

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023



GERT SIBANDE DISTRICT MUNICIPALITY  
Annual Financial Statements  
for the year ended 30 June 2023

Audited  
By

2023 -11- 30

Auditor General South Africa  
Mpumalanga Business Unit

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Legal form of entity</b>	District Municipality
<b>Nature of business and principal activities</b>	A Category C Municipality established in terms of the Structures Act 117 of 1998 which execute some of the functions of Local Government (DC30) and Section 155(c) of the Constitution of the Republic of South Africa, 1996.
<b>Speaker</b>	Sekhonde BG
<b>Executive Mayor</b>	Mngomezulu MW
<b>Chief Whip</b>	Mtshali BH
<b>Grading of local authority</b>	3
<b>Accounting Officer</b>	Habile CA
<b>Chief Finance Officer (CFO)</b>	Buthelezi ZR
<b>Registered office</b>	Cnr Joubert & Oosthuise Street Ermelo Mpumalanga 2351
<b>Business address</b>	Cnr Joubert & Oosthuise Street Ermelo Mpumalanga 2351
<b>Postal address</b>	PO Box 1748 Ermelo Mpumalanga 2350
<b>Bankers</b>	First National Bank
<b>Auditor</b>	Auditor General of South Africa (AGSA)
<b>Attorneys</b>	Panel attorneys
<b>Contact Details</b>	Telephone; +27 (17) 8 01 7000 Fax: +27 (17) 811 1207 E-mail: Records@gsibande.gov.za
<b>Audit Committee Members</b>	Lankalebalele L Rasalanavho T Thenga O Simelane S
<b>Income Tax status</b>	Exempt for Income Tax in terms of section 10(1)(a) as part of the Local Government sphere of government of the Republic of South Africa

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# GERT SIBANDE DISTRICT MUNICIPALITY

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The reports and statements set out below comprise the annual financial statements presented to the Municipal Council :

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Abbreviation	Description
COGTA	Mpumalanga Provincial Department of Co-operative Governance and Traditional Affairs
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officer
DWA	Department of Water and Sanitation
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
GSDM	Gert Sibande District Municipality
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MPAC	Municipal Public Accounts Committee
MEC	Member of the Executive Council
SALGA	South African Local Government Association
DORA	Division of Revenue Act
VAT	Value Added Tax
SARS	South African Revenue Services
RBIG	Regional Bulk Infrastructure Grant

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# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Responsibilities and Approval

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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 unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited 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 unaudited annual financial statements and was given unrestricted access to all financial records and related data.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's members of the Audit Committee and Executive Mayor.

The audited annual financial statements have been prepared on the going concern basis, in terms of Section 126(1) of the MFMA and which I have signed on behalf of GSDM on 31 August 2023 :



Habile CA  
Municipal Manager



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	243 687 362	255 950 957
Inventories	4	1 247 000	1 256 758
Prepayments	5	2 210 982	2 130 182
Receivables from exchange transactions	6	8 098 533	14 946 113
Receivables from non-exchange transactions	7	64 644	64 644
		<b>255 308 521</b>	<b>274 348 654</b>
<b>Non-Current Assets</b>			
Receivables from non-exchange transactions	7	997 540	806 714
Heritage assets	8	159 250	159 250
Intangible assets	9	2 321 847	2 955 015
Investment property	10	22 300 689	22 300 689
Property, plant and equipment	11	257 294 152	274 512 533
		<b>283 073 478</b>	<b>300 734 201</b>
<b>Total Assets</b>		<b>538 381 999</b>	<b>575 082 855</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	12	99 275	60 750
Finance lease obligation	13	702 025	1 044 391
Long service provision	14	2 519 000	2 127 000
Payables from exchange transactions	15	97 590 842	116 879 884
Payables from non-exchange transactions	16	9 341 439	42 603
Provisions for bonus	17	4 715 311	5 272 537
Post retirement benefit obligation	18	78 000	101 000
VAT payable	19	105 790 079	159 984 625
		<b>220 835 971</b>	<b>285 512 790</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	13	-	702 026
Long service provision	14	11 482 000	11 372 000
Post retirement benefit obligation	18	623 000	759 000
		<b>12 105 000</b>	<b>12 833 026</b>
<b>Total Liabilities</b>		<b>232 940 971</b>	<b>298 345 816</b>
<b>Net Assets</b>		<b>305 441 028</b>	<b>276 737 039</b>
Accumulated surplus		305 441 026	276 685 174
<b>Total Net Assets</b>		<b>305 441 026</b>	<b>276 685 174</b>

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# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest received - investment	20	25 112 217	11 910 104
Revenue from construction contracts	22	428 191 567	480 967 869
Other income	21	22 883 944	10 634 844
Rendering of services		804 986	1 163 368
Service charges	23	3 001 362	87 948
<b>Total revenue from exchange transactions</b>		<b>479 994 076</b>	<b>504 764 133</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	24	337 276 000	329 025 000
Revenue in-kind		-	22 300 689
<b>Total revenue from non-exchange transactions</b>		<b>337 276 000</b>	<b>351 325 689</b>
<b>Total revenue</b>		<b>817 270 076</b>	<b>856 089 822</b>
<b>Expenditure</b>			
Construction contracts costs	25	(428 191 567)	(480 967 869)
Depreciation and amortisation	26	(23 605 199)	(24 093 985)
Employee related costs	27	(200 848 887)	(189 529 626)
Finance costs	28	(4 620 313)	(9 047 500)
Lease	29	(115 175)	(106 800)
Loss on disposal of assets and liabilities		(217 357)	(331 035)
Operating costs	30	(71 156 108)	(76 324 992)
Remuneration of councillors	31	(14 461 113)	(13 340 169)
Transfers and Subsidies	32	(45 807 336)	(89 937 737)
<b>Total expenditure</b>		<b>(789 023 055)</b>	<b>(883 679 713)</b>
<b>Surplus (deficit) for the year</b>		<b>28 247 021</b>	<b>(27 589 891)</b>

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# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	381 137 100	381 137 100
Adjustments		
Correction of errors	(76 862 033)	(76 862 033)
<b>Balance at 01 July 2021 as restated*</b>	<b>304 275 065</b>	<b>304 275 065</b>
Changes in net assets		
Surplus / (Deficit) for the year	(27 589 891)	(27 589 891)
Total changes	(27 589 891)	(27 589 891)
<b>Restated* Balance at 01 July 2022</b>	<b>277 194 005</b>	<b>277 194 005</b>
Changes in net assets		
Surplus for the year	28 247 021	28 247 021
Total changes	28 247 021	28 247 021
<b>Balance at 30 June 2023</b>	<b>305 441 026</b>	<b>305 441 026</b>

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# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		9 658 116	2 318 099
Grants received		337 276 000	329 025 000
Interest Income		25 112 217	11 910 104
Other receipts		451 919 022	491 610 665
		823 965 355	834 863 868
<b>Payments</b>			
Employee costs		(216 997 226)	(201 239 503)
Suppliers		(563 234 465)	(460 925 424)
Finance costs		(3 011 817)	(7 680 316)
Grants paid		(45 807 336)	(89 937 737)
		(829 050 844)	(759 782 980)
<b>Net cash flows from operating activities</b>	35	<b>(5 085 489)</b>	<b>75 080 888</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(6 423 286)	(3 536 527)
Proceeds from sale of property, plant and equipment	11	425 068	715 374
Purchase of other intangible assets	9	-	(2 066 550)
<b>Net cash flows from investing activities</b>		<b>(5 998 218)</b>	<b>(4 887 703)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(1 179 888)	(1 072 626)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(12 263 595)</b>	<b>69 120 559</b>
Cash and cash equivalents at the beginning of the year		255 950 957	186 830 217
<b>Cash and cash equivalents at the end of the year</b>	3	<b>243 687 362</b>	<b>255 950 776</b>

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# GERT SIBANDE DISTRICT MUNICIPALITY

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	129 790	240 000	369 790	3 001 362	2 631 572	42 (1)
Revenue from Construction contracts	-	453 361 024	453 361 024	428 191 567	(25 169 457)	42 (2)
Licences and permits	510 390	89 610	600 000	804 986	204 986	42 (3)
Other income	13 507 120	(1 560 000)	11 947 120	22 883 944	10 936 824	42 (4)
Interest received - investment	10 963 970	8 150 000	19 113 970	25 112 217	5 998 247	42 (5)
<b>Total revenue from exchange transactions</b>	<b>25 111 270</b>	<b>460 280 634</b>	<b>485 391 904</b>	<b>479 994 076</b>	<b>(5 397 828)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	337 276 000	-	337 276 000	337 276 000	-	
<b>Total revenue</b>	<b>362 387 270</b>	<b>460 280 634</b>	<b>822 667 904</b>	<b>817 270 076</b>	<b>(5 397 828)</b>	
<b>Expenditure</b>						
Personnel	(217 752 800)	1 530 000	(216 222 800)	(200 848 887)	15 373 913	42 (6)
Remuneration of councillors	(14 829 870)	(354 000)	(15 183 870)	(14 461 112)	722 758	
Depreciation and amortisation	(25 544 030)	-	(25 544 030)	(23 605 199)	1 938 831	
Finance costs	(1 095 089)	-	(1 095 089)	(4 620 313)	(3 525 224)	42 (7)
Lease rentals on operating lease	(196 320)	(107 300)	(303 620)	(115 175)	188 445	
Construction contract costs	-	(453 361 024)	(453 361 024)	(428 191 567)	25 169 457	42 (8)
Transfers and Subsidies	(45 083 920)	(4 509 700)	(49 593 620)	(45 807 336)	3 786 284	
Loss on disposal of assets	-	-	-	(217 355)	(217 355)	
General Expenses	(77 245 688)	(2 366 122)	(79 611 810)	(71 156 108)	8 455 702	42 (9)
<b>Total expenditure</b>	<b>(381 747 717)</b>	<b>(459 168 146)</b>	<b>(840 915 863)</b>	<b>(789 023 052)</b>	<b>51 892 811</b>	
<b>Surplus before taxation</b>	<b>(19 360 447)</b>	<b>1 112 488</b>	<b>(18 247 959)</b>	<b>28 247 024</b>	<b>46 494 983</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(19 360 447)</b>	<b>1 112 488</b>	<b>(18 247 959)</b>	<b>28 247 024</b>	<b>46 494 983</b>	

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## Accounting Policies

Figures in Rand	Note(s)	2023	2022
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### 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.

The amounts are rounded to the nearest 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 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.

#### 1.2 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:

##### 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.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

##### Post-retirement benefits and long service awards

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 medical aid 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 medical aid obligations are based on current market conditions. Additional information is disclosed in Note 18.

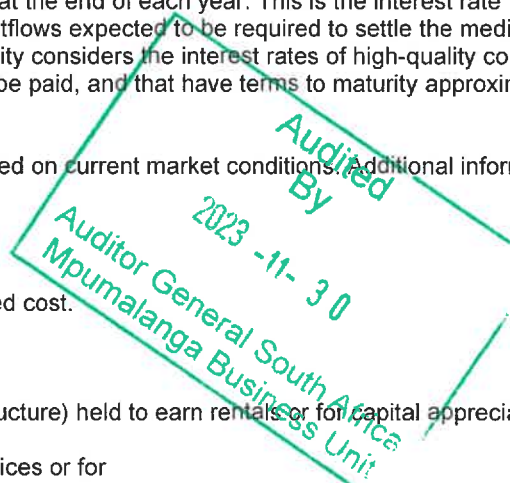
#### 1.3 Cash and cash equivalents

Cash and cash equivalents are measured at their amortised cost.

