts included in Trade receivable (Trade Payable) regarding related parties		
uThukela Pty Ltd	(34,398,256)	(37,051,356)

Related party transactions

	2021	2020
Purchases from (sales to) related parties		
uThukela Water Pty Ltd	20,287,984	18,639,673

41. Change in estimate

Property, plant and equipment

The useful life of certain assets of the municipality was re-estimated . In the current period management have revised useful lives of the the following asset classes; -

Asset category	Old Minimum -Maximum range of remaining useful life (2021)years	Old Minimum -Maximum range of adjusted remaining useful life (2021)years
Motor vehicles	0.5years-1years	1.25years-2years
Buildings	-0.75years- -0.50years	1years
	0years-1.75years	1years-15years
	3.25years-7.5years	4.5years-7.5years
	8.25years-11years	4.5years-15years
	11.25years-18years	11years-17.5years
Infrastructure assets	0years-1.5years	1.25years-5.4years
	2years-4years	3years-5years
	4.4years-5years	5.4years-6years
	6.2years-8years	7.2years-9years
	9years-11.5years	10years-12.5years
	14years-17years	15years-18years
	20.6years-24years	21.6years-25years
	34years-42years	35years-43.2years
Community Assets	-1years-0years	2years
	0.5years-1years	2years-2.5years
	2years-4years	2years-25.5years
	5.6years-7years	5.6years-25.5years
	9years -15.5years	12years-25.5years

The effect of change in useful lives of assets on future depreciation is not disclosed because it is impracticable due to high number of assets that the municipality owns to disclose each and every asset that was re-assessed for its useful lifes in the financial statements.

42. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		876,503	117,464	-	993,967
Payables from exchange transactions		(94,374,272)	(14,352,788)	-	(108,727,060)
VAT Receivable		5,841,947	9,764,387	-	15,606,334
Property ,Plant and equipment		462,113,361	(55,795,795)	-	406,317,566
Receivables from exchange transactions		10,500	-	3,444,102	3,454,602
Consumer debtors		-	-	(3,444,102)	-
Intangible Assets		(8,497,314)	8,523,969	-	26,655
Provisions -long-service awards		(19,468,505)	358,433	-	(19,110,072)
Finance lease obligations		(202,555)	43,264	-	(159,291)
Accumulated surplus		(709,343,269)	133,998,049	-	(575,345,220)
		(363,043,604)	**82,656,983**	**-**	**(276,942,519)**

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Other income		(972,771)	783,068	124,282	25,421
Sale of goods		-	-	(124,282)	(124,282)
Bulk Purchases		13,697,271	4,865,190	-	18,562,461
Public contributions and donations		(12,318,485)	12,318,485	-	-
Actuarial gains		(1,297,216)	(358,433)	-	(1,655,649)
Fair value		-	(12,193,874)	-	-
Employee costs		96,581,781	-	(1,415,644)	95,166,137
Finance costs		1,135,082	(20,441)	(50,511)	1,105,012
Contracted services		33,148,306	3,200,881	-	36,349,187
General expenses		28,526,515	234,512	1,466,155	28,761,027
Depreciation and Amortisation		74,337,597	(4,144,925)	-	18,514,250
Impairment of assets		14,208,040	(8,097,408)	-	6,110,632
Surplus for the year		**247,046,120**	**(3,412,945)**	**-**	**202,814,196**

42. Prior-year adjustments (continued)

Prior period error -Property, Plant and equipment , depreciation , impairment & public donations

The municipaity migrated to an MSCOA financial management system during the 2020 financial year . There were challenges that were faced during the implementation of the financial management system that has led to

-duplicated transactions within the ledger
-Transactions incorrectly levying vat output
-disappearing of transactions previously precognitive in the financial management system

Staffing issues
-understaffing /inadequate resources within the finance department . The asset manager resigned during the 2020 financial year and he was the only personnel within the asset management unit and also responsible for filing Vat returns..

Asset policy
-The useful lives as per the asset management policy were not aligned to the practice instruction note 30 and Guidelines for Infrastructure asset management in local government resulting in the accumulated depreciation being either understated or
.

Expenditures that were incorrectly capitalised
Prior expenditure of 16 million that was mainly incurred testing and repairing existing boreholes,

Pubic donations and contributions
Transactions of R12.3 million were duplicated in the financial management system.

Prior period error -Inventory and Bulk purchases

Maintainance inventory that was initially valued at R721 473 in the 2020 financial years was reversed due to internal control deficiencies that were within the municipality caused by absence of proper Maintainance stores of the inventory that is owned by the municipality. It was impracticable to retrospectively correct and restate the 2020 financial years figures accurately as a result of the absence of adequately controls.

