

GERT SIBANDE DISTRICT MUNICIPALITY  
Annual Financial Statements  
for the year ended 30 June 2024



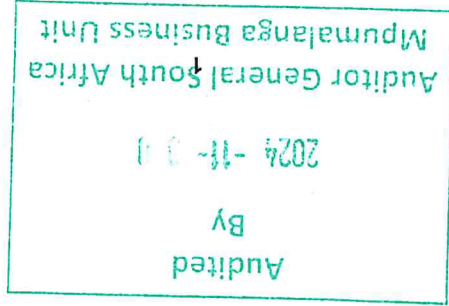
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By  
2024-11-29  
Auditor General South Africa  
Mpumalanga Business Unit

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## General Information

|                                             |                                                                                                                                                                                                                               |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Legal form of entity                        | District Municipality                                                                                                                                                                                                         |
| Nature of business and principal activities | 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. |
| Speaker                                     | Sekhonde BG                                                                                                                                                                                                                   |
| Executive Mayor                             | Mngomezulu MW                                                                                                                                                                                                                 |
| Chief Whip                                  | Mtshali BH                                                                                                                                                                                                                    |
| Grading of local authority                  | 3                                                                                                                                                                                                                             |
| Accounting Officer                          | Habile CA                                                                                                                                                                                                                     |
| Chief Finance Officer (CFO)                 | Buthelezi ZR                                                                                                                                                                                                                  |
| Registered office                           | Cnr Joubert & Oosthuise Street<br>Ermelo<br>Mpumalanga<br>2351                                                                                                                                                                |
| Business address                            | Cnr Joubert & Oosthuise Street<br>Ermelo<br>Mpumalanga<br>2351                                                                                                                                                                |
| Postal address                              | PO Box 1748<br>Ermelo<br>Mpumalanga<br>2350                                                                                                                                                                                   |
| Bankers                                     | First National Bank                                                                                                                                                                                                           |
| Auditor                                     | Auditor General of South Africa (AGSA)                                                                                                                                                                                        |
| Attorneys                                   | Panel attorneys                                                                                                                                                                                                               |
| Contact Details                             | Telephone: +27 (17) 8 01 7000<br>Fax: +27 (17) 811 1207<br>E-mail: Records@gsibande.gov.za<br>Web site: www.gsibande.gov.za<br>Lankabalele L (Chairperson audit committee)<br>Rasalanavho T<br>Theniga O<br>Simeleane S       |
| Income Tax status                           | 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                                                                                       |



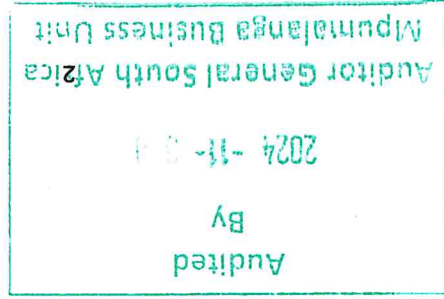
# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

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| Abbreviation | Description                                |
|--------------|--------------------------------------------|
| DORA         | Division of Revenue Act                    |
| DWS          | Department of Water and Sanitation         |
| EPWP         | Expanded Public Works Programme            |
| FMG          | Finance Management Grant                   |
| GRAP         | Generally Recognised Accounting Practice   |
| GSDM         | Gert Sibande District Municipality         |
| ISDG         | Infrastructure Skills Development Grant    |
| MFMA         | Municipal Finance Management Act           |
| MPAC         | Municipal Public Accounts Committee        |
| PAYE         | Pay As You Earn                            |
| RRAMS        | Rural Road Asset Management Grant          |
| RBIG         | Regional Bulk Infrastructure Grant         |
| SALGA        | South African Local Government Association |
| SARS         | South African Revenue Services             |
| VAT          | Value Added Tax                            |
| UIF          | Unemployment Insurance Fund                |



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 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 judgments 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 2025 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.

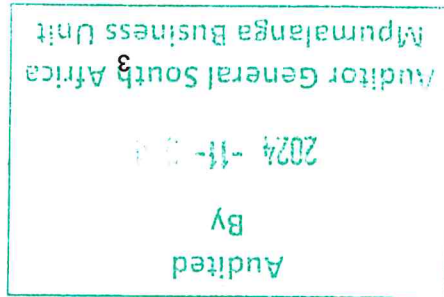
As much as the statement of financial performance indicate that the revenue of the municipality is almost 50% split between grants and own revenue, this is because of the revenue from construction contract RBIG projects implemented on behalf of the LMs and DWS. Should we not take that into account it is clear that the municipality largely depends on grants revenue

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, they are supported the Audit Committee and the Executive Mayor.

The unaudited 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 31 August 2024 :

Habile CA  
Municipal Manager





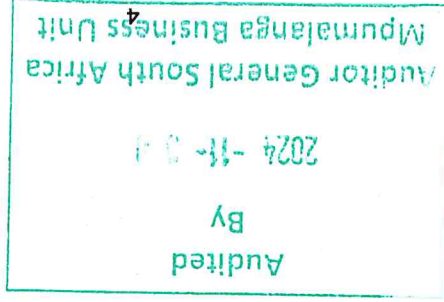
# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

| Figures in Rand                            |    | Note(s) | 2024        | 2023        | Restated* |
|--------------------------------------------|----|---------|-------------|-------------|-----------|
| <b>Assets</b>                              |    |         |             |             |           |
| <b>Current Assets</b>                      |    |         |             |             |           |
| Cash and cash equivalents                  | 3  |         | 167 882 125 | 243 687 362 |           |
| Inventories                                | 4  |         | 1 277 440   | 1 247 000   |           |
| Prepayments                                | 5  |         | 2 898 812   | 2 210 982   |           |
| Receivables from exchange transactions     | 6  |         | 68 387 123  | 8 456 603   |           |
| Receivables from non-exchange transactions | 11 |         | 64 625      | 64 644      |           |
| <b>Non-Current Assets</b>                  |    |         |             |             |           |
| Heritage assets                            | 7  |         | 159 250     | 159 250     |           |
| Intangible assets                          | 8  |         | 1 775 310   | 2 321 847   |           |
| Investment property                        | 9  |         | 22 300 689  | 22 300 689  |           |
| Property, plant and equipment              | 10 |         | 245 529 203 | 257 294 152 |           |
| Receivables from non-exchange transactions | 11 |         | 1 108 319   | 997 540     |           |
| <b>Total Assets</b>                        |    |         |             |             |           |
|                                            |    |         | 511 382 896 | 538 740 069 |           |
| <b>Liabilities</b>                         |    |         |             |             |           |
| <b>Current Liabilities</b>                 |    |         |             |             |           |
| Consumer deposits                          | 12 |         | 140 518     | 99 275      |           |
| Employee benefit- bonus                    | 13 |         | 5 156 928   | 4 715 311   |           |
| Finance lease obligation                   | 14 |         | 216 863     | 702 025     |           |
| Long service provision                     | 15 |         | 1 143 000   | 2 519 000   |           |
| Payables from exchange transactions        | 16 |         | 162 000 295 | 98 890 083  |           |
| Payables from non-exchange transactions    | 17 |         | 620 632     | 9 341 439   |           |
| Post retirement benefit obligations        | 18 |         | 85 000      | 78 000      |           |
| VAT payable                                | 19 |         | 1 853 217   | 105 836 784 |           |
| <b>Non-Current Liabilities</b>             |    |         |             |             |           |
| Finance lease obligation                   | 14 |         | 399 636     | -           |           |
| Long service provision                     | 15 |         | 13 453 000  | 11 482 000  |           |
| Post retirement benefit obligations        | 18 |         | 644 000     | 623 000     |           |
| <b>Total Liabilities</b>                   |    |         |             |             |           |
|                                            |    |         | 185 713 089 | 234 286 917 |           |
| <b>Net Assets</b>                          |    |         |             |             |           |
|                                            |    |         | 325 669 807 | 304 453 152 |           |
| <b>Accumulated surplus</b>                 |    |         |             |             |           |
|                                            |    |         | 325 669 807 | 304 453 152 |           |
| <b>Total Net Assets</b>                    |    |         |             |             |           |

\* See Note 46



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

| Figures in Rand                                     | Note(s) | 2024                 | 2023                 | Restated* |
|-----------------------------------------------------|---------|----------------------|----------------------|-----------|
| <b>Revenue</b>                                      |         |                      |                      |           |
| <b>Revenue from exchange transactions</b>           |         |                      |                      |           |
| Co Funding received from Local Municipalities       | 20      | 46 293 668           | -                    | -         |
| Interest received                                   | 21      | 25 358 613           | 25 112 217           |           |
| Other income                                        | 22      | 23 787 510           | 22 883 944           |           |
| Rendering of services                               | 23      | 798 311              | 804 986              |           |
| Revenue from construction contracts                 | 23      | 401 886 860          | 428 502 932          |           |
| Service charges                                     | 24      | 3 474 553            | 3 001 362            |           |
| <b>Total revenue from exchange transactions</b>     |         | <b>501 599 515</b>   | <b>480 305 441</b>   |           |
| <b>Revenue from non-exchange transactions</b>       |         |                      |                      |           |
| Transfer revenue                                    |         |                      |                      |           |
| Government grants and subsidies                     | 25      | 345 475 000          | 337 276 000          |           |
| Proceeds from insurance                             |         | 73 496               | -                    |           |
| <b>Total revenue from non-exchange transactions</b> |         | <b>345 548 496</b>   | <b>337 276 000</b>   |           |
| <b>Total revenue</b>                                |         | <b>847 148 011</b>   | <b>817 581 441</b>   |           |
| <b>Expenditure</b>                                  |         |                      |                      |           |
| Construction contract cost                          | 26      | (401 886 833)        | (428 502 932)        |           |
| Depreciation and amortisation                       | 27      | (22 079 885)         | (23 605 199)         |           |
| Employee related costs                              | 28      | (215 524 916)        | (202 148 126)        |           |
| Finance costs                                       | 29      | (1 579 203)          | (4 620 313)          |           |
| Lease                                               | 30      | (123 237)            | (115 175)            |           |
| Loss on disposal of assets and liabilities          |         | (112 976)            | (217 357)            |           |
| Operating costs                                     | 31      | (79 924 025)         | (71 156 108)         |           |
| Remuneration of councillors                         | 32      | (14 954 095)         | (14 461 113)         |           |
| Transfers and Subsidies                             | 33      | (89 660 213)         | (45 495 971)         |           |
| PPE Impairment Loss                                 |         | (85 973)             | -                    |           |
| <b>Total expenditure</b>                            |         | <b>(825 931 356)</b> | <b>(790 322 294)</b> |           |
| <b>Surplus for the year</b>                         |         | <b>21 216 655</b>    | <b>27 259 147</b>    |           |

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\* See Note 46

**GERT SIBANDE DISTRICT MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2024

**Statement of Changes in Net Assets**

| Figures in Rand               |                  |                                   |
|-------------------------------|------------------|-----------------------------------|
| Accumulated surplus / deficit | Total net assets |                                   |
| 277 194 005                   | 277 194 005      | Balance at 01 July 2022           |
| 27 259 147                    | 27 259 147       | Changes in net assets             |
| 27 259 147                    | 27 259 147       | Surplus for the year              |
| Total changes                 |                  |                                   |
| 27 259 147                    | 27 259 147       | Restated* Balance at 01 July 2023 |
| 304 453 152                   | 304 453 152      | Changes in net assets             |
| 21 216 655                    | 21 216 655       | Surplus for the year              |
| Total changes                 |                  |                                   |
| 21 216 655                    | 21 216 655       | Balance at 30 June 2024           |
| 325 669 807                   | 325 669 807      |                                   |

\* See Note 46

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# Cash Flow Statement

| Figures in Rand                                             |                     | Note(s)   | 2024                | 2023 | Restated* |
|-------------------------------------------------------------|---------------------|-----------|---------------------|------|-----------|
| <b>Cash flows from operating activities</b>                 |                     |           |                     |      |           |
| Receipts                                                    |                     |           |                     |      |           |
| Sale of goods and services                                  | (56 566 727)        |           | 9 300 046           |      |           |
| Grants                                                      | 345 475 000         |           | 337 276 000         |      |           |
| Interest income                                             | 25 358 613          |           | 25 112 217          |      |           |
| Other receipts                                              | 472 807 592         |           | 452 230 387         |      |           |
|                                                             | 787 074 478         |           | 823 918 650         |      |           |
| <b>Payments</b>                                             |                     |           |                     |      |           |
| Employee costs                                              | (232 602 235)       |           | (218 296 465)       |      |           |
| Suppliers                                                   | (530 585 686)       |           | (561 839 988)       |      |           |
| Finance costs                                               | -                   |           | (3 011 817)         |      |           |
| Grants paid                                                 | (89 660 213)        |           | (45 807 337)        |      |           |
|                                                             | (852 848 134)       |           | (828 955 607)       |      |           |
| <b>Net cash flows from operating activities</b>             | <b>(65 773 656)</b> | <b>35</b> | <b>(5 083 487)</b>  |      |           |
| <b>Cash flows from investing activities</b>                 |                     |           |                     |      |           |
| Purchase of property, plant and equipment                   | (9 344 144)         | 10        | (6 423 286)         |      |           |
| Proceeds from sale of property, plant and equipment         | 246 112             | 10        | 425 068             |      |           |
| Purchase of other intangible assets                         | (100 088)           | 8         | -                   |      |           |
| <b>Net cash flows from investing activities</b>             | <b>(9 198 120)</b>  |           | <b>(5 998 218)</b>  |      |           |
| <b>Cash flows from financing activities</b>                 |                     |           |                     |      |           |
| Finance lease payments                                      | (833 461)           |           | (1 179 888)         |      |           |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>(75 805 237)</b> |           | <b>(12 261 593)</b> |      |           |
| Cash and cash equivalents at the beginning of the year      | 243 687 362         |           | 255 950 957         |      |           |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>167 882 125</b>  | <b>3</b>  | <b>243 689 364</b>  |      |           |