#### 1.4 Investment property

Investment property is property (land, building and infrastructure) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.4 Investment property (continued)

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

#### Derecognition

Investment property is 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 .

### 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.

Donated assets are initially measured at fair value on the date of transfer.

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

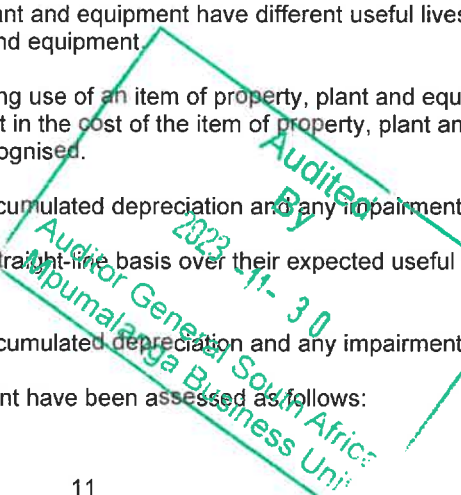
Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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:



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

### 1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life (Years)
Land	Straight-line	indefinite
Buildings		
- Office buildings	Straight-line	30
- Laboratories	Straight-line	30
- Disaster centres	Straight-line	30
Plant and equipment	Straight-line	5
Furniture and fixtures		
- Office furniture	Straight-line	7
- Elevator system	Straight-line	20
- Transformer	Straight-line	50
- Solar panels	Straight-line	7
Office equipment	Straight-line	7
IT Equipment	Straight-line	5
Motor vehicles		
- Motor vehicles	Straight-line	7
- Construction vehicles	Straight-line	10
Communication equipment	Straight-line	2
Laboratory equipment	Straight-line	7
Park facilities		
- Public parking	Straight-line	30
- Carports / garages / shelters	Straight-line	15
Leased copiers	Straight-line	3
Specialised vehicles		

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

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 municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 30).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

### 1.6 Intangible assets

An asset is identifiable if it either:

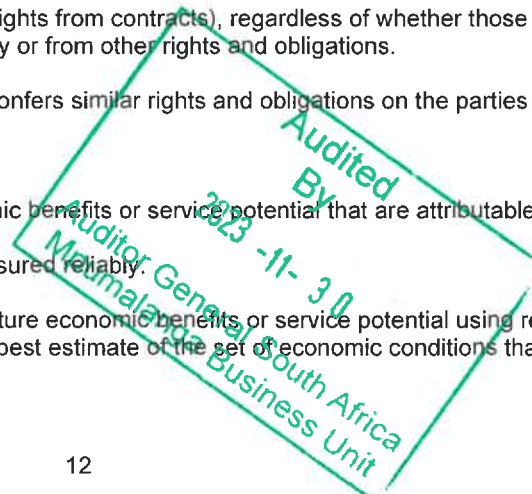
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (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.



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

### 1.6 Intangible assets (continued)

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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life (Years)
Computer software, other	Straight-line	5

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

Intangible assets are derecognised:

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

### 1.7 Heritage assets

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

The municipality discloses relevant information relating to heritage assets, in the notes to the financial statements (see note 8).

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

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

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# GERT SIBANDE DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.7 Heritage assets (continued)

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

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

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 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.

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

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).

# GERT SIBANDE DISTRICT MUNICIPALITY

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## Accounting Policies

### 1.8 Financial instruments (continued)

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;
- 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.

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.

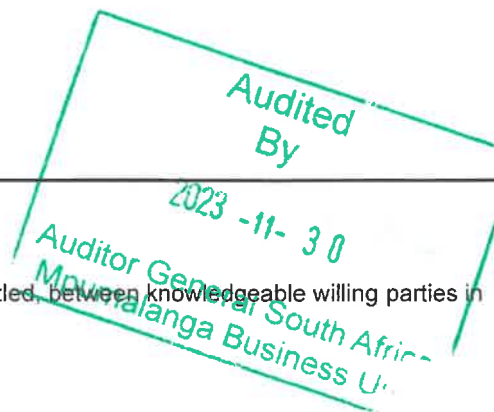
Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- 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:

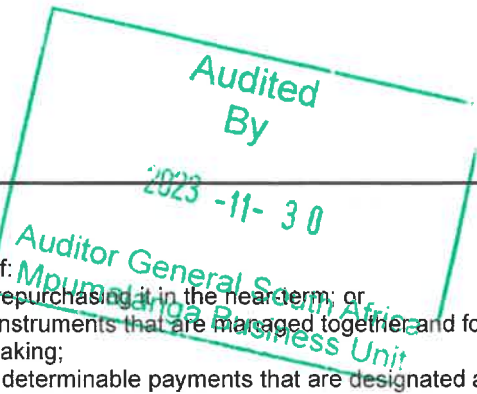
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.8 Financial instruments (continued)

- 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.

#### Initial recognition

The entity recognises a financial assets or financial liability in its statement of financial position when the entity becomes party to the contractual provisions of the instrument

#### Initial measurement of financial assets and liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at



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## Accounting Policies

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### 1.8 Financial instruments (continued)

fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### Financial assets measured at cost:

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

#### Derecognition

##### Financial Assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

### 1.8 Financial instruments (continued)

measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

#### Financial liability

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

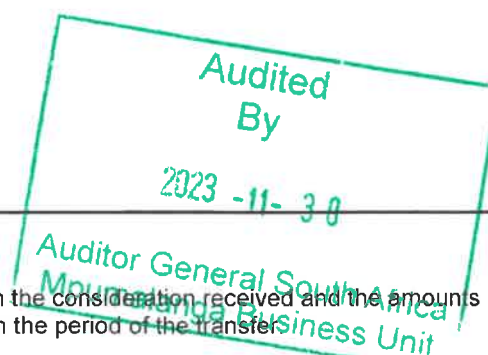
#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

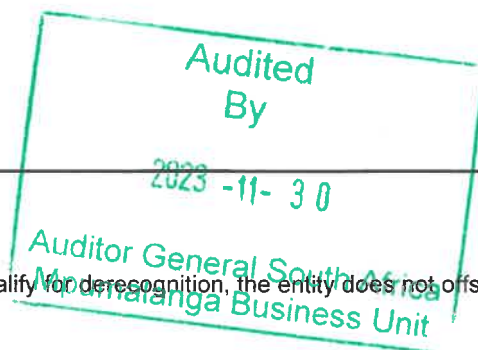
A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.8 Financial instruments (continued)

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 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.

#### 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 municipality's incremental borrowing rate.

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 10.5% 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.

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.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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 is assigned using the weighted average cost 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 non-cash-generating assets

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.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

This is based on the units ability to generate cash independently. Currently at the municipality there is no cash generating units.

# GERT SIBANDE DISTRICT MUNICIPALITY

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## Accounting Policies



### 1.11 Impairment of non-cash-generating assets (continued)

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

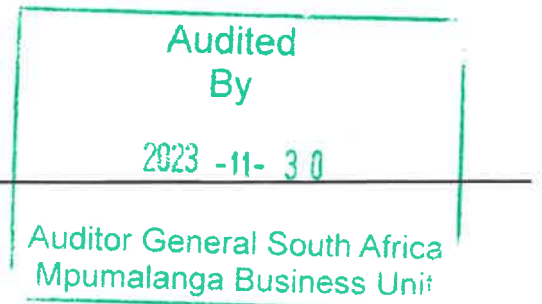
When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.11 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

### 1.12 Study bursary assets

The municipality awards some bursaries to its staff member to further their education. The conditions of these bursaries are that the employees must pass their subjects and upon completion of the further qualification they are expected work back the period spent to complete these studies. These are classified as receivable from non-exchange transaction as the employees are expected to repay back the bursary if the conditions are not met

#### Initial recognition and measurement

The study bursary are initially recognised in books of the municipality at the cost paid to the academic institution that the employee enrolled with as receivable from non-exchange transaction.

#### Subsequent measurement

After initial recognition the study bursary related receivables are carried at amortised cost. These study bursaries are a subject to an impairment review.

#### Derecognition

The receivable from non-exchange transaction relating to study bursary is derecognised should an employee meet the conditions as per the contract that they worked back the period of study and achieved the academic achievement. In this case therefore this transaction is then expensed in the statement of financial performance.

### 1.13 Employee benefits

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

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.

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 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.

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## Accounting Policies



### 1.13 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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.

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 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
- 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 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.

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.13 Employee benefits (continued)

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 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.

### 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.

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Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### 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. 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.

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

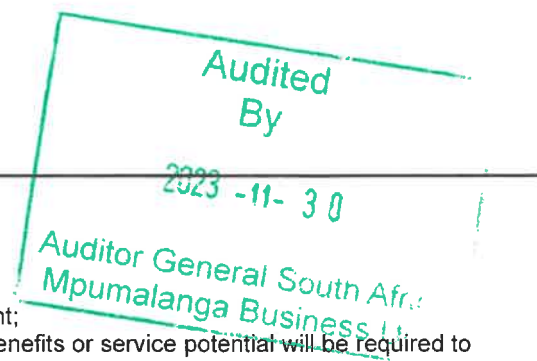
Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 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.

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.

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.

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 37.

### 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.

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 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.

#### Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised in surplus or deficit, using the effective interest rate method

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.17 Revenue from non-exchange transactions

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.

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.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.17 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

### 1.18 Comparative figures

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

### 1.19 Budget information

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

General purpose financial reporting by 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 2022/07/01 to 2023/06/30.

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.

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.20 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.

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.

### 1.21 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.

### 1.22 Offsetting

Assets, Liabilities, revenue and expenses have not been offsetted when offsetting is required or permitted by a standard of GRAP.

### 1.23 Value added tax

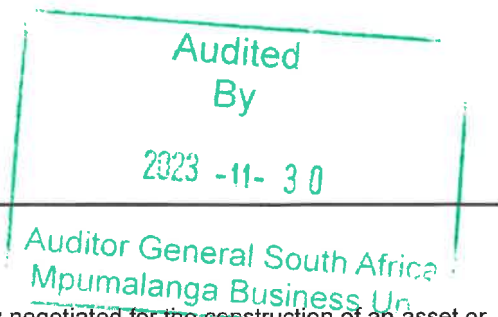
The municipality is registered with the South African Revenue Services as a VAT vendor in accordance with section 15(2) of the Value Added Tax Act ( Act no 89 of 1991)

The Municipality accounts for Value Added Tax on the payment basis as per the Value Added Tax Act.

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies



### 1.24 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

### 1.25 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars and Guidelines .

### 1.26 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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars and Guidelines .