In the 2020 financial , the municipality received a donation of 145 jojo tanks valued at R838 900 to be distributed to be distributed within the district to alleviate water shortages . These assets were not previously recognised in the accounting records due to absence to asset transfer/donation documentation.

Prior period error -Payables from exchange transactions ,general expenses ,contracted services and bulk purchases

The municipaity migrated to an MSCOA financial management system during the 2020 financial year . There were challenges that were faced during the implementation of the financial management system that has led to ;

- omissions of transactions in the accounts payable module due to system errors
- unrecorded transactions due to late implementation of the financial management system.

Notes to the Annual Financial Statements

	2021	2020

42. Prior-year adjustments (continued)

Prior period error -VAT Receivable

The municipaity migrated to an MSCOA financial management system during the 2020 financial year . There were challenges that were faced during the implementation of the financial management system that has led to ;

- omissions of transactions in the accounts payable module due to system errors
- unrecorded transactions due to late implementation of the financial management system
- transactions that were incorrectly recorded that impacted on the vat output

Staffing issues
-understaffing /inadequate resources within the finance department . The asset manager resigned during the 2020 financial year and he was the only personnel within the asset management unit and also responsible for filing Vat returns..Additional text

Prior period error -Intangible Assets, amortisation & impairment

The municipaity migrated to an MSCOA financial management system during the 2020 financial year . There were challenges that were faced during the implementation of the financial management system that has led to

- duplicated transactions within the ledger

Prior period error -Irregular expenditure

Opening balance	-	50,896,237
Adjustments made	-	60,934,048
Restated opening balance	**-**	**111,830,285**

Adjustments made to the 2020 irregular expenditure balance are due to bid Adjudication committee had not been properly composed in terms of SCM regulation 29(2) and awards to vendors that did not meet SCM regulation 36.

SCM regulation 29(2) requires a senior SCM official of the Municiplaity to be part of the the BAC committee . Competitive bids that were adjudicated by the committee were not compliant with the regulations

Prior period error -Fruitless and wasteful expenditure

Opening balance	-	50,672
Adjustments made	-	2,832,332
Restated opening balance	**-**	**2,883,004**

The adjustment to fruitless and wasteful expenditure relates Disaster management Centre software that was never brought into use.

Notes to the Annual Financial Statements

	2021	2020

42. Prior-year adjustments (continued)

Prior period error -Contingent liability

A pending claim from Department of labour arising from failure to file annual returns for workman's compensation for the period 2013 to 2020 financial was disclosed in the previous financial year. An amount in excess of R1 Billion was previously disclosed as potential claim was erroneously recorded in the in the 2020 financial year. Management had also made a provision of R5.1 million in the financial statements

Prior period error -Accumulated surplus

The prior year financial accumulated surplus was not reconciling with the net assets as per the balance sheet mainly due to omissions of the depreciation accounts in the trial balance of over R50 million and share of loss in associate amount of R27 Million as correctly reported but couldn't`t be recognised in the accounting system due to missing Municipal standard chart of Accounts in the financial management system.

Prior period error -Provisions for long-service awards & Actuarial gains

[The correction of error pertains to correction of benefits that were estimated on the Actuarial report to R695 000. The actual benefits that were paid by the municipality were R337 000.

Prior period error -Commitments

	2021	2020
Opening balance	-	21,953,957
Adjustments made	-	133,964,376
Restated opening balance	**-**	**155,918,333**

The correction of error is mainly due understaffing /inadequate resources within the finance department responsible for contract management. There were various contracts that were not recorded in the commitment register that were concluded during the month of June 2020.

Notes to the Annual Financial Statements

	2021	2020

42. Prior-year adjustments (continued)

Reclassifications -Employee costs and general expenses

The reclassifications from employee cost are due MSCOA 6.5 version which treats Skill development levy and workmans compensation as operational costs.

Sub-heading

43. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2021	2020
Cash and cash equivalents	44,581,071	89,221,740
VAT receivable	36,171,447	15,658,278
Receivables from exchange transactions	2,831,148	3,454,601
Other Financial Liabilities	(5,228,946)	(6,273,138)
Payables from exchange transactions	(81,867,378)	(108,727,060)
Unspent conditional grant	(17,455,103)	(14,605,604)

44. Going concern

We draw attention to the fact that at June 30, 2021, the municipality municipality's current liabilities exceed its current assets by R20 306 740.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality .