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# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

| Budget on Accrual Basis |             |              |                                    |                                            |           |
|-------------------------|-------------|--------------|------------------------------------|--------------------------------------------|-----------|
| Approved budget         | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |

### Statement of Financial Performance

| Revenue                                       |             |             |             |             |              |
|-----------------------------------------------|-------------|-------------|-------------|-------------|--------------|
| Revenue from exchange transactions            |             |             |             |             |              |
| Service charges                               | 1 000 000   | 2 000 000   | 3 000 000   | 3 474 553   | 474 553      |
| Rendering of services                         | 700 000     | 200 000     | 900 000     | 798 311     | (101 689)    |
| Revenue from construction contract            | -           | 410 000 000 | 410 000 000 | 401 886 860 | (8 113 140)  |
| Other income                                  | 25 461 560  | 451 000     | 25 912 560  | 23 787 510  | (2 125 050)  |
| Co Funding received from Local Municipalities | -           | 48 250 188  | 48 250 188  | 46 293 668  | (1 956 520)  |
| Interest received - investment                | 21 069 670  | 4 000 000   | 25 069 670  | 25 358 613  | 288 943      |
| Total revenue from exchange transactions      | 48 231 230  | 464 901 188 | 513 132 418 | 501 599 515 | (11 532 903) |
| Revenue from non-exchange transactions        |             |             |             |             |              |
| Transfer revenue                              | 345 975 000 | (500 000)   | 345 475 000 | 345 475 000 | -            |
| Government grants & subsidies                 | 345 975 000 | (500 000)   | 345 475 000 | 73 496      | 73 496       |
| Other transfer revenue 1                      | -           | -           | -           | 73 496      | 73 496       |
| Total revenue from non-exchange transactions  | 345 975 000 | (500 000)   | 345 475 000 | 345 548 496 | 73 496       |
| Total revenue                                 | 394 206 230 | 464 401 188 | 858 607 418 | 847 148 011 | (11 459 407) |

| Expenditure                                                                                   |               |               |               |               |            |
|-----------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|------------|
| Employee related costs                                                                        | (231 914 410) | 9 388 495     | (222 525 915) | (215 524 916) | 7 000 999  |
| Remuneration of councillors                                                                   | (15 943 070)  | -             | (15 943 070)  | (14 954 095)  | 988 975    |
| Depreciation and amortisation                                                                 | (26 821 250)  | -             | (26 821 250)  | (22 079 885)  | 4 741 365  |
| Finance costs                                                                                 | (1 480 000)   | -             | (1 480 000)   | (1 579 203)   | (99 203)   |
| Lease rentals on operating lease                                                              | (303 620)     | -             | (303 620)     | (123 237)     | 180 383    |
| Debt Impairment                                                                               | -             | -             | -             | (85 973)      | (85 973)   |
| Construction contract costs                                                                   | -             | (410 000 000) | (410 000 000) | (401 886 833) | 8 113 167  |
| Transfers and Subsidies                                                                       | (35 997 070)  | (57 089 657)  | (93 086 727)  | (89 660 213)  | 3 426 514  |
| General Expenses                                                                              | (88 923 810)  | 831 510       | (88 092 300)  | (79 924 025)  | 8 168 275  |
| Total expenditure                                                                             | (401 383 230) | (456 869 652) | (858 252 882) | (825 818 380) | 32 434 502 |
| Operating surplus                                                                             | (7 177 000)   | 7 531 536     | 354 536       | 21 329 631    | 20 975 095 |
| Loss on disposal of assets and liabilities                                                    | -             | -             | -             | (112 976)     | (112 976)  |
| Surplus before taxation                                                                       | (7 177 000)   | 7 531 536     | 354 536       | 21 216 655    | 20 862 119 |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | (7 177 000)   | 7 531 536     | 354 536       | 21 216 655    | 20 862 119 |

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# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

Figures in Rand

### 1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 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.

#### 1.2 Going concern assumption

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

#### 1.3 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 of property, plant and equipment

Majority of the assets of the municipality are not used for commercial purposes or gain, however they are either used for administrative purposes or for service delivery purposes. The impairment of property, plant and equipment (PPE) is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount and they are no longer usable in its current form and management has no intention to use these assets any further. This was performed across all classes of property, plant and equipment

#### Useful lives of property, plant and equipment, investment property and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets are also based on management's judgement on whether the assets will be sold, held indefinitely or used to the end of their useful lives, and what their condition will be at that time

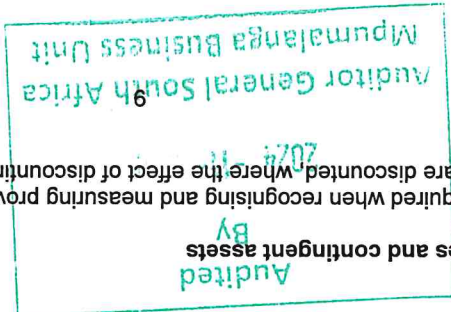
#### Post-retirement benefits and long service awards

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty

Other key assumptions for post retirement benefit obligations are based on current market conditions. Additional information is disclosed in Note 18.

#### Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and assets. Provisions are discounted where the effect of discounting is material, using cost of capital





## **Accounting Policies**

### **1.4 Cash and cash equivalents**

Cash and cash equivalents are measured at their amortised cost.

### **1.5 Investment property**

Investment property is property (land or buildings 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.

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.

### **1.6 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.

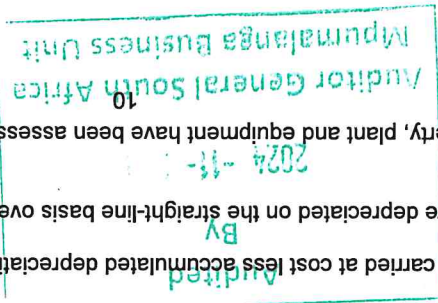
The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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.

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.

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



## Accounting Policies

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

| Item                            | Depreciation method | Average useful life |
|---------------------------------|---------------------|---------------------|
| <b>Land</b>                     |                     |                     |
| - Land                          | Straight-line       | Indefinite          |
| <b>Buildings</b>                |                     |                     |
| - Office buildings              | Straight-line       | 30                  |
| - Laboratories                  | Straight-line       | 30                  |
| - Disaster centres              | Straight-line       | 30                  |
| - Elevator system               | Straight-line       | 20                  |
| - Transformer                   | Straight-line       | 50                  |
| - Solar panels                  | Straight-line       | 7                   |
| - Carports / garages / shelters | Straight-line       | 15                  |
| <b>Furniture and fixtures</b>   |                     |                     |
| - Furniture and fixtures        | Straight-line       | 7                   |
| - Office furniture              | Straight-line       | 7                   |
| - Office equipment              | Straight-line       | 5                   |
| <b>IT Equipment</b>             |                     |                     |
| - IT Equipment                  | Straight-line       | 5                   |
| - Communication equipment       | Straight-line       | 2                   |
| - Leased copiers                | Straight-line       | 3                   |
| <b>Motor vehicles</b>           |                     |                     |
| - Motor vehicles                | Straight-line       | 7                   |
| - Construction vehicles         | Straight-line       | 10                  |
| <b>Plant and machinery</b>      |                     |                     |
| - Plant and machinery           | Straight-line       | 5                   |
| - Laboratory equipment          | Straight-line       | 5                   |

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 31).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

### 1.7 Intangible assets

An asset is identifiable if it either:

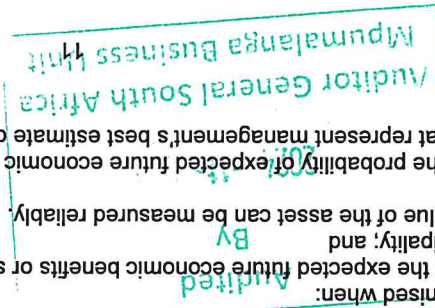
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements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



## Accounting Policies

### 1.7 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.

All other intangible assets amortisation is provided on a straight-line basis over their useful life

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

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

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

| Item                     | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, 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 8).

Intangible assets are derecognised:

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

### 1.8 Heritage assets

An inalienable item is an asset that an 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.

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

### 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.

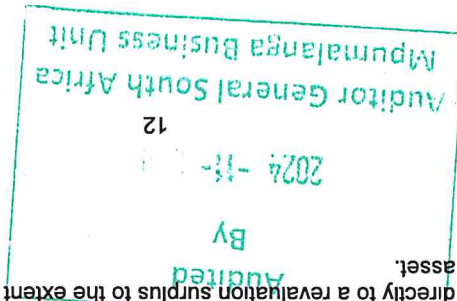
Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

### 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.





## Accounting Policies

### 1.8 Heritage assets (continued)

#### 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).

### 1.9 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.

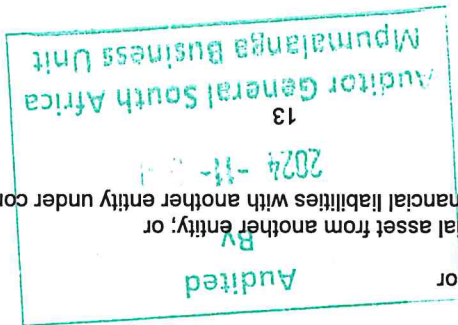
Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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).

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.



## Accounting Policies

### 1.9 Financial instruments (continued)

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 unissued 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.

#### Initial recognition

The entity recognises a financial asset 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 concessional loan is in fact a loan. On initial recognition, the entity analyses a concessional loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessional 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 amortised cost



## Accounting Policies

### 1.9 Financial instruments (continued)

The following are the financial assets and liabilities measured at amortised cost:

| Type of financial assets                                | Measurement    |
|---------------------------------------------------------|----------------|
| • Trade and other receivable from exchange transactions | Amortised cost |
| • Cash and cash equivalents                             | Amortised cost |
| Type of financial liabilities                           | Measurement    |
| • Trade and other payables from exchange transactions   | Amortised cost |
| • Payables from non-exchange transactions               | Amortised cost |
| • Consumer deposits                                     | Amortised cost |
| • Financial lease obligation - current liability        | Amortised cost |

Gains and losses

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 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 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.



## Accounting Policies

## 1.9 Financial instruments (continued)

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 recognises 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 GRAF 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.

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.

## **Accounting Policies**

### **1.10 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 interest 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.

### **1.11 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.

The weighted average method is the basis of allocating cost to inventories

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 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.

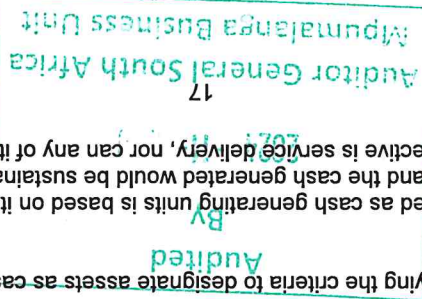
### **1.12 Impairment of non-cash-generating assets**

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.

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

The criteria is that for assets to be classified as cash generating units is based on its ability to generate cash flow for commercial independent from other units and the cash generated would be sustainable. The municipality does not have any cash generating assets, as its primary objective is service delivery, nor can any of its assets be associated with the purpose of making a commercial return.





## Accounting Policies

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

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable 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 amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality 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 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 a non-cash-generating asset is the present value of the non-cash-generating 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 overdesigned or overcapacity asset. Overdesigned 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

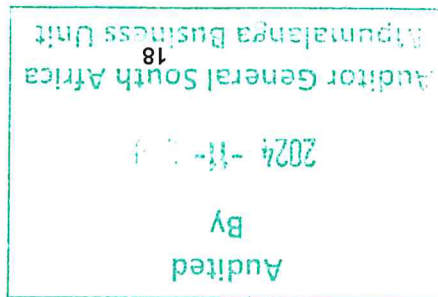
If the recoverable amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

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 Standard 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.





## **Accounting Policies**

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

#### **Reversal of 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 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 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 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.

### **1.13 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**

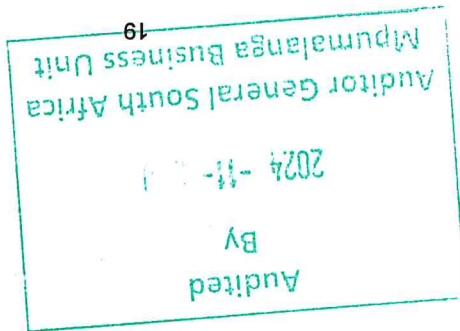
The study bursary are initially recognised in books of the municipality at the cost paid to the academic institution that the employee enrolled with as receivable from non-exchange transaction.