## Notes to the Annual Financial Statements

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# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised 2021): Employee Benefits	01 April 2099	Unlikely there will be a material impact
• iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2099	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8 100	8 100
Bank balances	243 679 262	255 942 857
	<b>243 687 362</b>	<b>255 950 957</b>

The municipality has a positive bank balance with FNB under current and call account. There is no cash amount held as security and the bank has a good credit rating

#### Cash and cash equivalents pledged as collateral

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB BANK - Current Account - 626-3839-6334	6 387 702	8 225 017	10 946 975	243 679 264	255 942 857	186 824 896
FNB BANK - Call Account - 626-1377-7848	237 303 161	247 719 523	175 869 821	-	-	-
FNB BANK (Solidarity Fund) - Current Account - 628-5650-7755	-	-	5 323	-	-	5 323
<b>Total</b>	<b>243 690 863</b>	<b>255 944 540</b>	<b>186 822 119</b>	<b>243 679 264</b>	<b>255 942 857</b>	<b>186 830 219</b>

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# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Inventories</b>		
Inventory stores	1 247 000	1 256 758

### Inventory pledged as security

No inventory was pledged as security.

No inventory was written down during the financial period.

Inventory relates to consumables utilise for operational purposes.

### 5. Prepayments

SALGA	2 210 982	2 130 182
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A SALGA prepayment - The municipality made use of incentives provided from SALGA for early payments of fees. This incentives could only be utilised if payment was made before 30 June 2023.

### 6. Receivables from exchange transactions

Trade debtors	3 136 705	238 325
Deposits	28 200	28 200
Receivables from Chief Albert Luthuli municipality	-	1 500 000
Insurance debtor	48 220	721 703
Government transfers and subsidies	-	5 921 703
Receivables from Govan Mbeki local municipality	4 885 408	6 536 182
	<b>8 098 533</b>	<b>14 946 113</b>

### Credit quality of receivables from exchange transactions

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates: Majority of these receivables are off good quality and has subsequently paid of some of their debts.

### Trade and other receivables past due but not impaired

Trade and other receivables which are more than 3 months past due are not considered to be impaired. At 30 June 2023, The amount of R 3 136 705 (2022: R 238 325) were past due but not impaired.

### 7. Receivables from non-exchange transactions

Other debtors	64 644	64 644
Study bursaries	997 540	806 714
	<b>1 062 184</b>	<b>871 358</b>
Non-current assets	997 540	806 714
Current assets	64 644	64 644
	<b>1 062 184</b>	<b>871 358</b>

Non current assets relates to study bursaries awarded to employees on condition that the employees render services to the employer to offset against the outstanding amount and if the courses are not passed the amount are recouped for the officials.

The amount for current assets relates to overpayments of employees and the legal process to recouped the amount are in process.

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# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 7. Receivables from non-exchange transactions (continued)

#### Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates: Majority of these receivables are of good quality.

Study bursaries are managed through contract arrangements

#### Receivables from non-exchange transactions past due but not impaired

Trade and other receivables which are more than 3 months past due are not considered to be impaired. At 30 June 2023, R 1 062 184 (2022: R871 358) were past due but not impaired.

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# GERT SIBANDE DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand

### 8. Heritage assets

	2023			2022		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Mayoral Chain and portraits	159 250	-	159 250	159 250	-	159 250
<b>Reconciliation of heritage assets 2023</b>						
Mayoral chain and portraits				Opening balance	Total	
				159 250	159 250	
<b>Reconciliation of heritage assets 2022</b>						
Mayoral chain and portraits				Opening balance	Total	
				159 250	159 250	

### Pledged as security

There is no heritage assets pledged as security:

No repairs and maintenance was required for the heritage asset refer to note 30

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## Notes to the Annual Financial Statements

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### 9. Intangible assets

	2023		2022			
	Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment	Carrying value
Computer software	3 786 292	(1 464 445)	2 321 847	3 786 292	(831 277)	2 955 015

#### Reconciliation of intangible assets - 2023

Computer software	Opening balance	Amortisation	Total
	2 955 015	(633 167)	2 321 847

#### Reconciliation of intangible assets - 2022

Computer software, other	Opening balance	Additions	Amortisation	Total
	1 077 554	2 066 550	(189 089)	2 955 015

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# GERT SIBANDE DISTRICT MUNICIPALITY

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### 9. Intangible assets (continued)

#### Pledged as security

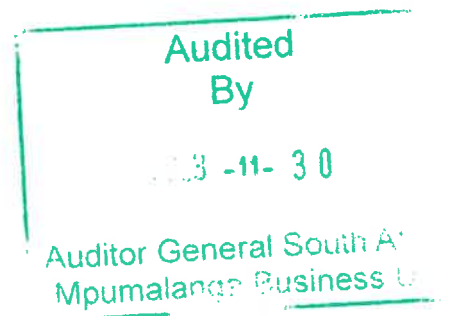
There are no intangible assets pledged as security:

#### Automated road defect detection software

During the 2020/2021 financial year, developments for a Automated Road Defect Detection Software were undertaken whereby R999,898 was classified as Work-in-Progress. An additional R300,300 was spent during 2021/2022 to complete this software which was completed and commissioned in that month of December 2021.

#### Spatial data analysis artificial intelligence solution

A total amount of R1,766,250 was spent on the development of this software during the 2021/2022 financial year. This asset was only available for use during the last month (June) of the financial year.



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Investment property

	Fair Value	Fair Value
Investment property	-	22 300 689

### Reconciliation of investment property - 2023

Investment property	Opening balance 22 300 689	Total 22 300 689
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### Reconciliation of investment property - 2022

Investment property	Opening balance	Transfers	Total
	-	22 300 689	22 300 689

Fair value of investment properties

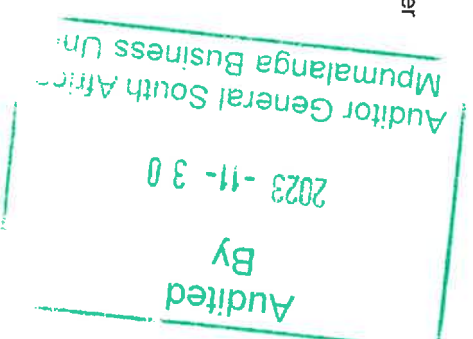
22 300 689      22 300 689

### Additional information

During the 2021/2022 financial period, Gert Sibande District Municipality received a donation of the district airport from Msukaligwa Local Municipality. The airport has been classified as investment property in the books of the GSDM. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at registered office of the municipality.

### Details of property

The property is situated in Ermelo



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 10. Investment property (continued)

#### Details of valuation

The valuations in 2022 were performed by an independent value, Ockert Brits a registered Professional Valuer with registration number 6876, who is not connected to the municipality

The valuations were based on fair market value using the income, comparable sales and the depreciated replacement cost methods. At the reporting period the Investment Property is measured at fair value reflecting market conditions. There were no changes to market value of properties in 2022/2023 financial year in around the area and no significant changes in rental income from the asset therefore management concluded that there is no change in its fair value.

#### Reconciliation of valuation obtained and the valuation included in the financial statements

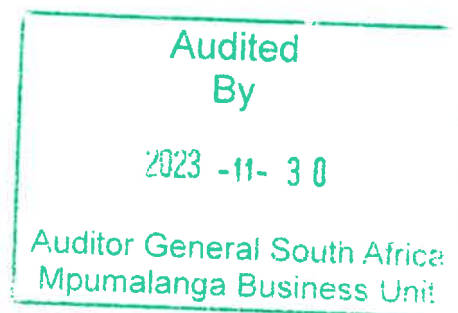
There is no amounts recognised in surplus and deficit for the 2022/2023.

#### Maintenance of investment property

No repairs and maintenance was spend on the investment property as it was received in the previous financial year 2021/2022 and the are no changes in tenants.

#### Amounts recognised in surplus or deficit

Rental income of R175,420 (Excluding Vat) was charged during 2022/2023



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 11. Property, plant and equipment

	2023		2022			
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	360 000	-	360 000	360 000	-	360 000
Buildings	373 893 260	(147 186 002)	226 707 258	372 957 090	(134 180 619)	238 776 471
Plant and machinery	30 704 555	(22 069 667)	8 634 888	33 603 847	(22 991 470)	10 612 377
Furniture and fixtures	13 037 795	(10 310 429)	2 727 366	12 149 580	(9 464 916)	2 684 664
Motor vehicles	36 107 202	(23 012 559)	13 094 643	35 235 862	(20 403 107)	14 832 755
IT equipment	20 866 160	(15 096 163)	5 769 997	20 109 434	(12 863 168)	7 246 266
<b>Total</b>	<b>474 968 972</b>	<b>(217 674 820)</b>	<b>257 294 152</b>	<b>474 415 813</b>	<b>(199 903 280)</b>	<b>274 512 533</b>

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# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Impairment reversal	Total
Land	360 000	-	-	-	-	360 000
Buildings	238 776 471	936 170	-	(13 005 383)	-	226 707 258
Plant and machinery	10 612 377	419 752	(4 818)	(2 404 612)	-	8 634 888
Furniture and fixtures	2 684 664	933 417	(6 778)	(883 939)	-	2 727 366
Motor vehicles	14 832 755	2 384 315	(600 243)	(3 522 184)	-	13 094 643
IT equipment	7 246 266	1 749 632	(104 325)	(3 155 914)	46 529	5 769 997
	<b>274 512 533</b>	<b>6 423 286</b>	<b>(716 164)</b>	<b>(22 972 032)</b>	<b>46 529</b>	<b>257 294 152</b>

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# GERT SIBANDE DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

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### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Land	360 000	-	-	-	360 000
Buildings	251 754 805	26 087	-	(13 004 422)	238 776 471
Plant and machinery	12 820 896	781 050	-	(2 988 884)	10 612 377
Furniture and fixtures	3 227 824	353 297	-	(896 455)	2 684 664
Motor vehicles	18 144 939	806 562	(469 956)	(3 648 792)	14 832 755
IT equipment	9 628 226	1 556 184	(583 631)	(3 366 343)	7 246 266
	<b>295 936 690</b>	<b>3 523 180</b>	<b>(1 053 587)</b>	<b>(23 904 896)</b>	<b>274 512 533</b>

#### Pledged as security

There are no assets pledged as security:

Repairs and maintenance cost of R8,669,460 for 2022/2023 financial year (R9,669,361 for 2021/2022) relates to Property, Plant and Equipment refer to note 30

The estimated useful life of assets in certain classes of Property, Plant and Equipment were assessed only in the 2023 financial year refer to note 39

#### Assets subject to finance lease (Net carrying amount)

IT equipment	406 992	1 371 530
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#### Assets Fully Depreciated

Included in Property, Plant and Equipment are assets which have fully depreciated but still in use. These assets are held at R1 each



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Consumer deposits</b>		
Consumer deposits	99 275	60 750
<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	726 810	1 179 887
- in second to fifth year inclusive	-	726 810
	726 810	1 906 697
less: future finance charges	(24 784)	(160 280)
<b>Present value of minimum lease payments</b>	<b>702 026</b>	<b>1 746 417</b>
<b>Present value of minimum lease payments due</b>		
- within one year	702 025	1 044 391
- in second to fifth year inclusive	-	702 025
	<b>702 025</b>	<b>1 746 416</b>
Non-current liabilities	-	702 026
Current liabilities	702 025	1 044 391
	<b>702 025</b>	<b>1 746 417</b>

Gert Sibande District Municipality leases certain computer equipment under finance leases

The average lease term was 2-3 years and the average effective borrowing rate was 10.5% (2022: 10.5%).