Notes to the Annual Financial Statements

	2021	2020

45. Events after the reporting date

The following are subsequent events that occurred after 30th of June 2021

1. Leased assets as disclosed under note 2 were council laptops that were donated and handed to them after the expiry of the council term.

2. A contingent liability of R4.3 million arising from the litigation instituted by a Senzumusa was finalised after 30 June before financial were authorised for issue . The matter was awarded to the vendor and financial statement were adjusted accordingly.
d

46. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	612,265,750	612,265,750
Opening balance as restated	**612,265,750**	**612,265,750**
Add: Expenditure identified - current	64,898,298	1,100,000
Less: Approved/condoned/authorised write-off by council	-	(1,100,000)
Closing balance	**677,164,048**	**612,265,750**

Unauthorised expenditure for the 2021 financial maily relates to the following overspendings on the budget;;

-Impairment loss of assets -4.5 million
-Debt impairment of 9.5 Million
-Contracted services 21.2 million
-operating lease R50 400
-Actuarial losses R65 397
-Share of losses from associate 29.3 Million

Analysed as follows: non-cash

	2021	2020
Impairment loss of assets	4,532,728	-
Actuarial losses	65,397	-
Share of losses in associate	29,386,643	-
Debt impairment	9,545,508	-
	43,530,276	**-**

Analysed as follows: cash

	2021	2020
Bulk purchases	112,873	-
Contracted services	21,204,749	-
Operating leases	50,400	-
	21,368,022	**-**

47. Fruitless and wasteful expenditure

	2021	2020
Opening balance as previously reported	4,758,603	1,926,271
Opening balance as restated	**4,758,603**	**1,926,271**
Add: Expenditure identified - current	268,285	2,883,098
Less: Amount written off - current	-	(50,766)
Closing balance	**5,026,888**	**4,758,603**

Notes to the Annual Financial Statements

	2021	2020

47. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Eskom	29,027	27,084
Newcastle Municipality	538	1,199
Telkom	387	370
Auditor general	-	22,113
Disaster management software	-	2,832,332
Hiltop -delays in construction	238,333	-
	268,285	**2,883,098**

48. Irregular expenditure

Opening balance as previously reported	111,830,285	50,896,237
Opening balance as restated	**111,830,285**	**50,896,237**
Add: Irregular Expenditure - current	138,713,300	28,395,504
Add: Irregular Expenditure - prior period	-	60,934,048
Less: Amount written off - current	-	(28,395,504)
Closing balance	**250,543,585**	**111,830,285**

Notes to the Annual Financial Statements

	2021	2020

48. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

SCM regulation 36 -Deviation not met	50,479,008	12,556,242
SCM processes not followed	30,605,184	53,940,559
BAC not properly composed in terms SCM regulation 29(2)	57,629,108	22,832,751
	138,713,300	**89,329,552**

The Bid Adjudication committee had not been properly composed in terms of SCM regulation 29(2) for the current and previous financial years .
SCM regulation 29(2) requires a senior SCM official of the municipality to be part of the the BAC committee . All of the competitive bids that were adjudicated by the committee were not compliant with the regulations .

Cases under investigation

Irregular expenditure Prior to 2018 Financial year	50,896,237	50,896,237

49. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Amount paid - current year	3,654,838	4,313,442
Amount paid - previous years	(2,269,007)	(4,313,442)
	1,385,831	**-**

Notes to the Annual Financial Statements

	2021	2020

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

	2021	2020
Amount paid - current year	21,091,299	18,947,023
Amount paid - previous years	(21,091,299)	(18,947,023)
	-	-

Pension and Medical Aid Deductions

	2021	2020
Amount paid - current year	11,445,903	11,417,686
Amount paid - previous years	(11,445,903)	(11,417,686)
	-	-

VAT

	2021	2020
VAT receivable	36,119,514	15,606,344

VAT output payables and VAT input receivables are shown in note 9.

Notes to the Annual Financial Statements

	2021	2020

50. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The following are deviations that were approved by the Accounting Officer.