#### **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



## Accounting Policies

### 1.14 Employee benefits

#### Identification

#### 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.

#### 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
- 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 employee

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.

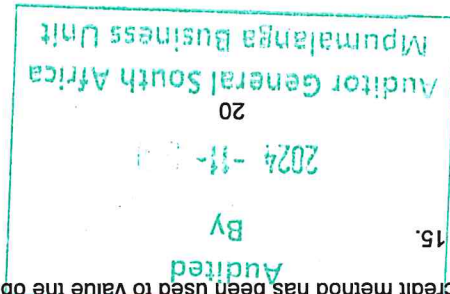
The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity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

#### Long services awards

The municipality provides long-service leave to eligible employees, payable on completion of years of employment. The Entity's liability is based on an actuarial valuation. Any unwinding of discount is charged to the statement of financial performance as an employee-related cost. Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance. The projected unit credit method has been used to value the obligation.

Additional information is disclosed in Note 15.

#### Post-employment benefits





**1.14 Employee benefits (continued)**

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.

The municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff.

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

**Recognition and measurement**

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

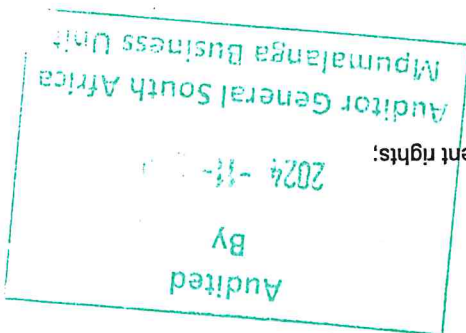
The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- 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;





## Accounting Policies

### 1.14 Employee benefits (continued)

- actuarial gains and losses
  - past service cost;
  - the effect of any curtailments or settlements; and
  - the effect of applying the limit on a defined benefit asset (negative defined benefit liability)
- The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit-years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
  - the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets

Before determining the effect of a curtailment or settlement, the entity re-measures 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.

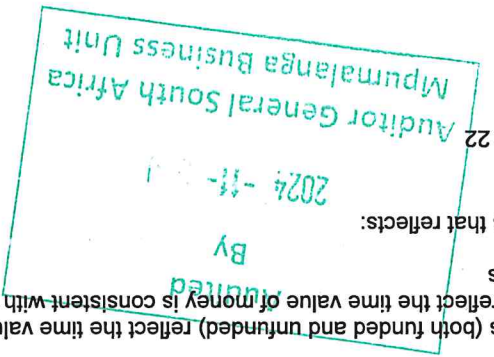
### Actuarial assumptions

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:



## Accounting Policies

### 1.14 Employee benefits (continued)

- 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.

#### Termination benefits

#### Recognition and measurement

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of 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.

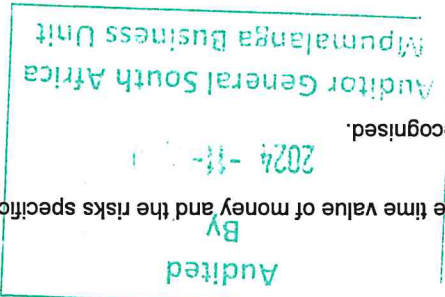
### 1.15 Provisions and contingencies

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.



## **Accounting Policies**

### **1.15 Provisions and contingencies (continued)**

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.

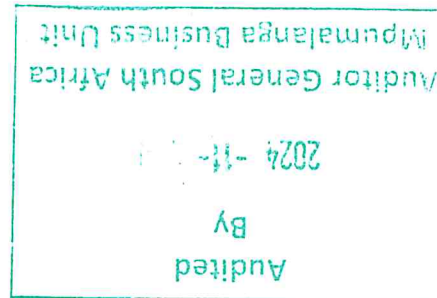
### **1.16 Commitments**

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-cancelable or only cancelable 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.





## Accounting Policies

### 1.17 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.

#### 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.

### 1.18 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.

#### 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.

#### Measurement

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

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

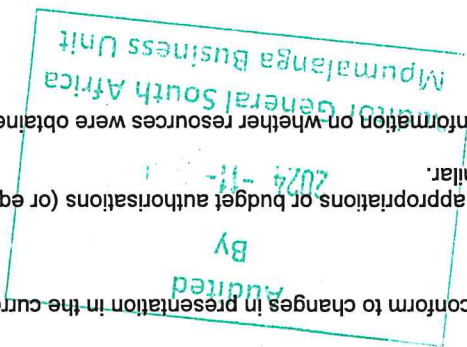
### 1.19 Comparative figures

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

### 1.20 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.



## Accounting Policies

### 1.20 Budget information (continued)

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

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

### 1.21 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 ventures).

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.

### 1.22 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:

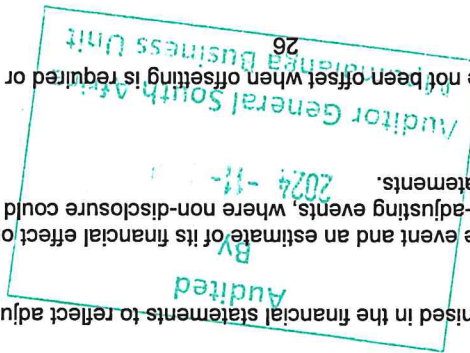
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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.

### 1.23 Offsetting

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





## Accounting Policies

### 1.24 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

### 1.25 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.

### 1.26 Fruitless and wasteful expenditure

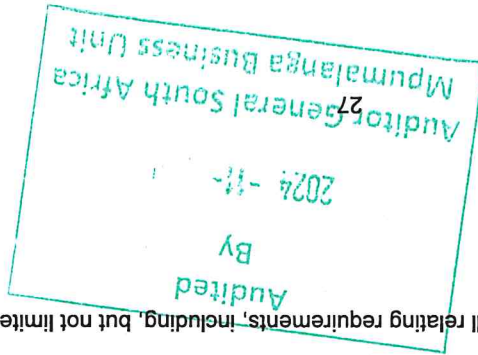
Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

### 1.27 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, Guidelines.





# GERT SIBANDE DISTRICT MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

2024  
2023

#### 2. New standards and interpretations

##### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation:                                                                                                                                                                                                                                                                            | Effective date:<br>Years beginning on or after                   | Expected impact:                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>GRAP 21: The Effect of Past Decisions on Materiality</li> <li>GRAP 25 (as revised): Employee Benefits</li> <li>GRAP 2020: Improvements to the Standards of GRAP 2020</li> <li>GRAP 1 (amended): Presentation of Financial Statements (Materiality)</li> </ul> | 01 April 2023<br>01 April 2023<br>01 April 2023<br>01 April 2023 | The impact of the standard is not material.<br>The impact of the standard is not material.<br>The impact of the standard is not material.<br>The impact of the standard is not material. |

##### 2.2 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 2024 or later periods:

| Standard/ Interpretation:                                                                                                                      | Effective date:<br>Years beginning on or after | Expected impact:                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|--------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>GRAP 103 (as revised): Heritage Assets</li> <li>GRAP 104 (as revised): Financial Instruments</li> </ul> | 01 April 2099<br>01 April 2025                 | Unlikely there will be a material impact<br>Unlikely there will be a material impact |

#### 3. Cash and cash equivalents

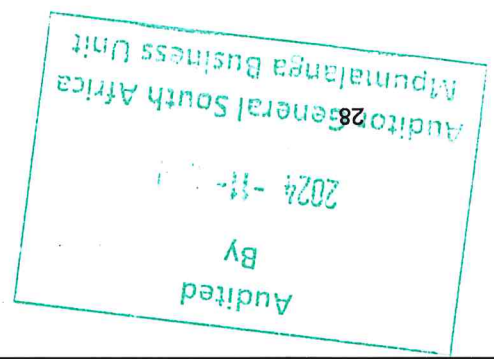
Cash and cash equivalents consist of:

|               |                    |
|---------------|--------------------|
| Cash on hand  | 8 100              |
| Bank balances | 243 679 262        |
|               | <b>243 687 362</b> |

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

The municipality had the following bank accounts

| Account number / description               | Bank statement balances  | Cash book balances       |
|--------------------------------------------|--------------------------|--------------------------|
| FNB BANK - Current Account - 626-3839-6334 | 30 June 2024 6 895 092   | 30 June 2024 255 942 857 |
| FNB BANK - Call Account - 626-1377-7848    | 30 June 2023 237 303 161 | 30 June 2023 243 679 264 |
|                                            | 247 719 523              |                          |
|                                            |                          | -                        |
|                                            |                          | -                        |
|                                            |                          | -                        |
|                                            |                          | 255 942 857              |
|                                            |                          | <b>255 942 857</b>       |



# GERT SIBANDE DISTRICT MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

#### 4. Inventories

|                    |           |           |
|--------------------|-----------|-----------|
| Inventories stores | 1 277 440 | 1 247 000 |
|--------------------|-----------|-----------|

#### Inventories 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                      | 2 358 775        | 2 210 982        |
| Other prepayments expenses | 540 036          | -                |
|                            | <b>2 898 811</b> | <b>2 210 982</b> |

Prepayments consists of SALGA and other expenses which were prepaid as at June 2024 such as licence fees. In terms of the 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 2024

#### 6. Receivables from exchange transactions

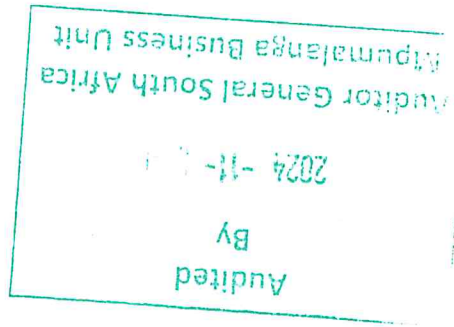
|                                                 |                   |                  |
|-------------------------------------------------|-------------------|------------------|
| Trade debtors                                   | 3 566 681         | 3 136 705        |
| Deposits                                        | 28 200            | 28 200           |
| Agency Fees from DWS                            | 2 482 238         | -                |
| RBIG Receivables from DWS                       | 47 853 321        | -                |
| Insurance debtor                                | -                 | 48 220           |
| Receivables from Govan Mbeki local municipality | 14 456 683        | 4 885 408        |
|                                                 | <b>68 387 123</b> | <b>8 098 533</b> |

#### Credit quality of receivables from exchange transactions

The credit quality of trade and other receivables that are past due not 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 less than 3 months past due are not considered to be impaired. At 30 June 2024, the amount of R 3 566 681 (2023: R 3 136 705) were past due but not impaired.



## Notes to the Annual Financial Statements

Notes to the Annual Financial Statements

## Notes to the Annual Financial Statements

Notes to the Annual Financial Statements

Notes to the Annual Financial Statements



## Annual Financial Statements for the year ended 30 June 2024

## 8. Intangible assets

There are no intangible assets pledged as security.

Audited  
By  
2024-11-20  
Auditor General South Africa  
Mipumalanaga Business Unit

**GERT SIBANDE DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2024**  
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Figures in Rand

**9. Investment property**

| Investment property                          |  |  |  |  | Investment property                          |  |  |  |  |
|----------------------------------------------|--|--|--|--|----------------------------------------------|--|--|--|--|
| Reconciliation of investment property - 2024 |  |  |  |  | Reconciliation of investment property - 2023 |  |  |  |  |
| Investment property                          |  |  |  |  | Investment property                          |  |  |  |  |
| Reconciliation of investment property - 2024 |  |  |  |  | Reconciliation of investment property - 2023 |  |  |  |  |
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| Reconciliation of investment property - 2024 |  |  |  |  | Reconciliation of investment property - 2023 |  |  |  |  |
| Investment property                          |  |  |  |  | Investment property                          |  |  |  |  |
| Reconciliation of investment property - 2024 |  |  |  |  | Reconciliation of investment property - 2023 |  |  |  |  |
| Investment property                          |  |  |  |  | Investment property                          |  |  |  |  |
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| Reconciliation of investment property - 2024 |  |  |  |  | Reconciliation of investment property - 2023 |  |  |  |  |
| Investment property                          |  |  |  |  | Investment property                          |  |  |  |  |
| Reconciliation of investment property - 2024 |  |  |  |  | Reconciliation                               |  |  |  |  |

**GERT SIBANDE DISTRICT MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Figures in Rand

2024      2023

**9. Investment property (continued)**

**Details of valuation**

The assessment of the valuation dated 30 June 2022 and the validity of such values for the period ending 30 June 2024 were performed by Ockert Brits, a registered Professional Valuer with registration number 6876, who is not connected to the municipality

The assessment of 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 2023/2024 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**

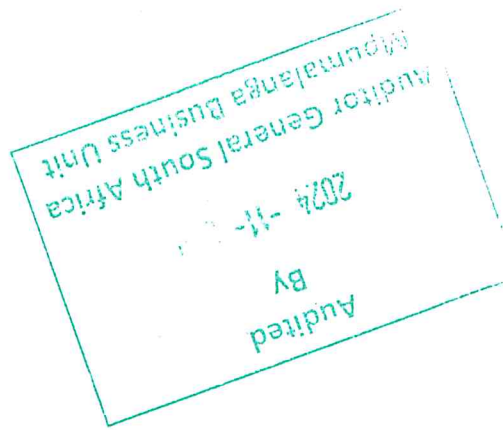
There is no amounts recognised in surplus and deficit for the 2023/2024.