Interest rates are fixed at the contract date. All leases escalate at 10% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

No defaults or breaches in 2022/2023 financial year

## 14. Long service provision

<b>Carrying value</b>		
Balance at 1 July	13 499 000	11 515 000
Current service cost	1 605 000	1 556 000
Interest	1 386 000	1 060 000
Benefits vesting	(2 083 330)	(1 024 026)
Actuarial loss/(gain)	(405 670)	392 026
	<b>14 001 000</b>	<b>13 499 000</b>
<b>Non-current liabilities</b>		
At amortised cost	11 482 000	11 372 000
<b>Current liabilities</b>		
At amortised cost	2 519 000	2 127 000

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# GERT SIBANDE DISTRICT MUNICIPALITY

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### 14. Long service provision (continued)

#### Financial liabilities at fair value

#### Fair values of financial liabilities measured or disclosed at fair value

#### Long service provision

The Municipality offers employees long service awards for every five years of service completed, from 5 years of service to 45 years of service, inclusive. The employee is granted long service award in the month that each completed milestone is reached. Working days awarded are valued at 1/250th of annual earnings per day.

In estimating the unfunded liability for the long service award of the municipality, a number of actuarial assumptions are required. In calculating the unfunded liability a number of 303 eligible employees as at 30th June 2023 were used.

The following key financial assumptions are used:

Key financial assumption	Value p.a
Discount rate	11.38%
General earnings inflation rate (long-term)	6.62%
Net effective discount rate	4.47%

The liability at the valuation date was recalculated to show the effect of:

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

Sensitivity Analysis on the unfunded accrued liability:

Assumptions	Charge	Liability	% Change
Central assumptions		14 001 000	
General earnings inflation rate	+1%	14 843 000	6%
	-1%	13 234 000	-5%
Discount rate	+1%	13 219 000	-6%
	-1%	14 873 000	6%
Average retirement age	+2yrs	14 938 000	7%
	-2yrs	12 731 000	-9%
Withdrawal rate	X2	11 193 000	-20%
	X0.5	15 927 000	14%

Sensitivity analysis on current service and interest costs for the year ending 30 June 2023:

Assumptions	Change	Current service cost	Interest costs	Total	% Change
Central assumptions		1 605 000	1 386 000	2 991 000	
General earnings inflation rate	+1%	1 726 000	1 477 000	3 203 000	7%
	-1%	1 497 000	1 304 000	2 801 000	-6%
Discount rate	+1%	1 507 000	1 418 000	2 925 000	-2%
	-1%	1 716 000	1 348 000	3 064 000	2%
Average retirement age	+2yrs	1 705 000	1 484 000	3 189 000	7%
	-2yrs	1 490 000	1 261 000	2 751 000	-8%
Withdrawal rate	X2	1 177 000	1 080 000	2 257 000	-25%
	X0.5	1 919 000	1 600 000	3 519 000	18%



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>15. Payables from exchange transactions</b>		
Payables	7 178 822	32 076 218
Health inspection payments received in advance	160 349	62 443
Retentions	64 863 907	59 958 552
Staff leave payments	24 789 499	24 311 592
Benefit payable to deceased employee	398 791	398 791
Environmental Health Practitioners payments received in advance	199 474	72 288
	<b>97 590 842</b>	<b>116 879 884</b>

The payables decreased compared to the previous financial period due to year end measures implemented by management to minimise accruals. The increase in the retention was due to increase in number of RBIG projects implemented by GSDM on behalf of DWS.

### 16. Payables from non-exchange

Transfers payable	9 341 439	42 603
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The increase in transfer payables from non exchange was due to unspent RBIG receipts from Msukaligwa local municipality which they will apply for roll over.

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# GERT SIBANDE DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 17. Provisions for bonus

#### Reconciliation of provisions for bonus - 2023

	Opening Balance	Additions	Utilised during the year	Total
Provision for staff bonus	3 794 727	3 976 573	(3 794 727)	3 976 573
Provision for performance bonuses	1 477 810	134 988	(874 059)	738 738
	<b>5 272 537</b>	<b>4 111 561</b>	<b>(4 668 786)</b>	<b>4 715 311</b>

#### Reconciliation of provisions for bonus - 2022

	Opening Balance	Additions	Utilised during the year	Total
Provision for staff bonus	3 599 823	3 794 727	(3 599 823)	3 794 727
Provision for performance bonuses	873 425	603 749	-	1 477 810
	<b>4 473 248</b>	<b>4 398 476</b>	<b>(3 599 823)</b>	<b>5 272 537</b>

Performance bonuses are paid out to senior management after performance appraisal has been conducted which is then subjected to councils approval. There is uncertainty regarding the amount that will be paid out as the exact percentage is unknown and the payment is also subjected to council's approval.

#### Provision for staff bonus

Staff bonus to employees is in accordance with the collective bargaining agreement. Provision is made for the full cost of accrued bonuses at reporting date. The provision will be realised as employees bonuses are paid out. Additional relates to full financial impact per department for the period under review.

The staff bonuses relates to the annual bonuses due to the staff, which is payable on their anniversary of their employment period. However, staff members forfeit this annual bonus should they resign before this date. The amounts included in the provision for bonuses is based on the estimates based on the months already worked. All these factors contribute to the uncertainty on the amount of annual bonus that will be paid out.

#### Provision for performance bonus

Performance bonuses are paid out to senior management after performance appraisal has been conducted which is then subjected to councils approval. There is uncertainty regarding the amount that will be paid out as the exact percentage is unknown and the payment is also subjected to council's approval.

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# GERT SIBANDE DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

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### 18. Post retirement benefit obligations

#### Defined benefit plan

#### Post retirement medical aid plan

The post employment medical aid plan liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account matters arising in respect of principal member and their spouses. Ages were calculated as age as at 30 June 2023.

The Project Unit Credit method was used as prescribed by GRAP 25. The method is based on the approximation that the post-retirement benefit is normally built up over the employee's working life.

#### The actuarial valuation of PRMA liability involves the following

The projection of future post retirement medical contributions subsidy cashflow, taking into account probabilities of survival withdrawal, ill-health retirement and death in service. The medical contribution subsidies in respect of the audited dependants of employees, increasing the projected subsidy cashflows in line with expected long term contribution escalation. Discounting these cashflows in order to express the post employment medical aid plan liability in the current Rand term.

The amount represents the municipalities liability for post-employment medical aid benefit for the two remaining pensioners under the new defunctional plan. Current employees do not enjoy post-retirement medical aid benefits.

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

Carrying value		
Balance at 1 July	860 000	879 000
Contributions paid	(90 324)	(99 365)
Interest cost	87 000	74 000
Actuarial (gain) / loss	(155 676)	6 365
	<b>701 000</b>	<b>860 000</b>
Non-current liabilities	623 000	759 000
Current liabilities	78 000	101 000
	<b>701 000</b>	<b>860 000</b>

For the liability above the municipality do not have separate reserves to cover them, however there is enough cash to cover this liability in future

#### Key assumptions used

Assumptions used at the reporting date:

Assumptions	Percentage % 30 June 2023	Percentage % 30 June 2022
Discount rates used	11.08 %	10.74 %
Health care cost inflation rate	6.97 %	7.82 %
Net-of-health-care-cost-inflation discount rate	3.84 %	2.71 %
Maximum subsidy inflation rate	4.85 %	5.49 %
Net-of-maximum-subsidy-inflation discount rate	5.94 %	4.98 %

The liability at the valuation date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed rate of health care cost inflation;
- a one percentage increase and decrease in the discount rate; and
- a one-year age increase and decrease in the assumed rates of post - employment mortality.

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 18. Post retirement benefit obligations (continued)

#### Sensitivity analysis on the accrued liability (R Millions)

Assumptions	Change	Total	% Change
Central assumptions		0.701	
Health care inflation rate	+1%	0.727	4%
	-1%	0.663	-5%
Discount rate	+1%	0.655	-7%
	-1%	0.754	8%
Post- employment mortality	+1yr	0.676	-4%
	-1yr	0.727	4%

#### Sensitivity Analysis on interest cost for year ending 30 June 2023:

Assumptions	Change	Interest cost	% Change
Central assumptions		87 000	
Health care inflation rate	+1%	89 000	2%
	-1%	83 000	-5%
Discount rate	+1%	89 000	2%
	-1%	85 000	-2%
Post- employment mortality	-1yr	83 000	-5%
	+1yr	91 000	5%

### 19. VAT payable

VAT payable	105 790 079	159 984 625
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### 20. Interest received - investments

#### Interest revenue

Bank	25 112 217	11 910 104
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The increase in interest income is as a result of increase in repo rate as well as changes in investment strategy employed by GSDM.

### 21. Other income

Agency fees	22 209 261	10 108 637
LG Seta	472 355	374 564
Sundry	190 909	131 276
Telephone refunds	11 419	20 367
	<b>22 883 944</b>	<b>10 634 844</b>

Agency fees of R22,209,261 for 2023 (R10,108,637 for 2022) were received from DWS and local municipalities for construction work done on their behalf. The increase in the Agency fees compared to the prior year was because GSDM started to charge agency fees to local municipalities in the current period as well as increase in number of projects implemented on behalf of DWS. Please refer to note 25&22 for construction revenue and costs.

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 22. Revenue form construction contracts

Total amount recieved for construction contracts	428 191 567	480 967 869
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Gert Sibande District Municipality (GSDM) entered into tri-partite agreement with Department of water and Sanitation and various local municipalities individually (Chief Albert Luthuli, Dipaliseng, Msukaligwa, Mkhondo, Lekwa and Govan Mbeki), where GSDM was appointed to be implementation agents on their behalf in terms of water and sanitation related projects which are funded through RBIG, WSIG and Ministerial interventions. This was effective from 2019/2020 financial period. From the inception of these projects GSDM has been accounting for this arrangement items of GRAP 109 till 2021/2022 financial period. These transactions were not accounted for in the Statement of Financial performance of the municipality with the exception of Agency fees, however disclosure was made in terms of the relevant GRAP standard

During the 2022/2023 financial period National Treasury has issued a guide which advise that these kind of transactions should be accounted for in terms of GRAP 23 and 11. Given that GSDM has never accounted for this transactions in terms of GRAP 11 and 23, as the interpretation was that this transaction fall within the scope of GRAP 109, a prior period adjustment had to be made in the 2021/2022 and 2022/2023 statement of financial performance and for financial period before 2021/2022 the impact of this change was made in the accumulated surplus

Please refer to note 44 for prior period adjustments and to note 25 for more detail for expenditure on construction contracts

#### Reconciliation of amounts received :

##### Direct allocations to municipalities (Schedule 5(B) of DORA)

Msukaligwa Local Municipality	128 773 733	174 416 153
Chief Albert Luthuli Local Municipality	57 826 086	104 867 506
	<b>186 599 819</b>	<b>279 283 659</b>

##### Allocations-in-kind to municipalities (Schedule 6 (B) of DORA)

Dipaleseng Local Municipality	99 714 402	107 077 589
Mkhondo Local Municipality	1 205 720	7 086 719
Lekwa Local municipality	156 393 163	87 519 901
	<b>257 313 285</b>	<b>201 684 209</b>

### 23. Service charges

Water quality testing	3 001 362	87 948
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GSDM previously did not charge for the water quality testing done on behalf of the local municipalities, only to private consumers. In the 2023 financial period Council resolved that there should be charges to the local municipalities on the cost recovery basis hence increase in the revenue generated from water quality testing.