Number	DESCRIPTION OF ITEM PROCURED	AWARDED TO	CONTRACT AMOUNT (R)	REASON FOR DEVIATION
1.	SERVICE AND REPAIRS ON 5X BRUSH CUTTERS /SERVICE AND REPAIRS ON 3X LAWN MOWERS	CONSTRUCTION AND CUTTING MACHINES	10 446.49	**Exceptional cases where it is impractical or impossible to follow official procurement processes:** Servicing and repairing brush cutters and lawn mowers requires strip and quote and therefore official procurement processes because service providers may charge for stripping and quoting and the equipment may be further damaged during the stripping activities
2.	MODIFICATION OF PUMP CONTROL SYSTEM AT BUFFALO FLATS MBABANE AND ANNANDALE STATIONS	PUMPELEC CC	10 350.00	**The goods or services are produced or available from a single provider only:** Pump Elec CC is single provider of the pump control system and the software owner.
3.	SUPPLY AND DELIVERY OF COVID 19 DISASTER MANAGEMENT RELIEF MATERIAL	AMAWELASE PTY LTD	384 628.00	**Emergency:** Procurement of COVID 19 PPE for to be distributed in Amajuba District hotspots identified by the Department of Health.
4.	REPROGRAMING OF UDC 1200 CONTROLLER, SPEED OF RAW WATER PUMPS AT DURNACOL WATER TREATMENT PLANT. ALSO SET UP VSD TO MATCH MOTOR AND PUMP INSTALLED AT BUFFALO FLAT PUMP STATION.	GR SOLUTIONS KUSILE COMMODITIES 330	14 030,00	**Goods or services available from a single provider only:** GR solutions to reprogram UDC 1200 controller, speed of raw water pumps at Durnacol water treatment plant. Also set up VSD to match motor and pump installed at Buffalo flat pump station.
5.	REPAIR AIREND TO DURNACOL WATER TREATMENT PLANT COMPRESSOR	KAESER COMPRESSORS (SA)	52 470,42	**Goods or services available from a single provider only:** Kaesor Compressors to replace airend for Durnacol water treatment plant compressor, as they are the manufacturer of this compressor.
6.	TO SUPPLY ANALYSE, REPORT AND DELIVER RADIELLO PASSIVE SAMPLERS	DLD SCIENTIFIC CC	40 123,50	**Goods or services available from a single provider only:** DLD Scientific CC is sole provider in South Africa to supply analyse, report and deliver Radiello passive samplers according to the supplied specifications.

50. Deviation from supply chain management regulations (continued)

7.	ANNUAL GIS SOFTWARE MAINTENANCE RENEWAL	ESRI SOUTH AFRICA	91 908,00	**Goods or services available from a single provider only:** Esri South Africa is the sole provider of the GIS software in South Africa and the software annual update is required for proper functionality of the GIS system.
8.	CATERING FOR RISK ASSESSMENT SESSION	AMAJUBA CATERERS AND DECORATION	5 750.00	**Exceptional cases where it is impractical or impossible to follow official procurement processes:** The KZN Provincial Treasury Risk Assessment training took longer than expected and food was procured for the team.
9.	REPLACEMENT OF MOTOR FOR HIGH LIFT PUMP AT UTRECHT WATER TREATMENT PLANT	NOVUBU CONSTRUCTION	88 693,75	**Emergency:** The high lift pump motor had to be replaced as the Utrecht community had no water due to the motor breakdown.
10.	ANALYSIS AND REPORTING OF RADLELLO PASSIVE SAMPLERS	DLD SCIENTIFIC	41 549,50	**Goods or services are produced or available from a single provider only:** DLD SCIENTIFIC is the sole supplier for Radlello Passive Air Sampling media.
11.	REPLACEMENT OF FAULTY COMPONENT IN THE TELEMETRY SYSTEM	VANGARD PROJECTS PTY LTD	11 281.50	**Goods or services are produced or available from a single provider only:** VANGARD PROJECTS PTY LTD is the supplier of the Telemetry system and the owner of the software
12.	Repairs at Durnacol water treatment plant	KAESER COMPRESSORS (SA)	16 054.30	**Emergency:** Urgent request for Kaeser Compressors to replace ADT sensor on the compressor for Durnacol water treatment plant as they are the sole owner for the compressor
			767 285.46	

Notes to the Annual Financial Statements

	2021	2020

51. Water Distribution losses

Water Distribution losses were calcluated in terms MFMA circular 71 as follows:		
Units lost (Kilolitres)	2,763,353	2,599,062
Annual purified water purchased and produced	6,318,246	5,609,770
Water loss %	44%	46%

Amajuba District Municipality is mostly dominated with rural areas . Some of the rural areas have stand pipes and other areas do not have water infrastructure. The municipality utilises water tanker delivery services to collect water from the water treatment works and other designated water collection points to deliver water to areas that do not have water infrastructure.

Water provided to the rural areas iscategorised as unbilled unmetered authourised consumption. Most of these rural areas have a huge impact on water losses due to the fact that consumption by each individual household remains unmetered and uncapped to a minimum basic service of 6kilo-litres for each household per month.

High water losses are also attributable to aging infrastructure which is resulting in leakgages of water in the reticulation system and illegal water connection.