**Maintenance of investment property**

No repairs and maintenance was spend on the investment property as it was received in the 2023/2024 financial year and the are no changes in tenants.

**Amounts recognised in surplus or deficit**

Rental income of R337,360 (2024) and R175,420 (2023) Excluding VAT was charged.





**GERT SIBANDE DISTRICT MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Figures in Rand

**10. Property, plant and equipment**

|                        | 2024        |               |                |             |               | 2023        |              |                |  |         |
|------------------------|-------------|---------------|----------------|-------------|---------------|-------------|--------------|----------------|--|---------|
|                        | Cost /      | Accumulated   | Carrying value | Cost /      | Accumulated   | Cost /      | Accumulated  | Carrying value |  |         |
|                        | Valuation   | depreciation  |                | Valuation   | depreciation  | Valuation   | depreciation |                |  |         |
|                        |             | and           |                |             | and           |             |              |                |  |         |
|                        |             | accumulated   |                |             | accumulated   |             |              |                |  |         |
|                        |             | impairment    |                |             | impairment    |             |              |                |  |         |
| Land                   | 360 000     | -             | 360 000        | 360 000     | -             | 360 000     | -            | 360 000        |  | 360 000 |
| Buildings              | 373 893 260 | (160 225 065) | 213 668 195    | 373 893 260 | (147 186 002) | 226 707 258 |              |                |  |         |
| Plant and machinery    | 30 872 973  | (24 280 941)  | 6 592 032      | 30 692 366  | (22 069 667)  | 8 622 699   |              |                |  |         |
| Furniture and fixtures | 12 947 470  | (10 868 960)  | 2 078 510      | 13 037 795  | (10 310 429)  | 2 727 366   |              |                |  |         |
| Motor vehicles         | 39 868 751  | (24 654 048)  | 15 214 703     | 36 107 202  | (23 012 559)  | 13 094 643  |              |                |  |         |
| IT equipment           | 22 254 442  | (14 638 679)  | 7 615 763      | 20 878 349  | (15 096 163)  | 5 782 186   |              |                |  |         |
| Total                  | 480 196 896 | (234 667 693) | 245 529 203    | 474 968 972 | (217 674 820) | 257 294 152 |              |                |  |         |

Audited  
By  
2024-11-20  
Auditor General South Africa  
Mpumalanga Business Unit

**GERT SIBANDE DISTRICT MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

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**10. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2024**

|                        | Opening balance    | Additions         | Disposals        | Depreciation        | Impairment loss | Total              |
|------------------------|--------------------|-------------------|------------------|---------------------|-----------------|--------------------|
| Land                   | 360 000            | -                 | -                | -                   | -               | 360 000            |
| Buildings              | 226 707 258        | 184 610           | (1 080)          | (2 226 383)         | -               | 213 668 195        |
| Plant and machinery    | 8 622 699          | -                 | -                | (2 226 383)         | -               | 6 592 032          |
| Furniture and fixtures | 2 727 366          | 15 527            | (11 499)         | (652 395)           | -               | 2 078 510          |
| Motor vehicles         | 13 094 643         | 5 350 000         | (238 236)        | (2 905 731)         | (85 973)        | 15 214 703         |
| IT equipment           | 5 782 186          | 4 549 357         | (108 273)        | (2 609 687)         | -               | 7 615 763          |
|                        | <b>257 294 152</b> | <b>10 099 494</b> | <b>(359 088)</b> | <b>(21 433 260)</b> | <b>(85 973)</b> | <b>245 529 203</b> |

Audited  
By  
2024-11-20  
Auditor General South Africa  
Mpumalanga Business Unit

**GERT SIBANDE DISTRICT MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Figures in Rand

**10. 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)         | -                   | 8 622 699          |
| 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              | 5 782 186          |
|                        | <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> |

Pledged as security

There are no assets pledged as security.

Repairs and Maintenance

Repairs and maintenance cost of R8,307,741 for 2023/2024 financial year (R8,669,460 for 2022/2023) relates to Property, Plant and Equipment refer to note 31.

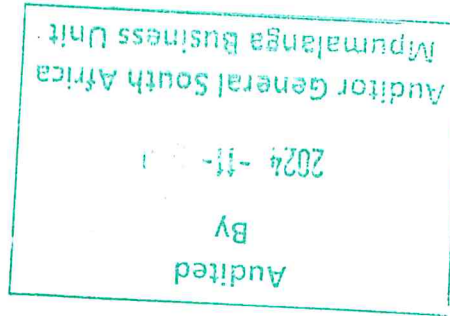
Estimate useful life

The estimated useful life of assets in certain classes of Property, Plant and Equipment were assessed only in the 2024 financial year refer to note 39.

Assets subject to finance lease (Net carrying amount)

|                                 |                |
|---------------------------------|----------------|
| IT equipment                    | 611 507        |
| <b>Assets fully depreciated</b> | <b>406 992</b> |

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 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024 2023

### 11. Receivables from non-exchange transactions

|                    | 2024             | 2023             |
|--------------------|------------------|------------------|
| Other debtors      | 64 625           | 64 644           |
| Sundry bursaries   | 1 108 319        | 997 540          |
|                    | <b>1 172 944</b> | <b>1 062 184</b> |
| Non-current assets | 1 108 319        | 997 540          |
| Current assets     | 64 625           | 64 644           |
|                    | <b>1 172 944</b> | <b>1 062 184</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 from the officials.

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

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

The credit quality of other receivables from non-exchange transactions that are past due and not impaired can be assessed by reference to historical information about counterparty default rates. Majority of these receivables are of good quality.

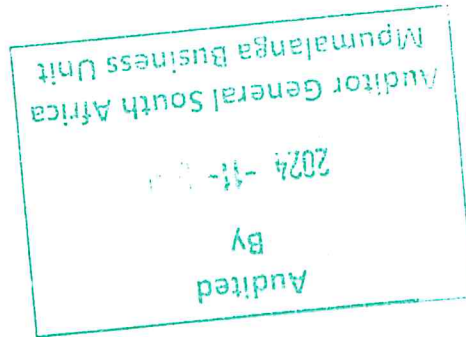
Study bursaries are managed through contract arrangement

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

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, 1 172 944 (2023: 1 062 184) were past due but not impaired

### 12. Consumer deposits

Consumers deposits 140 518 99 275



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024 2023

### 13. Employee benefit - bonus

#### Reconciliation of employee benefit- bonus - 2024

|                                   | Opening   | Additions | Utilised during the year | Reversed during the year | Total     |
|-----------------------------------|-----------|-----------|--------------------------|--------------------------|-----------|
| Provision for staff bonus         | 3 976 573 | 4 235 202 | (3 976 573)              | -                        | 4 235 202 |
| Provision for performance bonuses | 738 738   | 786 737   | -                        | (603 749)                | 921 726   |
|                                   | 4 715 311 | 5 021 939 | (3 976 573)              | (603 749)                | 5 156 928 |

#### Reconciliation of provision for bonus - 2023

|                                   | Opening   | 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)                | 738 739   |
|                                   | 5 272 537 | 4 111 561 | (4 668 786)              | 4 715 312 |

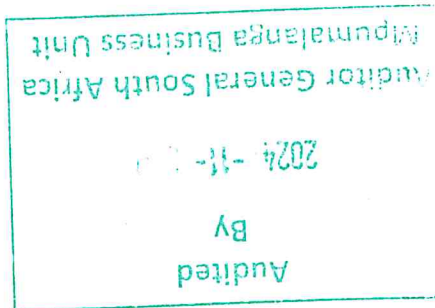
#### Provision for staff bonus

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.

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 council 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.



# GERT SIBANDE DISTRICT MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

2024 2023

#### 14. Finance lease obligation

| Minimum lease payments due              |         |         |
|-----------------------------------------|---------|---------|
| - within one year                       | 271 356 | 726 810 |
| - in second to fifth year inclusive     | 436 060 | -       |
| less: future finance charges            | 707 416 | 726 810 |
| Present value of minimum lease payments | 616 499 | 702 025 |

#### Present value of minimum lease payments due

| - within one year                       | 216 863 | 702 025 |
|-----------------------------------------|---------|---------|
| - in second to fifth year inclusive     | 399 636 | -       |
| Present value of minimum lease payments | 616 499 | 702 025 |

#### Non-current liabilities

| Current liabilities | 399 636 | 702 025 |
|---------------------|---------|---------|
|                     | 216 863 | -       |
|                     | 616 499 | 702 025 |

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% (2024: 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 and 2023/2024 financial years

#### 15. Long service provision

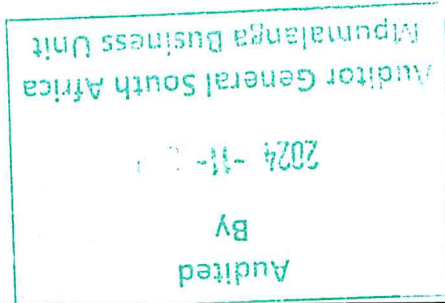
| Carrying value        |             |             |
|-----------------------|-------------|-------------|
| Balance at 1 July     | 14 001 000  | 13 499 000  |
| Current service cost  | 1 509 000   | 1 605 000   |
| Interest              | 1 454 000   | 1 386 000   |
| Benefits vesting      | (2 327 183) | (2 083 330) |
| Actuarial loss/(gain) | (40 817)    | (405 670)   |
|                       | 14 596 000  | 14 001 000  |

#### Non-current liabilities

| At amortised cost | 13 453 000 | 11 482 000 |
|-------------------|------------|------------|

#### Current liabilities

| At amortised cost | 1 143 000 | 2 519 000 |
|-------------------|-----------|-----------|





# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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2024 2023

### 15. Long service provision (continued)

#### 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. 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 2024 were used.

The following key financial assumptions are used:

| Key financial assumption                    |  | Value p.a 2024 | Value p.a 2023 |
|---------------------------------------------|--|----------------|----------------|
| Discount rate                               |  | 11.29%         | 11.38%         |
| CPI inflation rate                          |  | 5.42%          | 5.62%          |
| General earnings inflation rate (long-term) |  | 6.42%          | 6.62%          |
| Net effective discount rate                 |  | 4.58%          | 4.47%          |

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

i) a one percentage point increase and decrease in the assumed general earnings inflation rate;

ii) a one percentage point increase and decrease in the discount rate;

iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and

iv) a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

#### Assumptions

Central assumptions  
General earnings inflation rate

Discount rate

Average retirement age

Withdrawal rate

Sensitivity Analysis on the unfunded accrued liability for 2024:

| Charge | Liability  | % Change |
|--------|------------|----------|
| +1%    | 14 596 000 | 6%       |
| -1%    | 15 499 000 | 6%       |
| +1%    | 13 772 000 | -6%      |
| -1%    | 13 758 000 | -6%      |
| +1%    | 15 529 000 | 6%       |
| -1%    | 15 706 000 | 8%       |
| +2yrs  | 13 132 000 | -10%     |
| -2yrs  | 11 611 000 | -20%     |
| x2     | 16 613 000 | 14%      |
| x.05   |            |          |

#### Assumptions

Central assumptions  
General earnings inflation rate

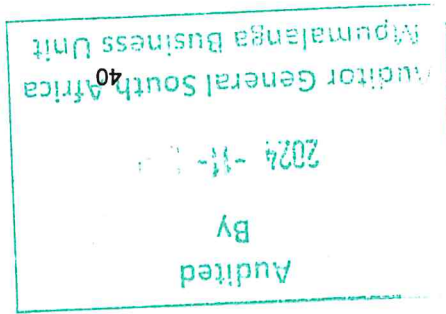
Discount rate

Average retirement age

Withdrawal rate

Sensitivity Analysis on the unfunded accrued liabilities for 2023:

| Charge | Liability  | % Change |
|--------|------------|----------|
| +1%    | 14 001 000 | 6%       |
| -1%    | 13 234 000 | -5%      |
| +1%    | 13 219 000 | -6%      |
| -1%    | 14 873 000 | 6%       |
| +2yrs  | 12 731 000 | -9%      |
| -2yrs  | 11 193 000 | -20%     |
| x2     | 15 927 000 | 14%      |
| x.05   |            |          |



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024 2023

### 15. Long service provision (continued)

Sensitivity analysis on current service and interest costs for the year ending 30 June 2024:

| Assumptions                      | Change | Current   | Interest  | Total     | % Change |
|----------------------------------|--------|-----------|-----------|-----------|----------|
| Central assumptions              |        | 1 509 000 | 1 454 000 | 2 963 000 |          |
| General earnings inflation rate  | +1%    | 1 621 000 | 1 550 000 | 3 171 000 | 7%       |
| Discount rate                    | -1%    | 1 408 000 | 1 367 000 | 2 775 000 | -6%      |
| Average retirement age           | +1%    | 1 419 000 | 1 485 000 | 2 904 000 | -2%      |
| Rates of termination of services | -1%    | 1 610 000 | 1 417 000 | 3 027 000 | 2%       |
|                                  | +2yrs  | 1 606 000 | 1 561 000 | 3 167 000 | 7%       |
|                                  | -2yrs  | 1 395 000 | 1 314 000 | 2 709 000 | -9%      |
|                                  | x2     | 1 114 000 | 1 134 000 | 2 248 000 | -24%     |
|                                  | x0.5   | 1 792 000 | 1 673 000 | 3 465 000 | 17%      |