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# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>24. Transfers and subsidies received</b>		
<b>Operating grants</b>		
Equitable share	15 989 000	14 856 000
Revenue replacement grant	301 666 000	294 552 000
Rural road asset management grant (RRAMS)	2 476 000	2 365 000
Infrastructure skills development grant (ISDG)	13 550 000	13 500 000
Finance management grant (FMG)	1 000 000	1 000 000
Expanded public works programme grant (EPWP)	2 595 000	2 752 000
	<b>337 276 000</b>	<b>329 025 000</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The amount allocated for Equitable Share in the 2022/2023 financial year as per the Division of Revenue Act (DORA) amount to R15,989,000.

### Revenue replacement grant

The purpose of the Revenue replacement grant is to fund basic infrastructure within the areas and funding business administration cost.

The amount allocated for Revenue replacement grant in the 2022/2023 financial year as per the Division of Revenue Act (DORA) amount to R301,666,000.

### Infrastructure skills development grant (ISDG)

Current year receipts	13 550 000	13 500 000
Conditions met - transferred to revenue	(13 550 000)	(13 500 000)
	-	-

The purpose of the grant is to strengthen capacity of local government, to effectively and efficiently deliver quality infrastructure ,by creating the pool of skill available. Therefore this grant can only be utilised towards paying the stipends to students and any other administration cost relevant to them obtaining the professional qualifications.

### Road asset management grant (RAMS)

Balance unspent at beginning of year	-	685
Current-year receipts	2 476 000	2 365 000
Conditions met - transferred to revenue	(2 476 000)	(2 365 685)
	-	-

The purpose o the grant is to assist rural district municipalities to set up rural roads asset management systems. This grant can be utilised towards gathering the information of the road register in the municipalities within the district.

### Finance management grant (FMG)

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-

The purpose of the grant is to promote and support reforms in the financial management by building capacity in municipalities to implement the MFMP. The grant can only be utilised towards capacity building programmes within the finance section of the municipality.

### Expanded public works programme (EPWP)



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>24. Transfers and subsidies received (continued)</b>		
Current-year receipts	2 595 000	2 752 000
Conditions met - transferred to revenue	(2 595 000)	(2 752 000)
	-	-

The purpose of the grant is to incentives provincial department to expand work creation efforts through the use of labour intensive delivery methods in the identified focus area. This grant can only be used towards paying the stipend for the EPWP workers and other programmes aimed at ensuring that there is creation of intensive jobs.

### 25. Constructions contract costs

Total amount paid for construction contracts	428 191 567	480 967 869
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Gert Sibande District Municipality (GSDM) entered into tri-partite agreement with Department of water and Sanitation and various local municipalities individually Chief Albert Luthuli, Dipaliseng, Msukaligwa, Mkhondo, Lekwa and Govan Mbeki), where GSDM was appointed to be implementation agents on their behalf in terms of water and sanitation related projects which are funded through RBIG, WSIG and Ministerial interventions. This was effective from 2019/2020 financial period. From the inception of these projects GSDM has been accounting for this arrangements interms of GRAP 109 till 2021/2022 financial period. These transactions were not accounted for in the Statement of Financial performance of the municipality with exception of Agency fees, however disclosure was made in terms of the relevant GRAP standard

During the 2022/2023 financial period National Treasury has issued a guide which advise that these kind of transactions should be accounted for in terms of GRAP 23 and 11. Given that GSDM has never accounted for this transactions in terms of GRAP 11 and 23, as the interpretation was that this transaction fall within the scope of GRAP 109, a prior period adjustment had to be made in the 2021/2022 and 2022/2023 statement of financial performance and for financial period before 2021/2022 the impact of this change was made in the accumulated surplus. Please refer to note 44 for more details in this regard

Please refer to note 44 for prior period adjustments and to note 22 for more detail for revenue received from construction contracts

#### Reconciliation of amounts paid on construction contracts:

##### Direct allocations to municipalities (Schedule 5(B) of DORA)

Msukaligwa Local Municipality	128 773 733	200 569 540
Chief Albert Luthuli Local Municipality	57 826 086	120 607 965
	<b>186 599 819</b>	<b>321 177 505</b>

##### Allocations-in-kind to municipalities (Schedule 6 (B) of DORA)

Dipaleseng Local Municipality	99 714 401	107 077 648
Mkhondo Local Municipality	1 205 720	7 086 719
Lekwa Local municipality	156 393 163	87 519 901
	<b>257 313 284</b>	<b>201 684 268</b>

### 26. Depreciation and amortisation

Property, plant and equipment	22 004 877	22 941 105
Intangible assets	633 167	189 089
Finance lease	967 152	964 538
	<b>23 605 196</b>	<b>24 094 732</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Employee related costs</b>		
Basic	128 161 886	120 488 597
Bonus	11 840 050	11 157 270
Medical aid - company contributions	7 422 415	7 165 884
UIF	676 300	676 574
Leave pay provision charge	2 009 095	1 067 540
Overtime payments	2 931 647	2 827 967
Actuarial (gains)/ losses	(561 346)	398 391
Car allowance	19 454 463	18 709 210
Housing benefits and allowances	1 587 893	1 702 214
Telephone allowance	1 406 998	1 402 054
Pension fund	25 919 486	23 933 925
	<b>200 848 887</b>	<b>189 529 626</b>

### Remuneration of municipal manager CA Habile

Annual Remuneration	999 344	1 251 833
Car Allowance	193 333	240 000
Performance Bonuses	107 716	184 656
Contributions to UIF, Medical and Pension Funds	161 372	166 024
Leave payment	374 852	-
	<b>1 836 617</b>	<b>1 842 513</b>

Mr. Habile's contract ended on 20 October 2022 and was re-appointed on 3 January 2023.

Me. ME Radebe acted as Municipal manager from 21 October 2022 to 31 December 2022 See below amounts paid.

### Remuneration of chief finance officer ZR Buthelezi

Annual Remuneration	811 647	1 104 109
Car Allowance	76 667	120 000
Performance and annual Bonuses	163 210	200 947
Contributions to UIF, Medical and Pension Funds	65 185	2 125
Leave payment	245 138	-
	<b>1 361 847</b>	<b>1 427 181</b>

Mr. Buthelezi's contract ended on 3 December 2022.

Mr. SJF Gates acted as CFO from 5 December 2022 to 31 January 2023. See below for amounts paid.

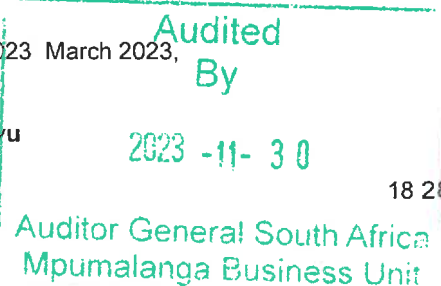
### Remuneration of general manager planning, economic development and innovation MJ Mkhonza

Annual Remuneration	757 692	801 319
Car Allowance	88 000	96 000
Performance and annual Bonuses	126 497	170 828
Contributions to UIF, Medical and Pension Funds	167 450	173 804
Leave payment	215 980	-
	<b>1 355 619</b>	<b>1 241 951</b>

Mr Mkhonza's contract ended 31 January 2023,  
Ms PO Chilloane acted as General Manager PEDI from February 2023 March 2023,

### Remuneration of general manager corporate service NC Ndlhovu

Annual Remuneration	18 280	314 109
Car Allowance	-	90 000



# GERT SIBANDE DISTRICT MUNICIPALITY

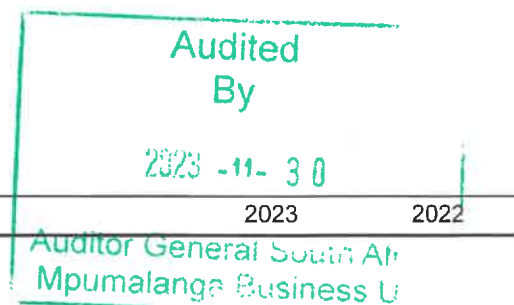
Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 27. Employee related costs (continued)

	2023	2022
Performance and annual Bonuses	55 414	102 579
Contributions to UIF, Medical and Pension Funds	-	80 145
Leave payment	-	164 025
	<b>73 694</b>	<b>750 858</b>



To be noted that Me NC Ndhlovu resigned in December 2021 and that Mr. MA Barnabas and Mr. SP Msibi was acting in the capacity as General Manager Corporate Services as follows:

Mr. MA Barnabas for January 2022 to March 2022 (See below the remuneration paid).

Mr. SP Msibi for April to May 2022 (See below the remuneration paid).

Me. ME Radebe was appointed as General Manager Corporate Services in June 2022 (See below the remuneration paid).

### Remuneration of general manager community and social services ME Michele

Annual Remuneration	763 956	811 636
Car Allowance	91 667	100 000
Performance and annual Bonuses	147 579	158 662
Contributions to UIF, Medical and Pension Funds	139 589	144 980
Leave payment	202 482	-
	<b>1 345 273</b>	<b>1 215 278</b>

Mr. Michele's contract ended on 31 January 2023 , was reappointed March 2023

### Remuneration of general manager technical services ME Thabethe

Annual Remuneration	28 128	631 586
Car Allowance	-	135 000
Performance Bonuses	-	114 431
Contributions to UIF, Medical and Pension Funds	114 431	111 713
Leave payment	-	274 634
	<b>142 559</b>	<b>1 267 364</b>

Mr. ME Thabethe's contract ended in March 2022 and was appointed on a contract basis to June 2022.

### Remuneration of acting general manager corporate services MA Barnabas

Acting allowance	-	30 099
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Mr. MA Barnabas acted as General Manager Corporate Services for January 2022 to March 2022

### Rumuneration of acting general manager corporate services SP Msibi

Acting allownace	-	15 634
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Mr. SP Msibi acted as General Manager Corporate Services for April 2022 to May 2022

### Rumuneration of general manager corporate service ME Radebe

Annual Remuneration	806 103	68 197
Car Allowance	111 717	9 310
Annual Bonuses	50 000	-
Acting allownace	57 345	-
Contributions to UIF, Medical and Pension Funds	171 234	12 183
	<b>1 196 399</b>	<b>89 690</b>

Me. ME Radebe was appointed as General Manager Corporate Services from June 2022.

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2023

2022

### 27. Employee related costs (continued)

Me ME Radebe acted as Municipal Manager from October 2022 to December 2022 and an acting allowance was paid

Me Radebe was overpaid acting allowance to the amount of R 7,289.55. The amount are included in recievebles and will be deducted and paid back by Me Radebe in February 2023 provision was made under payables

#### Remuneration of acting general manager community and social services TA Ndlovu

Acting allowance	11 599	-
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Mr. TA Ndlovu acted as General Manager Community and Social Services for February 2023

#### Remuneration of acting general manager planning, economic development and innovation PO Chiloane

Acting allowance	10 856	-
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Miss PO Chiloane acted as General Manager Planning for February 2023

#### Remuneration of acting chief financial officer SJF Gates

Acting allowance	33 447	-
------------------	--------	---

Mr. SJF Gates acted as Chief Financial Officer for December 2022 to January 2023

#### Remuneration of general manager technical services BC Mdutyulwa

Annual Remuneration	820 243	-
Car Allowance	220 000	-
Contributions to UIF, Medical and Pension Funds	146 622	-
	<b>1 186 865</b>	<b>-</b>

Mr. BC Mdutyulwa was appointed as General Manager Technical Services from August 2022

### 28. Finance costs

Post Retirement medical benefit	87 000	74 000
Interest and Penalties	3 011 817	7 680 316
Finance leases	135 496	233 184
Long service awards	1 386 000	1 060 000
	<b>4 620 313</b>	<b>9 047 500</b>

### 29. Lease

#### Lease rentals on operating lease - Other

Paid during the year	115 175	106 800
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The committed expenditure relates to the rental of offices in Evander from Govan Mbeki LM and will be financed by funds internally generated. Contract was renewed on the 1st of July 2021

#### Govan Mbeki LM

Significant leasing arrangements include:

- that there is no contingent rent payment.
- there is no purchase option in the rental contract and there is provision for 7% escalation per year
- there is no restrictions imposed by lease arrangements, such as return of net surplus, return of capital contributions, dividends or similar distributions, additional debt and further leasing.

# GERT SIBANDE DISTRICT MUNICIPALITY

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<b>29. Lease (continued)</b>		
<b>Operating lease commitments - as lessee (expenses)</b>		
within one year	123 237	115 175
within two to three years	-	123 237
	<b>123 237</b>	<b>238 412</b>
<b>30. Operating costs</b>		
Advertising	711 286	568 271
Auditors remuneration	5 814 439	4 771 666
Bank charges	26 987	36 203
Cleaning	1 264 530	1 451 799
Legal fees	5 024 694	6 972 849
Donations	994 033	1 122 486
Entertainment	744 488	708 594
Insurance	2 042 109	2 297 472
IT expenses	7 438 180	9 357 103
Motor vehicle expenses	5 211 693	6 105 303
Postage and courier	104	273
Printing and stationery	795 097	816 707
Promotions	1 152 872	1 079 254
Protective clothing	235 060	541 458
Repairs and maintenance	8 669 460	9 669 361
Royalties and license fees	3 010 802	4 458 082
Security	1 595 340	1 973 329
Staff welfare	148 351	145 265
Subscriptions and membership fees	2 559 238	2 115 538
Telephone and fax	4 525 723	3 931 091
Training	3 507 097	3 280 143
Travel	6 768 935	4 717 482
Technical Support	2 606 650	3 021 724
Public participation	711 862	921 565
Municipal and other services	4 861 923	4 857 757
Audit Committee	598 590	380 277
Workmens compensation	136 565	1 023 940
	<b>71 156 108</b>	<b>76 324 992</b>

Repairs and maintenance cost of R8,669,460 for 2022/2023 financial year (R9,669,361 for 2021/2022) relates to Property, Plant and Equipment refer to note 11

No repairs and maintenance was required for the heritage asset refer to note 8

No repairs and maintenance was required for the Investment Property refer to note 10

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# GERT SIBANDE DISTRICT MUNICIPALITY

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Figures in Rand	2023	2022
<b>31. Remuneration of councillors</b>		
Total remuneration of Councillors	14 461 113	13 340 169

### In-kind benefits

The Executive Mayor and Speaker and Mayoral Committee Members as well as MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Executive Mayor and Speaker has full-time bodyguards / drivers.

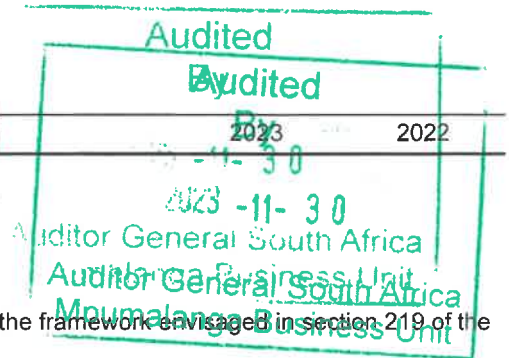


# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 31. Remuneration of councillors (continued)

#### Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Troika and MPAC Chairperson	Basic	Car Allowance	Cellephone Allowance	Pension and Medical Aid	Total
Executive Mayor (Mngomezulu MW)	646 954	273 664	41 124	174 075	1 135 817
Speaker (Sekhonde BG)	547 407	218 920	41 124	108 392	915 843
Chief Whip (Mtshali BH)	507 358	198 993	41 610	75 178	823 139
MPAC Chairperson (Nhlapho N)	486 916	199 203	41 124	110 694	837 937
MPAC Chairperson (Ngwenya M)(To Nov 2021) - Backpay	5 989	1 996	-	-	7 985
Executive Mayor (MG Chirwa)(To Nov 2021) - Backpay	8 226	2 742	-	-	10 968
	<b>2 202 850</b>	<b>895 518</b>	<b>164 982</b>	<b>468 339</b>	<b>3 731 689</b>

Mayoral Committee	Basic	Car Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Dhlamini ES (To Nov. 2021) - Backpay	6 169	2 057	-	-	8 226
Mthembu N (To Nov. 2021) - Backpay	6 170	2 057	-	-	8 227
Buthelezi BM	518 256	207 922	41 124	104 461	871 763
Maboa-Boltman	542 251	207 922	41 124	81 338	872 635
Zulu NN	542 251	207 922	41 124	81 338	872 635
Zunguza JB	515 767	207 922	41 124	106 950	871 763
Malatsi PV	542 251	177 922	41 124	110 230	871 527
Mkhwanazi CB	542 251	207 922	41 124	81 338	872 635
Mollo BP	542 251	207 922	41 124	81 338	872 635
	<b>3 757 617</b>	<b>1 429 568</b>	<b>287 868</b>	<b>646 993</b>	<b>6 122 046</b>

Other councillors (From November 2021)	Basic and Sitting Allowance	Car Allowance	Cellephone Allowance	Pension and Medical Aid	Total
Kubheka MN (To March 2022)- Backpay	2 603	868	-	-	3 471
Sibanyoni SI (To Nov. 2021) - Backpay	381	127	-	-	508
Nkosi PK (To Nov. 2021) - Backpay	2 603	868	-	-	3 471
Jordaan C (To Nov 2021)- Backpay	381	127	-	-	508
Mazibuko KD (To Nov. 2021) - Backpay	381	127	-	-	508
Mathebula SB (To Nov. 2021) - Backpay	381	127	-	-	508
Karim LS	293 040	112 437	41 124	43 968	490 569
Nkosi DP	4 624	-	-	-	4 624
De Vries GR	38 487	12 829	-	-	51 316
Mlotshwa TL ( To Nov. 2021) - Backpay	2 603	868	-	-	3 471
Joubert LK (To Nov. 2021) - Backpay	2 603	868	-	-	3 471
Nkosi MS (To Nov. 2021) - Backpay	3 249	1 114	-	-	4 363
Brussow JLI (To July 2022)	3 120	1 040	-	-	4 160
Sebolela JD (To Nov. 2021) - Backpay	381	127	-	-	508
Mahlangu BD (To Nov. 2021) - Backpay	381	127	-	-	508
Zuma NG	1 289	-	-	-	1 289
Simelane XI (To Nov. 2021) - Backpay	463	155	-	-	618
Manyathi M (To Nov. 2021) - Backpay	6 402	1 114	-	-	7 516
Monoto MM (From Sept. to Nov. 2021) - Backpay	1 361	454	-	-	1 815
Mazibuko TE	38 106	12 702	-	-	50 808
Seimela T	38 108	12 702	-	-	50 810
Khumalo GL	47 361	15 787	-	-	63 148
Nkambule DM	228 530	87 603	41 124	34 279	391 536
Lukhele ST	228 530	87 603	41 124	34 279	391 536



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			2023	2022
<b>31. Remuneration of councillors (continued)</b>				
Masango SJ	42 472	14 449	324	57 245
Webber KH	228 530	87 603	41 124	391 536
Kgwedi TH	228 530	87 603	41 124	391 536
Yende MR	37 439	12 480	-	49 919
Silosisni SA	37 439	12 480	-	49 919
Mbuli TG	37 439	12 480	-	49 919
Moeketsi BK	2 427	-	-	2 427
Dlamini M (To Oct. 2022)	80 150	30 724	13 924	136 820
Sikhakhane NB	37 439	12 480	-	49 919
Thwala TH	1 289	-	-	1 289
Molaba ML	37 439	12 480	-	49 919
Chauke EW	38 106	12 702	-	50 808
Matshaba KA	37 439	12 480	-	49 919
Mncina LM	37 439	12 480	-	49 919
Thwala DM	24 960	8 320	-	33 280
Dudley V	224 679	86 163	40 800	385 344
Mahlangu SV	38 106	12 702	-	50 808
Kubheka MA	37 530	12 510	-	50 040
Hlophe VS	37 439	12 480	-	49 919
Gwebu NG	109 961	36 654	-	146 615
Ndebele JHC	37 439	12 480	-	49 919
Maboea SA	116 130	38 710	-	154 840
Van Huyssteen NC	37 826	12 609	-	50 435
Bekker PD (From Nov. 2021)	223 214	85 565	40 800	382 965
Nkosi MV (From July 2022)	168 614	64 635	30 909	289 197
Dlamini BA (From Sept. 2022)	35 508	11 836	-	47 344
Nkosi MP	4 551	-	-	4 551
	<b>2 924 902</b>	<b>1 064 879</b>	<b>332 377</b>	<b>4 607 391</b>

### 32. Transfers and subsidies paid

#### Other subsidies

Transfers and subsidies	45 807 336	89 937 737
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Transfers and subsidies include all services rendered on behalf of the local municipalities as per their mandate which are not in the normal operation of the district. This include services such as drilling of boreholes, road rehabilitation , water quality testing e.t.c.

### 33. Auditor's fees

Audit fees	5 814 439	4 771 666
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### 34. Financial instruments disclosure

#### Categories of financial instruments

##### 2023

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	8 098 533	8 098 533
Cash and cash equivalents	243 687 362	243 687 362
	<b>251 785 895</b>	<b>251 785 895</b>

#### Financial liabilities

# GERT SIBANDE DISTRICT MUNICIPALITY

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### 34. Financial instruments disclosure (continued)

	At amortised cost	Total
Trade and other payables from exchange transactions	72 402 552	72 402 552
Payables from non-exchange transactions	9 341 439	9 341 439
Consumer deposits	99 275	99 275
Finance lease obligation - current liability	702 026	702 026
	<b>82 545 292</b>	<b>82 545 292</b>

### 2022

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	14 946 112	14 946 112
Cash and cash equivalents	255 950 957	255 950 957
	<b>270 897 069</b>	<b>270 897 069</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	92 169 501	92 169 501
Payables from non-exchange transactions	42 603	42 603
Consumer deposits	60 750	60 750
Finance lease obligation - current liability	1 044 391	1 044 391
Finance lease obligation - non-current liability	702 025	702 025
	<b>94 019 270</b>	<b>94 019 270</b>