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

| Assumptions                      | Change | Current   | Interest  | 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%       |
| Discount rate                    | -1%    | 1 497 000 | 1 304 000 | 2 801 000 | -6%      |
| Average retirement age           | +1%    | 1 507 000 | 1 418 000 | 2 925 000 | -2%      |
| Rates of termination of services | -1%    | 1 716 000 | 1 348 000 | 3 064 000 | 2%       |
|                                  | +2yrs  | 1 705 000 | 1 484 000 | 3 189 000 | 7%       |
|                                  | -2yrs  | 1 490 000 | 1 261 000 | 2 751 000 | -8%      |
|                                  | x2     | 1 177 000 | 1 080 000 | 2 257 000 | -25%     |
|                                  | x0.5   | 1 919 000 | 1 600 000 | 3 519 000 | 18%      |

### 16. Payables from exchange transactions

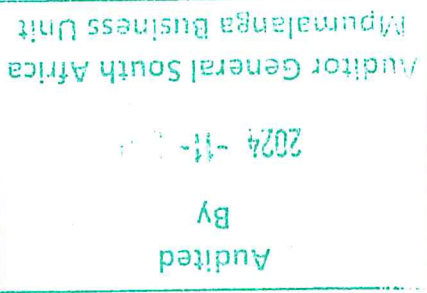
|                                                                 |             |            |
|-----------------------------------------------------------------|-------------|------------|
| Payables                                                        | 79 000 858  | 7 178 824  |
| Health inspection payments received in advanced                 | 278 266     | 160 349    |
| Retention's                                                     | 54 333 503  | 64 863 907 |
| Staff leave payments                                            | 27 749 579  | 26 088 738 |
| Benefit payable to deceased employee                            | -           | 398 791    |
| Environmental Health Practitioners payments received in advance | 638 089     | 199 474    |
|                                                                 | 162 000 295 | 98 890 083 |

The payables increased compared to the previous financial period due to year end RBIG receivables for invoices issued before year end which were accrued for.

### 17. Payables from non-exchange

|                   |         |           |
|-------------------|---------|-----------|
| Transfers payable | 620 632 | 9 341 439 |
|-------------------|---------|-----------|

The decrease in transfer payables from non exchange was due to unspent RBIG receipts from Msukaligwa local municipality



# GERT SIBANDE DISTRICT MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

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#### 18. Post retirement benefit obligations

##### Defined benefit plans

##### Post retirement medical aid plan

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 municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member (subject to the applicable conditions of service) on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the 40% portion of the medical aid membership fee, and the Municipality for the remaining portion. The number of employees who are eligible for post-retirement benefits as at 30 June 2024 are 2 (2023:2) pensioners. The actuarial valuation was performed by Arch Actuarial consulting by applying the Projected Unit Funding method

##### The actuarial valuation of PEMA 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 dysfunctional plan. Current employees do not enjoy post-retirement medical aid benefits

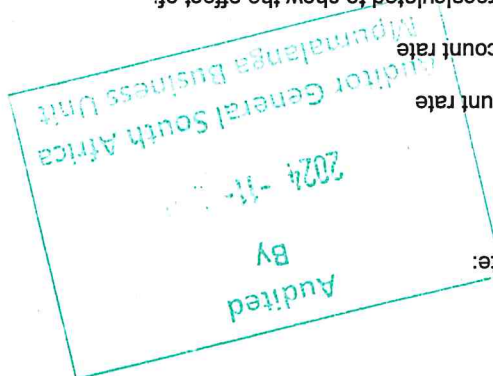
##### The amounts recognised in the statement of financial position are as follows:

| Carrying value          |           |
|-------------------------|-----------|
| Balance at 1 July       | 701 000   |
| Contributions paid      | (81 371)  |
| Interest cost           | 73 000    |
| Actuarial (gain) / loss | 36 371    |
|                         | 729 000   |
|                         | 701 000   |
| Non-current liabilities | (644 000) |
| Current liabilities     | (85 000)  |
|                         | (729 000) |
|                         | (701 000) |

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                                     |              |
|-------------------------------------------------|--------------|
| Discount rates used                             | 10.83 %      |
| Medical aid contribution inflation rate         | 6.48 %       |
| Net-of-health-care-cost-inflation discount rate | 4.09 %       |
| Maximum subsidy inflation rate                  | 4.49 %       |
| Net-of-maximum-subsidy-inflation discount rate  | 6.07 %       |
|                                                 | 5.94 %       |
|                                                 | 11.08 %      |
|                                                 | 6.97 %       |
|                                                 | 3.84 %       |
|                                                 | 4.85 %       |
|                                                 | Percentage % |
|                                                 | 30 June 2024 |
|                                                 | 30 June 2023 |

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

i) a one percentage point increase and decrease in the assumed rate of medical aid contribution inflation rate;

ii) a one percentage increase and decrease in the discount rate; and

iii) a one-year age increase and decrease in the assumed rates of post - employment mortality.



# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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

#### Sensitivity analysis

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

Assumed healthcare cost trends have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

| Assumptions                             | Change | Total   | % Change |
|-----------------------------------------|--------|---------|----------|
| Central assumptions                     | +1%    | 729 000 | 3%       |
| Medical aid contribution inflation rate | -1%    | 752 000 | -5%      |
| Discount rate                           | +1%    | 683 000 | -6%      |
|                                         | -1%    | 782 000 | 7%       |
| Post-employment mortality               | +1yr   | 702 000 | -4%      |
|                                         | -1yr   | 756 000 | 4%       |

#### Sensitivity Analysis on interest cost for year ending 30 June 2024:

| Assumptions                             | Change | Interest cost | % Change |
|-----------------------------------------|--------|---------------|----------|
| Central assumptions                     | +1%    | 73 000        | 4%       |
| Medical aid contribution inflation rate | -1%    | 69 000        | -5%      |
| Discount rate                           | +1%    | 75 000        | 3%       |
|                                         | -1%    | 72 000        | -1%      |
| Post-employment mortality               | +1yr   | 71 000        | -3%      |
|                                         | -1yr   | 76 000        | 4%       |

### 19. VAT payable

|                      |           |             |
|----------------------|-----------|-------------|
| Tax refunds payables | 1 853 217 | 105 836 784 |
|----------------------|-----------|-------------|

### 20. Co Funding received from Local Municipalities

|                                                                        |            |   |
|------------------------------------------------------------------------|------------|---|
| Co funding received from local municipalities for roads rehabilitation | 46 293 668 | - |
|------------------------------------------------------------------------|------------|---|

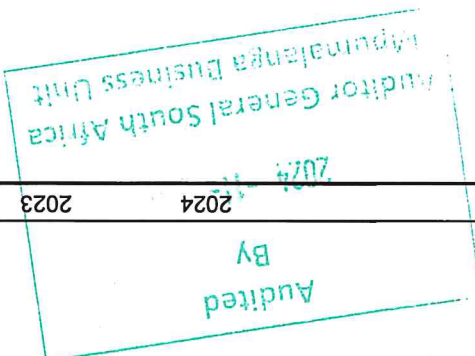
### 21. Interest received

|                                   |            |            |
|-----------------------------------|------------|------------|
| Interest revenue                  | 23 494 052 | 25 112 217 |
| Investments - from banks          | 1 864 561  | -          |
| Interest received from SARS - VAT | -          | -          |

### 22. Other income

|                                      |            |            |
|--------------------------------------|------------|------------|
| Construction Project Management fees | 22 687 949 | 22 209 261 |
| LG Seta                              | 981 070    | 472 355    |
| Sundry                               | 392 239    | 190 909    |
| Transfer from Retention              | 1 649 416  | -          |
| Telephone Refunds                    | 6 581      | 11 419     |
| Breakages and losses recovered       | 70 255     | -          |
|                                      | 23 787 510 | 22 883 944 |

Construction project management fees of R 20 687 949 for 2024, (R 22,209,261 for 2023) were received from DWS and local municipalities for construction work done on their behalf. Please refer to note 23 construction revenue and 26 for construction costs.



**GERT SIBANDE DISTRICT MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

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2024 2023

**23. Revenue from construction contracts**

Total amount received for construction contracts 401 886 860 428 502 932

Gert Sibande District Municipality (GSDM) entered into a tri-partite agreement with department of water and sanitation and various local municipalities individually (Chief Albert Luthuli, Dipaleseng, Msukaligwa, Mkhondo, Lekwa and Govan Mbeki), where GSDM was appointed to be the implementation agent on their behalf in terms of water and sanitation remained projects which were funded through RBIG, WSIG and Ministerial interventions.

Please refer to note 26 for more detail for expenditure on construction contracts

**Reconciliation of amounts received:**

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

Msukaligwa Local Municipality 35 508 213  
Chief Albert Luthuli Local Municipality 113 052 197  
26 754 097 57 826 086

62 262 310 170 878 283

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

Dipaleseng Local Municipality 64 351 897  
Mkhondo Local Municipality 81 411 556  
Govan Mbeki Local Municipality 9 837 065  
Lekwa Local Municipality 184 024 004  
257 624 522 156 393 163

339 624 522 257 624 650

**Construction contracts in progress**

Aggregate of revenue received 360 275 276  
Gross amounts due from customers for contract work 41 611 584  
- 428 502 932

**24. Service charges**

Water quality testing 3 474 553 3 001 362

The service charge relates to water quality testing for the local municipalities and some private clients.

**GERT SIBANDE DISTRICT MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

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**25. Government Grants and Subsidies**

| Operating grants                  |             |
|-----------------------------------|-------------|
| Equitable share                   | 15 989 000  |
| Revenue replacement               | 16 931 000  |
| Rural roads management systems    | 310 505 000 |
| Infrastructure skills development | 301 666 000 |
| Financial management grant        | 2 476 000   |
| Expanded public works program     | 2 485 000   |
|                                   | 12 607 000  |
|                                   | 1 000 000   |
|                                   | 1 947 000   |
|                                   | 2 595 000   |
|                                   | 345 475 000 |
|                                   | 337 276 000 |

**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 2023/2024 financial year as per the Division of Revenue Act (DORA) amount to R16,931,000.

**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 2023/2024 financial year as per the Division of Revenue Act (DORA) amount to R310,505,000.

**Road asset management grant (RAMS)**

Current-year receipts 2 485 000

Conditions met - transferred to revenue (2 485 000)

-

**Infrastructure skills development grant (ISDG)**

Current-year receipts 13 550 000

Conditions met - transferred to revenue (13 550 000)

-

The purpose of 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

Conditions met - transferred to revenue (1 000 000)

-

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.

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



**GERT SIBANDE DISTRICT MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2024

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**25. Government Grants and Subsidies (continued)**

**Expanded public works programme (EPWP)**

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Current-year receipts                   | 1 947 000   | 2 595 000   |
| Conditions met - transferred to revenue | (1 947 000) | (2 595 000) |
|                                         | -           | -           |

The purpose of the grant is to incentivise local government 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.

**26. Contracted contract cost**

**Consultants and Professional Services**

|                                              |             |             |
|----------------------------------------------|-------------|-------------|
| Total amount paid for construction contracts | 401 886 833 | 428 502 932 |
|----------------------------------------------|-------------|-------------|

Gert Sibande District Municipality (GSDM) entered into tri-partite agreement with Department of water and Sanitation and various local municipalities individually Chief Albert Luthuli, Dipalising, 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.

Please refer to note 23 for more detail for revenue received from construction contracts

**Reconciliation of amounts paid on construction contract**

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

|                                         |            |             |
|-----------------------------------------|------------|-------------|
| Musukaligwa Local Municipality          | 35 508 213 | 113 052 197 |
| Chief Albert Luthuli Local Municipality | 26 754 097 | 57 826 086  |
|                                         | 62 262 310 | 170 878 283 |

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

|                                |             |             |
|--------------------------------|-------------|-------------|
| Dipaleseng Local Municipality  | 64 351 897  | 99 714 401  |
| Mkhondo Local Municipality     | 81 411 557  | 1 517 085   |
| Govan Mbeki Local Municipality | 9 837 065   | -           |
| Lekwa Local Municipality       | 184 024 004 | 156 393 163 |
|                                | 339 624 523 | 257 624 649 |

**Construction contracts in progress**

|                                  |             |           |
|----------------------------------|-------------|-----------|
| Aggregate of costs incurred      | 422 803 695 |           |
| Amounts of retention's           | 6 061 796   | 4 905 355 |
| Gross amounts due to contractors | 53 317 193  | 793 882   |

**27. Depreciation and amortisation**

|                               |            |            |
|-------------------------------|------------|------------|
| Property, plant and equipment | 20 941 305 | 22 004 880 |
| Intangible assets             | 646 625    | 633 167    |
| Financial lease               | 491 955    | 967 152    |
|                               | 22 079 885 | 23 605 199 |

# GERT SIBANDE DISTRICT MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

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2024 2023

#### 28. Employee related costs

| 2024        | 2023        |
|-------------|-------------|
| 136 119 859 | 128 161 886 |
| 13 568 032  | 11 840 050  |
| 7 792 399   | 7 422 415   |
| 680 824     | 676 300     |
| 2 084 425   | 3 308 334   |
| 4 123 791   | 2 931 647   |
| (4 446)     | (561 346)   |
| 20 676 701  | 19 454 463  |
| 1 504 521   | 1 587 893   |
| 1 356 943   | 1 406 998   |
| 27 621 867  | 25 919 486  |
| 215 524 916 | 202 148 126 |

#### Remuneration of municipal manager CA Habile

| 2024      | 2023      |
|-----------|-----------|
| 1 228 542 | 999 344   |
| 240 000   | 193 333   |
| -         | 107 716   |
| 221 704   | 161 372   |
| -         | 374 852   |
| 1 690 246 | 1 836 617 |

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

In 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

| 2024      | 2023      |
|-----------|-----------|
| 1 044 342 | 811 647   |
| 80 000    | 76 667    |
| -         | 163 210   |
| 199 282   | 65 185    |
| -         | 245 138   |
| 50 000    | -         |
| 3 037     | -         |
| 1 376 661 | 1 361 847 |

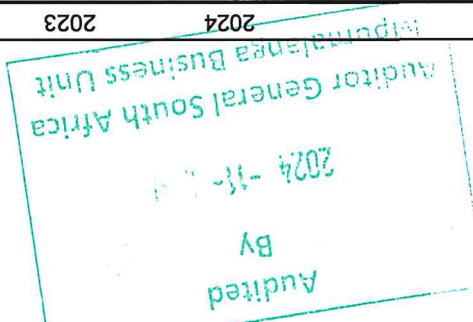
Mr. Buthelezi's contract ended on 3 December 2022 and was re-appointed on 1 March 2023.