### 35. Cash (used in) generated from operations

Surplus (deficit)	28 247 021	(27 589 889)
<b>Adjustments for:</b>		
Depreciation and amortisation	23 605 199	24 093 985
Gain on sale of assets and liabilities	217 357	331 035
Revenue received in kind	-	(22 300 689)
Finance costs - Finance leases	135 496	233 184
Impairment PPE	(46 529)	-
Movements in long service award	(478 330)	531 974
Movements in retirements benefit obligation	(90 324)	(99 365)
Movements in provisions	(557 226)	799 289
Actuarial losses and gains	(155 676)	6 365
Actuarial losses/ (gains)	(405 670)	392 026
Finance costs- Retirement benefit obligation	87 000	74 000
Finance costs - Long service awards	1 386 000	1 060 000
<b>Changes in working capital:</b>		
Inventories	9 758	(174 902)
Receivables from exchange transactions	6 847 580	769 773
Receivable from non exchange transaction	(190 826)	297 010
Pre Payments	(80 800)	(125 743)
Payables from exchange transactions	9 833 297	(12 473 146)
VAT	(54 194 546)	90 577 659
Payables from exchange transactions	(19 292 795)	18 670 370
Consumer deposits	38 525	7 952
	<b>(5 085 489)</b>	<b>75 080 888</b>

# GERT SIBANDE DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

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<b>36. Commitments</b>		
<b>Capital Commitments</b>		
<b>Already contracted for but not provided for</b>		
• Projects and operations - Projects funded by Gert Sibande District	-	199 552
<b>Authorised operational expenditure</b>		
<b>Commitments entered into as implementing agent (Water and sanitation projects)</b>		
• Water and Sanitation projects	788 248 683	476 921 738
<b>Total operational commitments</b>		
Commitments entered into as implementing agent (Water and sanitation projects)	788 248 683	476 921 738
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	-	199 552
Authorised operational expenditure	788 248 683	476 921 738
	<b>788 248 683</b>	<b>477 121 290</b>

### RBIG commitments entered into as Implementing agent:

During the 2019/20 financial period GSDM,DWS,Chief albert Luthuli,Mkhondo,Dipaleseng and Msukaligwa local municipality entered into agreement where it was agreed that GSDM was given authority to enter into agreement with service providers for the construction of the water and waste water projects This agreement is still relevant in 2022/2023..The funding of these projects is included in the budget of the local municipalities through RBIG grant allocation as gazetted by National Treasury.The above commitment of R788 248 683 for June 2023 (R477,121,290 for 2022) relates those projects already contracted to by GSDM on behalf of the local municipalities and DWS .

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### 37. Contingencies

#### Contingent liabilities for the period ending 30 June 2023

##### Hlakoapitsi CC

Hlakoapitsi is seeking damages of R127, 006 (2022: R127,006). Judgement was received on 17 March 2015 in favour of GSDM. Plaintiff has been de-registered as a company. Attorneys instructed to approach the court and apply for dismissal of the matter

##### Tactical Security Services vs GSDM

Plaintiff is suing council to the amount of R1,013,990 (2022: R1,013,990). The matter set down for case management on the 14 September 2023.

##### Methula NF vs GSDM

Plaintiff is suing GSDM for R1,100,000 (2022: R1,100,000) as a result of an accident whereby the plaintiff sustained bodily injuries. Matter still in pre-trial stage.

##### SAMWU on behalf of Ms M vs GSDM

Application instituted by Ms M for court review and set aside arbitration award. Estimated costs of the financial exposure inclusive of costs and disbursements amount to. Ms M was dismissed and is in the process of take the matter for review. Awaiting trial date. Awaiting allocation of hearing date for review application The litigation amount will be determined by the court judgement .

##### GSDM vs SAMWU on behalf of Mr M

Application instituted by GSDM for the court to review and set aside arbitration award. Ms M was dismissed and received an award for reinstatement and compensation, which GSDM too the matter for review. Plaintiff appealed and was dinied by court. Plaintiff petitioned the Labour Appeal court. Pertition has been opposed. Awaiting court ruling. The litigation amount will be determined by the court judgement

##### BDW Eiedomme CC vs GSDM/ VS Nzimande

BDW Eiedomme CC is suing GSDM as a result of a motor vehicle accident. Attorneys instructed to approach court and apply dismissal of the matter. The litigation amount is estimated to be R 53 107.20.

##### Afri-Infra vs GSDM & others

GSDM is being sued for payment for work done at Lekwa Local Municipality. Amount claimed R747,248.68 (2022: R747,248.68). Application for condonation granted in favour of the Plaintiff. Awaiting case amangement. Matter is currently at Discovery stage.

##### GSDM vs Mr S

GSDM filed a review application against the ruling of the arbitrator. Application for review was filed. The litigation amount will be determined by the court judgement .

##### GSDM vs SAMWU M and M

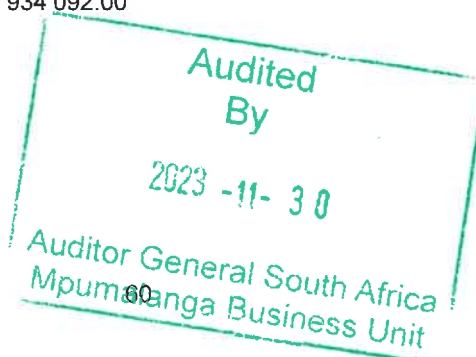
Dismissal review application was brought against GSDM. Awaiting trail date. The litigation amount will be determined by the court judgement

##### Mr S vs GSDM

Review application against dismissal. Matter is set down for the 31st of October 2023 The litigation amount will be determined by the court judgement

##### GSDM vs Bonginkosi t/a Nashua

Review Application to terminate service level agreement. Amount. Rewiew application will set down to be heard on 24 Janaury 2024. The Litigation amount is estimated to be R 5 934 092.00



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### 37. Contingencies (continued)

#### Contingent assets for the period ending 30 June 2023

##### Inhlakanipho Consultants CC // Gert Sibande Municipality case Number :10184/2011

GSDM was awarded with a court order for the legal costs to be recovered from the plaintiff. Estimated fees for the Expert witness is R500,000.00. Recovery costs are estimated to be R950,000 after taxation

##### Rand Water

During the 2013/14 to 2016/17 financial period Gert Sibande District appointed Rand Water to do operation and maintenance at Msukaligwa Local Municipality. The district has done the reconciliation of what was paid to Rand Water and actual work performed. Gert Sibande District Municipality estimated that there was overpayment of R2,583 924,12 million therefore should be repaid back. There is currently a discussion with Rand Water to ensure that this matter is resolved and both parties agree with the actual overpayment

### 38. Related parties

#### Relationships

Accounting Officer - CA Habile	Management
Chief Financial Officer - ZR Buthelezi	Management
Acting Chief Financial Officer - SJF Gates	Management
General Manager: Community and Social Services - ME Michele	Management
Acting General Manager: Community and Social Services - TA Ndlovu	Management
General Manager: Planning, Economic Development and Innovation - MJ Mkhonza	Management
General Manager: Planning, Economic Development and Innovation - PO Chloane	Management
General Manager: Infrastructure and Technical Services - ME Thabethe	Management
General Manager: Infrastructure and Technical Services - BC Mdutyulwa	Management
General Manager: Corporate Service - ME Radebe	Management
General Manager: Corporate Service - NC Ndhlovu	Management
Acting General Manager: Corporate Service - MA Barnabas	Management
Acting General Manager: Corporate Service - SP Msibi	Management

Refer to the note for Employee Related Costs note 27 for amounts paid to management and time frames

Councillors are deemed to be related parties, refer to the note for Remuneration of Councillors note 31 for amounts paid to councillors as well as time frames

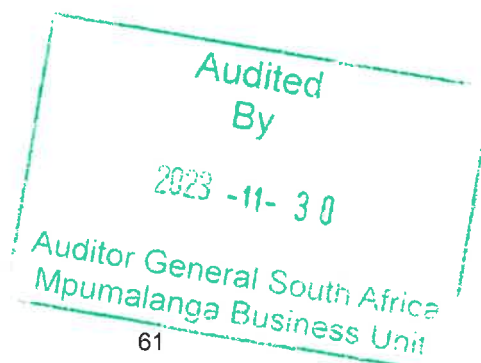
### 39. Change in estimate

#### Property, plant and equipment

The estimated useful life of assets in certain classes of Property, Plant and Equipment were reassessed during the 2023 financial year. During the financial year management have extended these asset's estimated useful lives. The effect of this revision has decreased the depreciation and amortisation charges by R507,190 and increased for future periods by R507,190

### 40. Risk management

#### Financial risk management

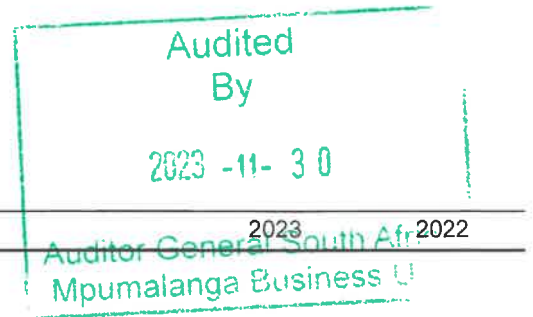


# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand



### 40. Risk management (continued)

#### 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.

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

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables - Accrual Payables	7 178 822	-	-	-
Trade and other payables - Retentions	64 863 907	-	-	-

At 30 June 2022	Less than 1 year year heading	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables - Accrual Payables	32 076 218	-	-	-
Trade and other payables - Retentions	59 958 552	-	-	-

#### 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.

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

Financial instrument	2023	2022
Trade and other receivables from exchange transactions (at amortised cost)	3 136 705	238 325
Other receivables from non-exchange transactions - non-current (at amortised cost)	997 540	806 714
Other receivables from non-exchange transactions - current (at amortised cost)	64 644	64 644
Cash and cash equivalents (at fair value)	243 687 362	255 950 957

#### Market risk

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	(2 130 182)	(2 004 439)
Current year subscription/fee	2 023 673	1 855 635
Amount paid - current year	(2 104 473)	(1 981 378)
	<b>(2 210 982)</b>	<b>(2 130 182)</b>

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>41. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Current year fee	5 814 439	4 771 665
Amount paid - current year	(5 814 439)	(4 771 665)
	-	-
<b>PAYE, SDL and UIF</b>		
Current year fee	43 630 284	40 725 973
Amount paid - current year	(43 630 284)	(40 725 973)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year fee	53 159 510	49 927 643
Amount paid - current year	(53 159 510)	(49 927 643)
	-	-

## 42. Budget differences

### Differences between budget and actual amounts basis of preparation and presentation

**Note 1:** Council took a decision to recover a certain percentage of the overhead costs from the local municipalities which was not the case in the past. The recoverable cost was therefore projected at a lesser amount than the actual collection, this was due to not having accurate data to determine the recoverable amount.

**Note 2:** Revised budget passed and amounts included in the operations of Gert Sibande to adhere to the RBIG accounting guidelines from National Treasury.

**Note 3:** Establishment of the administration unit fast tracked the issuance of fines and therefore as a results increasing in revenue .

**Note 4:** Lekwa ministerial intervention projects which were not part of the budget, since these were only approved in January 2023 .

**Note 5:** Increase in interest rate and investing for longer period

**Note 6:** Savings from positions which became vacant during the year.

**Note 7:** Unforeseen expenditure-interest and penalties emanating from SARS audit

**Note 8:** Unspent receipts of RBIG from Msukaligwa of R9,4 Million

**Note 9:** Less licence fees and IT expenses than anticipated due to PMS system being implemented later than it should.

## 43. Segment information

### General information

Audited  
By  
2023 -11- 30  
Auditor General South Africa  
Mpumalanga Business Unit

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

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2022

### 43. Segment information (continued)

#### Identification of segments

The district municipality is not necessary involved in delivering core service to its citizens. This is compounded by the fact that some of the functions that are ordinarily performed by the district in terms of municipal structures act they were delegated to the local municipalities e.g. bulk water, bulk sewer, solid waste sites etc. For management purposes, the municipality is organised and operates in two key functional segments which are involved in service delivery purposes therefore has the ability to derive service potential. To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessments of performance. Revenues and expenditures relating to these business units are allocated to these business units.

The two key business units comprise of:

- Community and social services which include municipal health services, environmental health and disaster management amongst it function;-
- Infrastructure and technical services which include amongst others support to local municipalities on road maintenance, bulk infrastructure projects, water quality testing etc;

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (If any)

#### Aggregated segments

For the purpose of this reporting the other departments such as Office of the Executive Mayor, Office of the Municipal manager, Finance, Corporate service and Planning and economic development are viewed as support function and therefore grouped as governance and administration support.

For segment reporting purposes the income and expenditures as well as assets and liabilities will be included in the annual financial statements. The information regarding cash flow is not readily split into these departments, therefore it has not been included in the segment reporting.

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Infrastructure and technical services	supporting local municipalities on bulk infrastructure, maintenance of road as well as water quality testing
Community and social services	Municipal health services, environmental health and disaster management
Governance and administration support	Support function (not a major segment)

#### Segment surplus or deficit, assets and liabilities





**GERT SIBANDE DISTRICT MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2023

**Notes to the Annual Financial Statements**

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**43. Segment information (continued)**

**Segment surplus or deficit**



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 43. Segment information (continued)

2023

	Governance and administration	Community and Social Services	Infrastructure and technical services	Total
Revenue from non exchange transactions	337 276 000	-	-	337 276 000
Revenue from exchange transactions	25 783 374	804 986	453 405 582	479 993 942
<b>Total Revenue</b>	<b>363 059 374</b>	<b>804 986</b>	<b>453 405 582</b>	<b>817 269 942</b>
Salaries and wages	(146 399 056)	(41 925 143)	(26 985 801)	(215 310 000)
Depreciation and amortisation	(19 528 297)	(670 623)	(3 406 281)	(23 605 201)
Other Expenditure	(62 012 274)	(2 752 113)	(11 127 209)	(75 891 596)
Transfer and subsidies	(28 997 552)	(2 236 755)	(14 573 030)	(45 807 337)
Loss on disposal of assets	(212 010)	(630)	(4 716)	(217 356)
Construction contract cost	-	-	(428 191 567)	(428 191 567)
<b>Total surplus / (deficit)</b>	<b>105 910 185</b>	<b>(46 780 278)</b>	<b>(30 883 022)</b>	<b>28 246 885</b>

2022

	Governance and administration	Community and Social Services	Infrastructure and technical services	Total
Revenue from non exchange transactions	350 160 481	1 165 208	-	351 325 689
Revenue from exchange transactions	13 595 806	-	449 274 423	462 870 229
<b>Total Revenue</b>	<b>363 756 287</b>	<b>1 165 208</b>	<b>449 274 423</b>	<b>814 195 918</b>
Salaries and wages	(140 258 845)	(35 609 658)	(27 001 292)	(202 869 795)
Depreciation and amortisation	(19 360 898)	(735 334)	(3 998 501)	(24 094 733)
Other Expenditure	(69 331 777)	(2 533 984)	(13 613 531)	(85 479 292)
Transfers and subsidies paid	(30 786 862)	(1 521 283)	(15 735 688)	(48 043 833)
Loss on disposal of assets	(331 035)	-	-	(331 035)
Construction contract cost	-	-	(480 967 869)	(480 967 869)
<b>Total surplus / (deficit)</b>	<b>103 686 870</b>	<b>(39 235 051)</b>	<b>(92 042 458)</b>	<b>(27 590 639)</b>

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2023 -11- 30  
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Mpumalanga Business Unit

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## Notes to the Annual Financial Statements

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### 43. Segment information (continued)

#### Segment assets and liabilities

2023

	Current Assets	Non Current Assets	Current Liabilities	Non Current Liabilities	Total segment assets	Total segment liabilities
Infrastructure and technical service	56 067	16 935 283	9 451 834	-	16 991 350	9 451 834
Community and social services	-	44 126 615	-	-	44 126 615	-
Governance and administration services	255 252 435	222 007 848	213 755 573	12 105 000	477 260 283	225 860 573
<b>Total segment assets</b>	<b>255 308 502</b>	<b>283 069 746</b>	<b>223 207 407</b>	<b>12 105 000</b>	<b>538 378 248</b>	<b>235 312 407</b>
<b>Total as per Statement of financial Position</b>					<b>538 378 248</b>	<b>235 312 407</b>

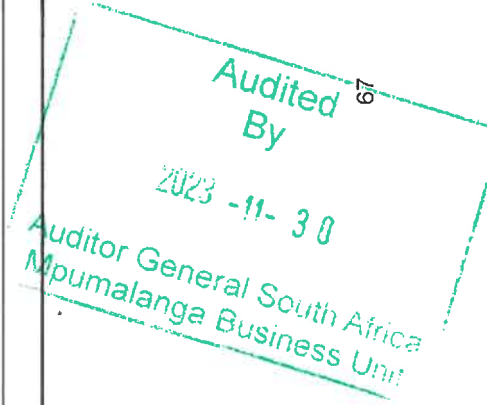
2022

	Current Assets	Non Current Assets	Current Liabilities	Non Current Liabilities	Total segment assets	Total segment liabilities
Infrastructure and technical service	367 018	22 537 187	-	1 515 981	22 904 205	1 515 981
Community and social services	30 540	44 185 595	-	-	44 216 135	-
Governance and administration services	273 951 096	234 011 945	285 512 790	11 317 045	507 962 514	296 829 835
<b>Total segment</b>	<b>274 348 654</b>	<b>300 734 727</b>	<b>285 512 790</b>	<b>12 833 026</b>	<b>575 082 854</b>	<b>298 345 816</b>
<b>Total as per Statement of financial Position</b>					<b>575 082 854</b>	<b>298 345 816</b>

### 44. Prior-year adjustments

Prior-year adjustments for the 2022/2023 financials

#### Statement of financial position



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022	
<b>44. Prior-year adjustments (continued)</b>				
<b>2022</b>				
	Note	As previously reported	Correction of error	Restated
VAT payables (Error 1)	19	32 375 144	127 609 481	159 984 625
Accumulated Surpluses (Error 2)	22	381 137 100	(76 862 033)	304 275 067
		-	-	-

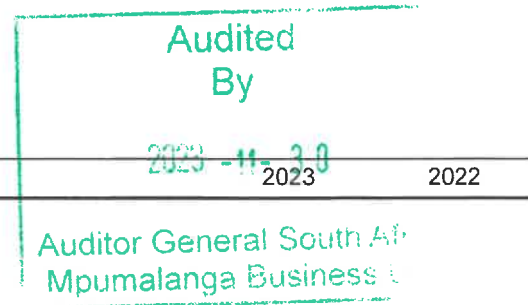
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Mpumalanga Business Unit

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

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### 44. Prior-year adjustments (continued)

#### Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Revenue form construction Revenue (Error 3)	22	-	480 967 869	480 967 869
Construction contract cost Cost (Error 4)	25	-	(480 967 869)	(480 967 869)
Finance costs (Error 5)	28	(1 367 184)	(7 680 316)	(9 047 500)
Los on disposal of assets and liabilities (Error 6)		(319 343)	(11 692)	(331 035)
Transfers Subsidies (Error 7)	32	(46 796 512)	(43 141 225)	(89 937 737)
		-	-	-

#### Prior year errors

##### Error 1: VAT Payables

SARS conducted the VAT audit for the period from July 2019 to June 2022. SARS conducted a VAT audit for the period of July 2019 to June 2022, as a result of that audit there was an underpayment of R127,609,481 that affected various line items on the AFS..

##### Error 2: Accumulated surplus

SARS conducted a VAT audit and identified that GSDM was not treating the VAT output correctly, these were previously accounted for as Principal and Agent transaction, however SARS view was that this was not. GSDM was supposed to declare vat output on the receipts from DWS and local municipalities, and this as per SARS audit on vat attracted interest and penalties. Furthermore National Treasury guided that these transactions from this arrangement should be accounted for in terms of GRAP 23 & 11 instead of GRAP 109 which necessitated the correction of these errors. Included in the Accumulated surplus is the R2 573 153 which was claimed as vat input and was received from SARS as part of the vat audit review relating to 2017 to 2019 Financial year.

##### Error 3: Revenue form construction contracts

Correcting the accounting treatment for the amounts received for construction contracts relating to water and sanitation projects done by GSDM on behalf of various local municipalities in terms of GRAP 11 and 23, Previously these transactions were accounted for in terms of GARP 109 accounting for Principal and Agent as was the interpretation of GSDM. In the current financial year, National Treasury issued a guide that these arrangement should be accounted for in terms of GRAP 11 and 23. See note 22 for more detail.

##### Error 4: Construction Contract costs

Correcting the accounting treatment for the expenditure of construction contracts relating to water and sanitation projects executed on behalf of various local municipalities in terms of GRAP 11 and 23, Previously these transactions were accounted for in terms of GARP 109 accounting for Principal and Agent as was the interpretation of GSDM. In the current financial year, National Treasury issued a guide that these arrangement should be accounted for in terms of GRAP 11 and 23. See note 25 for more detail.

##### Error 5: Finance Costs

SARS conducted a VAT audit for the period of July 2019 to June 2022. The audit findings results was that there was underpayment of VAT over the periods under audit. The penalties and interest that was raised by SARS relating to the previous periods were taken into account. It must be noted that the penalties and interest levied by SARS are under dispute.

##### Error 6: Loss on disposal of assets and liabilities

Correction of loss on disposal of assets that were lost in the previous periods but not taken of the asset register pending insurance claim outcome.

##### Error 7: Transfer and subsidies

Correction of amounts that relates to construction contract from transfers and subsidies as a result of accounting for expenditure of construction contracts relating to water and sanitation projects executed on behalf of various local municipalities in terms of GRAP 11 and 23 before the transaction was wrongly accounted for in terms of GARP 109. This also includes R43 141 225 of which GSDM Co funded local municipalities on the construction of RBIG projects in the 2021/22 Financial year.

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 45. Fruitless and wasteful expenditure

<b>Opening balance as restated</b>	-	-
Add: Expenditure identified - current	3 226 735	-
Add: Expenditure identified - prior year (identified in the current year)	22 397 012	-
<b>Closing balance</b>	<b>25 623 747</b>	-

The fruitless and wasteful expenditure relates to interest and penalties paid to SARS relating to an audit done since 2019 to 2022. The municipality has submitted a request for remission with SARS.

### 46. Irregular expenditure

Add: Irregular Expenditure - current	62 862 689	-
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### Recoverability steps taken/criminal proceedings

The irregular expenditure identified in the current financial period relates to non compliance with Preferential Procurement regulations. The municipality will investigate and follow section 32 of MFMA in the next financial period to deal with this irregular expenditure.

The municipality will investigate the full extent of the amount as this relates to what was identified during the audit. Follow up with section 32 of MFMA will be made in the next financial period to deal with this irregular expenditure.