In 2023: Mr. SJF Gates acted as Chief Finance Office from 5 December 2022 to 31 January 2023. See below for amounts paid.

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

| 2024    | 2023      |
|---------|-----------|
| 324 523 | 757 692   |
| 32 000  | 88 000    |
| -       | 126 497   |
| 65 041  | 167 450   |
| 23 173  | 215 980   |
| 444 737 | 1 355 619 |

Mr. Mkhonza's contract ended 31 January 2023 and was re-appointed on 1 March 2023 and Mr Mkhonza's resigned in October 2023.



# GERT SIBANDE DISTRICT MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2024

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#### 28. Employee related costs (continued)

Miss. PC Chiloane acted from November 2023 to January 2024. (See below for more information).

Mr. P Nkosi acted from February 2024 to March 2024. (See below for more information).

Miss. PC Chiloane was appointed on 2 April 2024 as Head of Department. (See below for more information).

In 2023 : Miss PO Chiloane acted as General Manager Planning, Economic Development and Innovation from February 2023 March 2023.

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

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Annual Remuneration                             | 882 918          | 763 956          |
| Car Allowance                                   | 100 000          | 91 667           |
| Performance Bonuses                             | -                | 147 579          |
| Contributions to UIF, Medical and Pension Funds | 172 792          | 139 589          |
| Leave Payment                                   | -                | 202 482          |
| Acting Allowance                                | 2 201            | -                |
| Annual Bonus                                    | 70 235           | -                |
|                                                 | <b>1 228 146</b> | <b>1 345 273</b> |

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

#### Remuneration of general manager corporate service ME Radebe

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Annual Remuneration                             | 838 116          | 806 103          |
| Car Allowance                                   | 133 081          | 111 717          |
| Contributions to UIF, Medical and Pension Funds | 209 536          | 171 234          |
| Acting Allowance                                | -                | 50 000           |
| Annual Bonus                                    | 50 000           | 57 345           |
|                                                 | <b>1 230 733</b> | <b>1 196 399</b> |

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

In 2023: Miss ME Radebe acted as Municipal Manager from October 2022 to December 2022 and an acting allowance was paid.

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

|                                                 |                |               |
|-------------------------------------------------|----------------|---------------|
| Annual Remuneration                             | 232 244        | -             |
| Car Allowance                                   | 27 392         | -             |
| Contributions to UIF, Medical and Pension Funds | 61 164         | -             |
| Acting Allowance                                | 22 490         | 10 856        |
|                                                 | <b>343 290</b> | <b>10 856</b> |

Miss PO Chiloane acted as General Manager Planning, Economic Development and Innovation from November 2023 to January 2024. In April 2024 she was appointed as the Head of Department (PED).

In 2023: Miss PO Chiloane acted as General Manager Planning, Economic Development and Innovation for February 2023.

#### Remuneration of acting general manager planning, economic development and innovation P Nkosi

|                  |        |   |
|------------------|--------|---|
| Acting Allowance | 19 055 | - |
|------------------|--------|---|

Mr. P Nkosi acted from February 2024 to March 2024 as General Manager Planning, Economic Development and Innovation.



# GERT SIBANDE DISTRICT MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

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#### 28. Employee related costs (continued)

Remuneration of general manager technical services BC Mduyuliwa

|                                                 | 2024             | 2023             |
|-------------------------------------------------|------------------|------------------|
| Annual Remuneration                             | 981 027          | 820 243          |
| Car Allowance                                   | 240 000          | 220 000          |
| Contributions to UIF, Medical and Pension Funds | 165 794          | 146 622          |
| Acting allowance                                | 3 014            | -                |
|                                                 | <b>1 389 835</b> | <b>1 186 865</b> |

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

Remuneration of acting general manager community and social services TA Ndllovu

|                  | 2024 | 2023   |
|------------------|------|--------|
| Acting allowance | -    | 11 599 |

In 2023: Mr. TA Ndllovu acted as General Manager Community and Social Services for February 2023.

#### 29. Finance costs

|                                 | 2024             | 2023             |
|---------------------------------|------------------|------------------|
| Post retirement medical benefit | 73 000           | 87 000           |
| Interest and penalties          | -                | 3 011 817        |
| Finance leases                  | 52 203           | 135 496          |
| Long service awards             | 1 454 000        | 1 386 000        |
|                                 | <b>1 579 203</b> | <b>4 620 313</b> |

#### 30. Lease

Lease rentals on operating lease - Other

|                      | 2024    | 2023    |
|----------------------|---------|---------|
| Paid during the year | 123 237 | 115 175 |

The committed expenditure relates to the rental of offices in Evander from Govan Mbeki LM and will be financed by funds internally generates. Contract started on the 1st of July 2021 and ended 30 June 2024.

Govan Mbeki Local Municipality

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.

Operating lease commitments - as lessee (expense)

|                           | 2024     | 2023           |
|---------------------------|----------|----------------|
| Within one year           | -        | 123 237        |
| Within two to three years | -        | -              |
|                           | <b>-</b> | <b>123 237</b> |

**GERT SIBANDE DISTRICT MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

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2024

Audited  
By  
2024-11-11  
Auditor General South Africa  
Municipal Business Unit

**31. Operating cost**

|                                           |                   |                   |
|-------------------------------------------|-------------------|-------------------|
| Advertising                               | 901 801           | 711 286           |
| Auditors remuneration – current year fees | 6 798 775         | 5 814 439         |
| Bank charges                              | 24 526            | 26 987            |
| Cleaning                                  | 1 437 516         | 1 264 530         |
| Consulting and professional fees          | 8 474 019         | 5 024 694         |
| Donations                                 | 1 249 935         | 994 033           |
| Entertainment                             | 678 077           | 744 489           |
| Insurance                                 | 2 042 269         | 2 042 109         |
| IT expenses                               | 10 164 659        | 7 437 884         |
| Motor vehicle expenses                    | 3 213 961         | 5 211 692         |
| Postage and courier                       | 217               | 104               |
| Printing and stationery                   | 938 941           | 795 393           |
| Promotions                                | 685 743           | 1 152 872         |
| Protective clothing                       | 387 148           | 235 060           |
| Repairs and maintenance                   | 8 307 741         | 8 669 460         |
| Royalties and license fees                | 3 738 802         | 3 010 802         |
| Security (Guarding of municipal property) | 1 933 850         | 1 595 340         |
| Staff welfare                             | 186 422           | 148 351           |
| Subscriptions and membership fees         | 2 616 554         | 2 559 238         |
| Telephone and fax                         | 3 698 643         | 4 525 723         |
| Training                                  | 5 440 556         | 3 507 097         |
| Travel – local                            | 6 676 604         | 6 768 935         |
| Recruitment costs                         | 44 877            | -                 |
| Technical support                         | 2 607 095         | 2 606 650         |
| Public participation                      | 778 254           | 711 862           |
| Municipal and other services              | 6 067 938         | 4 861 923         |
| Audit committee                           | 659 822           | 598 590           |
| Workmen's compensation                    | 169 280           | 136 565           |
|                                           | <b>79 924 025</b> | <b>71 156 108</b> |

Repairs and maintenance costs of R 8 307 741 for 2023/24 financial year (R8,669,460 for 2022/2023) relates to property, plant and equipment . Refer to note 10.

No repairs and maintenance was required for the heritage assets . Refer to note 7.

No repairs and maintenance was required for the investment property. Refer to note 9.

In determining this amount, the municipality has exclusively disclosed amounts charged by service providers

**32. Remuneration of councillors**

Councillors

14 954 095 14 461 113

**In-kind benefits**

The Executive Mayor, 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 Executive Mayor has use of a Council owned vehicle for official duties.

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 2024

## Notes to the Annual Financial Statements

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|                                             | 2024      | 2023      |
|---------------------------------------------|-----------|-----------|
| 32. Remuneration of councillors (continued) |           |           |
| Zuma NG                                     | 3 539     | -         |
| Ndebele JCH                                 | 38 506    | 1 778     |
| De Vries GR                                 | 14 496    | -         |
| Maboea SA                                   | 113 094   | 5 223     |
| Van Huyssteen NC                            | 20 394    | -         |
| Bekker PD                                   | 37 095    | 14 220    |
| Ndhlovu NC                                  | 5 897     | -         |
| Mhlanga BG                                  | 9 436     | -         |
|                                             | 2 717 091 | 1 011 022 |
|                                             | 161 889   | 364 691   |
|                                             | -         | 298 469   |
|                                             | -         | 4 553 162 |

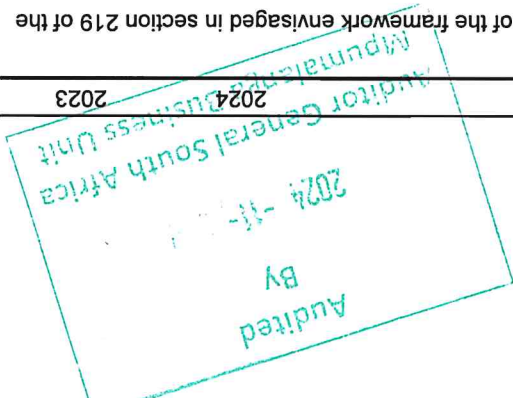
# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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 for 2023



| Troika and MPAC Chairperson                         |                  |                  |                  |                |
|-----------------------------------------------------|------------------|------------------|------------------|----------------|
| Executive Mayor (Mngomezulu MW)                     | 646 954          | 273 664          | 41 124           | 174 075        |
| Speaker (Sekhonde BG)                               | 547 407          | 218 920          | 41 124           | 108 392        |
| Chief Whip (Mitsheh BH)                             | 507 358          | 198 993          | 41 610           | 75 178         |
| MPAC Chairperson (Nhlapho N)                        | 486 916          | 199 203          | 41 124           | 110 694        |
| MPAC Chairperson (Ngwenya M)(To Nov 2021) - Backpay | 5 989            | 1 996            | -                | -              |
| Executive Mayor (MG Chirwa)(To Nov 2021) - Backpay  | 8 226            | 2 742            | -                | -              |
| <b>Total</b>                                        | <b>2 202 850</b> | <b>895 518</b>   | <b>164 982</b>   | <b>468 339</b> |
| Mayoral Committee                                   |                  |                  |                  |                |
| Basic                                               |                  |                  |                  |                |
| Dharmini ES (To Nov. 2021) - Backpay                | 6 169            | 2 057            | -                | -              |
| Mthembu N (To Nov. 2021) - Backpay                  | 6 170            | 2 057            | -                | -              |
| Buthelezi BM                                        | 518 256          | 207 922          | 41 124           | 104 461        |
| Maboa-Boltman                                       | 542 251          | 207 922          | 41 124           | 81 338         |
| Zulu NN                                             | 542 251          | 207 922          | 41 124           | 81 338         |
| Zunguza JB                                          | 515 767          | 207 922          | 41 124           | 106 950        |
| Matatsi PV                                          | 542 251          | 177 922          | 41 124           | 110 230        |
| Mkhwanazi CB                                        | 542 251          | 207 922          | 41 124           | 81 338         |
| Mollo BP                                            | 542 251          | 207 922          | 41 124           | 81 338         |
| <b>Total</b>                                        | <b>3 757 617</b> | <b>1 429 568</b> | <b>287 868</b>   | <b>646 993</b> |
| Other councillors (From November 2021)              |                  |                  |                  |                |
| Basic and Sitting Allowance                         |                  |                  |                  |                |
| Kubheka MN (To March 2022)- Backpay                 | 2 603            | 868              | -                | -              |
| Sibanyoni SI (To Nov. 2021) - Backpay               | 381              | 127              | -                | -              |
| Nkosi PK (To Nov. 2021) - Backpay                   | 2 603            | 868              | -                | -              |
| Jordaan C (To Nov 2021) - Backpay                   | 381              | 127              | -                | -              |
| Mazibuko KD (To Nov. 2021) - Backpay                | 381              | 127              | -                | -              |
| Mathibula SB (To Nov. 2021) - Backpay               | 381              | 127              | -                | -              |
| Karim LS                                            | 293 040          | 112 437          | 41 124           | 43 968         |
| Nkosi DP                                            | 4 624            | -                | -                | -              |
| De Vries GR                                         | 38 487           | 12 829           | -                | -              |
| Mlotshwa TL (To Nov. 2021) - Backpay                | 2 603            | 868              | -                | -              |
| Joubert LK (To Nov. 2021) - Backpay                 | 2 603            | 868              | -                | -              |
| Nkosi MS (To Nov. 2021) - Backpay                   | 3 249            | 1 114            | -                | -              |
| Brussow JLI (To July 2022)                          | 3 120            | 1 040            | -                | -              |
| Sebolela JD (To Nov. 2021) - Backpay                | 381              | 127              | -                | -              |
| Mahlangu BD (To Nov. 2021) - Backpay                | 381              | 127              | -                | -              |
| Zuma NG                                             | 1 289            | -                | -                | -              |
| Simeleane XI (To Nov. 2021) - Backpay               | 463              | 155              | -                | -              |
| Manyathi M (To Nov. 2021) - Backpay                 | 6 402            | 1 114            | -                | -              |
| Monoto MM (From Sept. to Nov. 2021) - Backpay       | 1 361            | 454              | -                | -              |
| Mazibuko TE                                         | 38 106           | 12 702           | -                | -              |
| Seimela T                                           | 38 108           | 12 702           | -                | -              |
| Khumalo GL                                          | 47 361           | 15 787           | -                | -              |
| Nkambele DM                                         | 228 530          | 87 603           | 41 124           | 34 279         |
| Lukhele ST                                          | 228 530          | 87 603           | 41 124           | 34 279         |
| Masango SJ                                          | 42 472           | 14 449           | 324              | -              |
| Webber KH                                           | 228 530          | 87 603           | 41 124           | 34 279         |
| Kgwele TH                                           | 228 530          | 87 603           | 41 124           | 34 279         |
| Yende MR                                            | 37 439           | 12 480           | -                | -              |
| <b>Total</b>                                        | <b>6 122 046</b> | <b>2 202 850</b> | <b>1 429 568</b> | <b>646 993</b> |

| Other councillors (From November 2021)        |                  |                  |                  |                |
|-----------------------------------------------|------------------|------------------|------------------|----------------|
| Basic and Sitting Allowance                   |                  |                  |                  |                |
| Kubheka MN (To March 2022)- Backpay           | 2 603            | 868              | -                | -              |
| Sibanyoni SI (To Nov. 2021) - Backpay         | 381              | 127              | -                | -              |
| Nkosi PK (To Nov. 2021) - Backpay             | 2 603            | 868              | -                | -              |
| Jordaan C (To Nov 2021) - Backpay             | 381              | 127              | -                | -              |
| Mazibuko KD (To Nov. 2021) - Backpay          | 381              | 127              | -                | -              |
| Mathibula SB (To Nov. 2021) - Backpay         | 381              | 127              | -                | -              |
| Karim LS                                      | 293 040          | 112 437          | 41 124           | 43 968         |
| Nkosi DP                                      | 4 624            | -                | -                | -              |
| De Vries GR                                   | 38 487           | 12 829           | -                | -              |
| Mlotshwa TL (To Nov. 2021) - Backpay          | 2 603            | 868              | -                | -              |
| Joubert LK (To Nov. 2021) - Backpay           | 2 603            | 868              | -                | -              |
| Nkosi MS (To Nov. 2021) - Backpay             | 3 249            | 1 114            | -                | -              |
| Brussow JLI (To July 2022)                    | 3 120            | 1 040            | -                | -              |
| Sebolela JD (To Nov. 2021) - Backpay          | 381              | 127              | -                | -              |
| Mahlangu BD (To Nov. 2021) - Backpay          | 381              | 127              | -                | -              |
| Zuma NG                                       | 1 289            | -                | -                | -              |
| Simeleane XI (To Nov. 2021) - Backpay         | 463              | 155              | -                | -              |
| Manyathi M (To Nov. 2021) - Backpay           | 6 402            | 1 114            | -                | -              |
| Monoto MM (From Sept. to Nov. 2021) - Backpay | 1 361            | 454              | -                | -              |
| Mazibuko TE                                   | 38 106           | 12 702           | -                | -              |
| Seimela T                                     | 38 108           | 12 702           | -                | -              |
| Khumalo GL                                    | 47 361           | 15 787           | -                | -              |
| Nkambele DM                                   | 228 530          | 87 603           | 41 124           | 34 279         |
| Lukhele ST                                    | 228 530          | 87 603           | 41 124           | 34 279         |
| Masango SJ                                    | 42 472           | 14 449           | 324              | -              |
| Webber KH                                     | 228 530          | 87 603           | 41 124           | 34 279         |
| Kgwele TH                                     | 228 530          | 87 603           | 41 124           | 34 279         |
| Yende MR                                      | 37 439           | 12 480           | -                | -              |
| <b>Total</b>                                  | <b>6 122 046</b> | <b>2 202 850</b> | <b>1 429 568</b> | <b>646 993</b> |

# GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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|                              |                  |                |                |                  |         |
|------------------------------|------------------|----------------|----------------|------------------|---------|
| Silosani SA                  | 37 439           | 12 480         | -              | -                | 49 919  |
| Mbuli TG                     | 37 439           | 12 480         | -              | -                | 49 919  |
| Mooketsi BK                  | 2 427            | -              | -              | -                | 2 427   |
| Diamini M (To Oct. 2022)     | 80 150           | 30 724         | 13 924         | 12 022           | 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         | 33 702           | 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         | 33 386           | 382 965 |
| Nkosi MV (From July 2022)    | 168 614          | 64 635         | 30 909         | 25 039           | 289 197 |
| Diamini 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>285 233</b> | <b>4 607 391</b> |         |

### 33. Transfer and subsidies

Other subsidies  
Transfers and subsidies

89 660 213 45 495 971

Transfers and subsidies includes all services rendered on behalf of the local municipalities as per their mandate are not in the normal operations of the district. This includes services such as drilling of boreholes, road rehabilitation, water quality testing, e.t.c. GSDM received R46 293 668 from local Municipalities for Road Rehabilitation in the current financial year.



**GERT SIBANDE DISTRICT MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2024  
**Notes to the Annual Financial Statements**

Figures in Rand

**34. Financial instruments disclosure**  
**Categories of financial instruments**

**2024**

**Financial assets**

|                                                        |                    |                   |                    |
|--------------------------------------------------------|--------------------|-------------------|--------------------|
| Trade and other receivables from exchange transactions | 68 387 123         | At amortised cost | 68 387 123         |
| Cash and cash equivalents                              | 167 882 125        |                   | 167 882 125        |
| <b>Total</b>                                           | <b>236 269 248</b> |                   | <b>236 269 248</b> |

**Financial liabilities**

|                                                     |                    |                   |                    |
|-----------------------------------------------------|--------------------|-------------------|--------------------|
| Trade and other payables from exchange transactions | 133 334 361        | At amortised cost | 133 334 361        |
| Payables from non-exchange transactions             | 620 632            |                   | 620 632            |
| Consumer deposits                                   | 140 518            |                   | 140 518            |
| Finance lease obligation - current liability        | 216 863            |                   | 216 863            |
| <b>Total</b>                                        | <b>134 312 374</b> |                   | <b>134 312 374</b> |

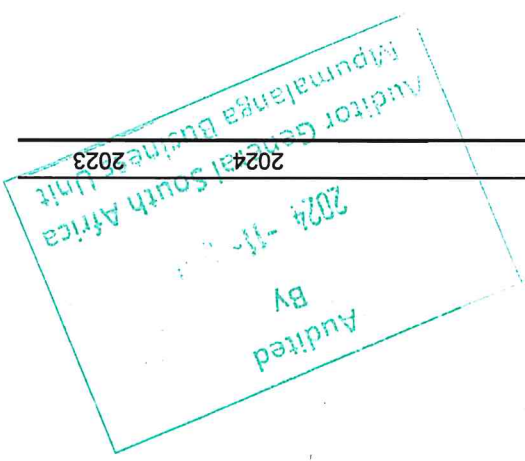
**2023**

**Financial assets**

|                                                        |                    |                   |                    |
|--------------------------------------------------------|--------------------|-------------------|--------------------|
| Trade and other receivables from exchange transactions | 8 456 603          | At amortised cost | 8 456 603          |
| Cash and cash equivalents                              | 243 687 362        |                   | 243 687 362        |
| <b>Total</b>                                           | <b>252 143 965</b> |                   | <b>252 143 965</b> |

**Financial liabilities**

|                                                     |                   |                   |                   |
|-----------------------------------------------------|-------------------|-------------------|-------------------|
| Trade and other payables from exchange transactions | 72 040 729        | At amortised cost | 72 040 729        |
| 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>Total</b>                                        | <b>82 183 469</b> |                   | <b>82 183 469</b> |



**GERT SIBANDE DISTRICT MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2024

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2024

Audited  
By  
2024-11-11  
Auditor General South Africa  
Accountants Business Unit

**35. Cash used in operations**

|                                                          |               |              |
|----------------------------------------------------------|---------------|--------------|
| Surplus                                                  | 21 216 655    | 27 259 147   |
| Adjustments for:                                         |               |              |
| Depreciation and amortisation                            | 22 079 885    | 23 605 199   |
| Gain on sale of assets and liabilities                   | 112 976       | 217 357      |
| Actuarial losses and gains retirement benefit obligation | 36 371        | (155 676)    |
| Actuarial losses and gains long service award            | (40 817)      | (405 670)    |
| Finance costs - Finance leases                           | 52 203        | 135 496      |
| Finance cost long service award                          | 1 454 000     | 1 386 000    |
| Finance costs retirement benefit obligation              | 73 000        | 87 000       |
| PPE impairment                                           | 85 973        | (46 529)     |
| Movements in long service award                          | (818 183)     | (478 330)    |
| Movements in retirement benefit obligation               | (81 371)      | (90 324)     |
| Movements in provisions                                  | 441 617       | (557 226)    |
| Non exchange assets received - PPE                       | (73 496)      | -            |
| Changes in working capital:                              |               |              |
| Inventories                                              | (30 440)      | 9 758        |
| Receivables from exchange transactions                   | (59 930 520)  | 6 489 510    |
| Other receivables from non-exchange transactions         | (110 779)     | (190 826)    |
| Prepayments                                              | (687 811)     | (80 800)     |
| Payables from exchange transactions                      | 63 110 212    | (17 459 094) |
| VAT                                                      | (103 983 567) | (54 147 841) |
| Payables from non-exchange                               | (8 720 807)   | 9 298 836    |
| Consumer deposits                                        | 41 243        | 38 524       |
|                                                          | (65 773 656)  | (5 085 489)  |

**36. Commitments**

|                                                                                |             |             |
|--------------------------------------------------------------------------------|-------------|-------------|
| Authorised capital expenditure                                                 | 633 452 278 | 788 248 683 |
| Commitments entered into as implementing agent (Water and sanitation projects) |             |             |
| • Water and Sanitation projects                                                | 633 452 278 | 788 248 683 |
| Total capital commitments                                                      | 633 452 278 | 788 248 683 |
| Already contracted for but not provided for                                    |             |             |
| Total commitments                                                              | 633 452 278 | 788 248 683 |
| Total commitments                                                              |             |             |
| Total commitments                                                              | 633 452 278 | 788 248 683 |
| Authorised capital expenditure                                                 |             |             |
| 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. 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 R633,452,278 for June 2024 (R788,248,683 for 2023) relates those projects already contracted to by GSDM on behalf of the local municipalities and DWS

# GERT SIBANDE DISTRICT MUNICIPALITY

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By  
2024-11-01  
Auditor General South Africa  
Mphahlele  
2024

### 37. Contingencies

Contingent liabilities for the period year ending 30 June 2024

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. Mr M was dismissed and received an award for reinstatement and compensation, which GSDM took the matter for review. Plaintiff appealed and was denied by court. Plaintiff petitioned the Labour appeal court. Petition has been approped. Awaiting for a trial date.

BDW Eiedomme CC vs GSDM vs Ndzimande

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 R53,107, 20.

Afri-infra vs GSDM and others

GSDM is being sued for payment for work done at Lekwa Local Municipality. Amount claimed is R747, 248.68 (2023 R 747, 248.68). Application for condonation granted in favour of the plaintiff. Awaiting case management. Matter is set down for pre-trial conference on the 8th of August 2024.

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. Pleadings closed. Awaiting trial date.

GSDM vs SAMWU M and M

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

GSDM vs Bonginkosi /a Nashua

Review application to terminate service level agreement amount. Review application will set down to be heard on 23 July 2024. The litigation amount is estimated to be R7,854,063.00 . Awaiting judgement

Afrirent (pty)ltd vs Gert Sibande District Municipality

The Plaintiff herein is suing council for R162 381.43, interest on the aforesaid amount at the rate of 10.5% per annum a tempora morae until date of full and final payment. The Plaintiff's attorneys have withdrawn acting as attorneys of record on behalf of the plaintiff . Thus we wait for the plaintiff to appointed attorneys to file their notice of appointment as Attorneys of record.

Contingent liabilities incurred relating to interests in other entities

Contingent assets

Contingent assets for the period ending 30 June 2024

Inhlakanipho Consultants CC // Gert Sibande District 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 R950,000.00 after taxation. Awaiting for the bill of costs incurred for the matter in the high court and leave to appeal.



## Annual Financial Statements for the year ended 30 June 2024

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### 38. Related parties

Refer to the note for Employee Related Costs note 28 for amounts paid to management and time frame

**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 2024 financial year. During the financial year management have extended these assets estimated useful lives. The effect of this revision has decreased the depreciation and amortisation charges by R1,012,940 for 2024 (R507,190 for 2023) and increased for future periods by R1,012,940 for 2024 (R507,190 for 2023)



# **GERT SIBANDE DISTRICT MUNICIPALITY** Annual Financial Statements for the year ended 30 June 2024

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## **41. Additional disclosure in terms of Municipal Finance Management Act (continued)**

### **Audit fees**

| Current year fee | Amount paid - current year |
|------------------|----------------------------|
| 6 798 775        | (6 798 775)                |
| 5 814 439        | (5 814 439)                |
| -                | -                          |

### **PAYE, SDL and UIF**

| Current year fee | Amount paid - current year |
|------------------|----------------------------|
| 46 245 902       | (46 245 902)               |
| 43 630 284       | (43 630 284)               |
| -                | -                          |

### **Pension and Medical Aid Deductions**

| Current year fee | Amount paid - current year |
|------------------|----------------------------|
| 57 138 353       | (57 138 353)               |
| 53 159 510       | (53 159 510)               |
| -                | -                          |

### **42. Budget differences**

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

**Note 1: Service charges** - More water quality testing done than anticipated on behalf of the local municipality, which include re-sampling those who did not comply

**Note 2: Rendering of services** - Less fines issued than anticipated in the current period.

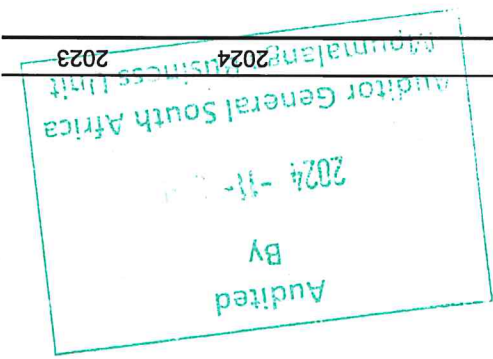
**Note 3: Revenue from construction contract** - Some of the projects are still under planning and the other ones were completed this financial year therefore spending was less than anticipated.

**Note 4: Employee related costs** - Savings from some of the positions which were vacant during the year.

**Note 5: Depreciation and amortisation** - Additions for the current year were only finalised during the 3rd and 4th quarter hence less depreciation than budgeted for.

**Note 6: Transfers and Subsidies** - Less transfer for co-funding from Govan Mbeki local municipality than initially planned.

**Note 7: Operating costs**- Savings due to cost containment policy implementation





# GERT SIBANDE DISTRICT MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

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#### 43. Segment information

##### General information

##### Identification of segments

The district municipality is not necessarily 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 its 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

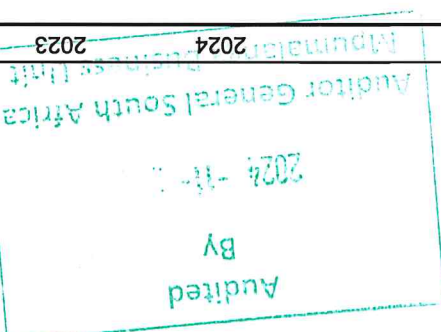
For the purpose of this reporting the other departments such as Office of the Executive Mayor, Office of the Municipal manager, Finance, Corporate service and Planning and economic development are viewed as support function and therefore grouped as governance and administration support

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:

| Reportable segment                    | Goods and/or services                                                                                        |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------|
| 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)                                                                       |



**GERT SIBANDE DISTRICT MUNICIPALITY**  
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**43. Segment information (continued)**

Segment surplus or deficit, assets and liabilities  
 2024

|                                                     | Governance and administration | Community and Social Services | Infrastructure and technical services | Segment 4 | Total       |
|-----------------------------------------------------|-------------------------------|-------------------------------|---------------------------------------|-----------|-------------|
|                                                     |                               |                               |                                       |           |             |
| Revenue                                             |                               |                               |                                       |           |             |
| Revenue from non-exchange transactions              | 345 548 496                   | -                             | -                                     | -         | 345 548 496 |
| Revenue from exchange transactions                  | 28 401 318                    | 798 311                       | 472 399 886                           | -         | 501 599 515 |
| Total segment revenue                               | 373 949 814                   | 798 311                       | 472 399 886                           | -         | 847 148 011 |
| Entity's revenue                                    |                               |                               |                                       |           | 847 148 011 |
| Expenditure                                         |                               |                               |                                       |           |             |
| Salaries and wages                                  | 137 951 650                   | 58 149 996                    | 34 377 365                            | -         | 230 479 011 |
| Depreciation and amortisation                       | 18 802 135                    | 764 073                       | 2 513 676                             | -         | 22 079 884  |
| Other Expenditure                                   | 66 454 613                    | 4 494 351                     | 10 677 501                            | -         | 81 626 465  |
| Transfer and subsidies                              | 26 291 466                    | 2 310 075                     | 61 058 672                            | -         | 89 660 213  |
| Loss on disposal of assets                          | 111 870                       | 1 008                         | 86 072                                | -         | 198 950     |
| Construction contract cost                          | -                             | -                             | 401 886 833                           | -         | 401 886 833 |
| Total segment expenditure                           | 249 611 734                   | 65 719 503                    | 510 600 119                           | -         | 825 931 356 |
| Total segment surplus/(deficit)                     | 124 338 080                   | (64 921 192)                  | (38 200 233)                          | -         | 21 216 655  |
| Assets                                              |                               |                               |                                       |           |             |
| Current Assets                                      | 175 717 883                   | -                             | 64 792 242                            | -         | 240 510 125 |
| Non Current Assets                                  | 216 208 343                   | 38 460 910                    | 16 203 518                            | -         | 270 872 771 |
| Total segment assets                                | 391 926 226                   | 38 460 910                    | 80 995 760                            | -         | 511 382 896 |
| Total assets as per Statement of financial Position |                               |                               |                                       |           | 511 382 896 |
| Liabilities                                         |                               |                               |                                       |           |             |
| Current Liabilities                                 | 105 803 579                   | -                             | -                                     | -         | 171 216 453 |
| Non Current Liabilities                             | 14 496 636                    | -                             | -                                     | -         | 14 496 636  |

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| 43. Segment information (continued)                      |  |  |  |  |
|----------------------------------------------------------|--|--|--|--|
| Total segment liabilities                                |  |  |  |  |
| Total liabilities as per Statement of financial Position |  |  |  |  |
| 2023                                                     |  |  |  |  |
| Revenue                                                  |  |  |  |  |
| Revenue from non-exchange transactions                   |  |  |  |  |
| Revenue from exchange transactions                       |  |  |  |  |
| Total segment revenue                                    |  |  |  |  |
| Entity's revenue                                         |  |  |  |  |

|                                 |                               |             |            |            |             |
|---------------------------------|-------------------------------|-------------|------------|------------|-------------|
| Expenditure                     | Salaries and wages            | 147 698 295 | 41 925 143 | 26 985 801 | 216 609 239 |
|                                 | Depreciation and amortisation | 19 528 295  | 670 623    | 3 406 281  | 23 605 199  |
| Other Expenditure               | Transfer and subsidies        | 62 012 274  | 2 752 113  | 11 127 209 | 75 891 596  |
|                                 | Loss on disposal of assets    | 28 997 552  | 2 236 755  | 14 573 030 | 45 807 337  |
| Construction contract cost      | Construction contract cost    | 212 010     | 630        | 4 716      | 217 356     |
|                                 | Loss on disposal of assets    | 212 010     | 630        | 4 716      | 217 356     |
| Total segment expenditure       |                               |             |            |            |             |
| Total segment surplus/(deficit) |                               |             |            |            |             |
| Assets                          |                               |             |            |            |             |
| Current Assets                  |                               |             |            |            |             |
| Non Current Assets              |                               |             |            |            |             |
| Total segment assets            |                               |             |            |            |             |

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|                                                                                                                                                                                                                  |             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>43. Segment Information (continued)</b>                                                                                                                                                                       |             |
| Total assets as per Statement of financial Position                                                                                                                                                              |             |
|                                                                                                                                                                                                                  | 538 740 069 |
| <b>Liabilities</b>                                                                                                                                                                                               |             |
| Current Liabilities                                                                                                                                                                                              |             |
| Non Current Liabilities                                                                                                                                                                                          | 212 683 378 |
|                                                                                                                                                                                                                  | 12 105 000  |
|                                                                                                                                                                                                                  | -           |
|                                                                                                                                                                                                                  | 9 498 539   |
|                                                                                                                                                                                                                  | 222 181 917 |
|                                                                                                                                                                                                                  | 12 105 000  |
|                                                                                                                                                                                                                  | -           |
|                                                                                                                                                                                                                  | 9 498 539   |
|                                                                                                                                                                                                                  | 234 286 917 |
|                                                                                                                                                                                                                  | 234 286 917 |
| <b>Total segment liabilities</b>                                                                                                                                                                                 |             |
| Total liabilities as per Statement of financial Position                                                                                                                                                         |             |
|                                                                                                                                                                                                                  | 224 788 378 |
|                                                                                                                                                                                                                  | -           |
|                                                                                                                                                                                                                  | 9 498 539   |
|                                                                                                                                                                                                                  | 234 286 917 |
| <b>44. Fruits and wasteful expenditure</b>                                                                                                                                                                       |             |
| Opening balance as previously reported                                                                                                                                                                           |             |
| Add: Fruits and wasteful expenditure identified - prior period                                                                                                                                                   | 25 623 747  |
| Less: Amount written off - current                                                                                                                                                                               | -           |
| <b>Closing balance</b>                                                                                                                                                                                           |             |
|                                                                                                                                                                                                                  | 25 623 747  |
| <b>45. Irregular expenditure</b>                                                                                                                                                                                 |             |
| After the council committee investigations, council adopted the council committee recommendation no C29/07/2024 to write-off an amount of R 25,623,747 from the total fruitless and wasteful expenditure amount. |             |
| The fruitless and wasteful expenditure relates to interest and penalties paid to SARS relating to an audit done since 2019 to 2022.                                                                              |             |
| Opening balance as previously reported                                                                                                                                                                           |             |
| Add: Irregular expenditure - current                                                                                                                                                                             | 62 862 689  |
| Add: Irregular expenditure - prior period                                                                                                                                                                        | 67 431 359  |
| Less: Amount written off - current                                                                                                                                                                               | -           |
| <b>Closing balance</b>                                                                                                                                                                                           |             |
|                                                                                                                                                                                                                  | 62 862 689  |

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**45. Irregular expenditure (continued)**

**Amount written-off**

After the council committee investigations, council adopted the council committee recommendation no C29/07/2024 to write-off an amount of R 130 294 048 from the total irregular expenditure amount.

The irregular expenditure relates to non compliance with Preferential Procurement regulations.

**46. Prior-year adjustments**

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

**Statement of financial position**

2023

| Payables from Exchange transactions - staff leave payments Error 1        | 16 | (24 789 499)  | 8 098 533 | (1 299 239) | 8 456 603     |  |  |  |  |
|---------------------------------------------------------------------------|----|---------------|-----------|-------------|---------------|--|--|--|--|
| Receivables from exchange transactions- RBIG Receivables From DWS-Error 2 |    |               |           | (46 705)    | (105 836 784) |  |  |  |  |
| Vat Payables - Error 2                                                    | 19 | (105 790 079) |           | (987 874)   | (123 468 919) |  |  |  |  |
|                                                                           |    | (122 481 045) |           |             |               |  |  |  |  |

2024

**Statement of financial performance**

2023

| Revenue from exchange transactions - Error 2                 | 23 | 428 191 567 | 311 365     | 428 502 932 |  |  |  |  |  |
|--------------------------------------------------------------|----|-------------|-------------|-------------|--|--|--|--|--|
| Employee related cost - Leave pay provision charge - Error 1 | 28 | (2 009 095) | (1 299 239) | (3 308 334) |  |  |  |  |  |
| Surplus for the year                                         |    | 426 182 472 | (987 874)   | 425 194 598 |  |  |  |  |  |

**Prior Errors**

Error 1: Trade and Payables (staff leave payments) and Employer related costs (Leave pay provision charge)

Correction of staff leave payments leave for the 2023 financial years R 1 299 239

Error 2: Revenue Construction contracts, vat output (Payable) and Receivables from DWS

Construction revenue was corrected with the amount of R 311 365 that was included as Construction revenue, for expenditure that was incurred in the previous financial year, but the money was only transferred by DWS in the 2024 Financial year. Receivables was corrected with R 358 070 (vat inc) and Vat output was corrected with R46 705.00

