



Nkangala District Municipality
(Registration number DC31)
Annual Financial Statements
for the year ended 30 June 2021

Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	District Municipality DC31
Nature of business and principal activities	Municipal Services
Executive Mayor	Masilela TS
Speaker	Ndinisa SL
Council Whip	Boshomane KJ
MMC Finance, Risk and Audit	Mthimunya GT
MMC Technical Services	Dikgale LJ
MMC Social Services	Makhabane EN
MMC Corporate Services	Maraba CL
MMC Development and Planning Unit	Mahlangu L (26/02/2021-30/06/2021)
MMC Local Economic Development	Pookgoadi KT
MPAC Chairperson	Ngwenya XS
Section 79 Chairpersons	Nkosi NB
	Legong TB
	Mboweni LM
	Khumalo LF
	Moseri PP
	Leballo JM (26/02/2021-30/06/2021)
Councillors	Bath DJ
	Bhamjee M
	Buda KV
	Chembe D
	Cronje RE
	Dyason J
	Fakude DC
	Fakude T
	Khumalo AB (08/04/2021-30/06/2021)
	Lamola BR
	Legong MS
	Magagula M
	Maja SR (26/02/2021-30/06/2021)
	Mahlangu A
	Mahlangu IM
	Mahlangu NJ
	Makola ML
	Malatjie LM
	Malatjie RJ
	Malefane P
	Mampuru DS (15/10/2020-30/06/2021)
	Maseko DF
	Mathabe RS (03/02/2021-30/06/2021)
	Mhlanga MT
	Mlangeni ZB
	Mnisi ST
	Mogolo SM
	Mokoala VD
	Mokolo LM

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	Morokolo ME
	Mtsweni SN
	Ndlovu R
	Ngwenya TD
	Nobela MT
	Sebesho E (12/10/2020-30/06/2021)
	Shongwe E
	Skhosana DJ
	Sibanyoni MJ
	Zondo LJN
	Van den Berg EH
	Vacant (ANC-STLM)
	Mahlobogoane RC (01/07/2020-08/12/2020)
	Tolo BJ (01/07/2020-02/02/2021)
	Mahlangu IM (01/07/2020-24/07/2020)
	TE Motanyane (01/07/2020-13/10/2020)
	TW Madileng (01/07/2020-30/09/2020)
	MM Shabangu (01/07/2020-21/10/2020)
	MR Nkoane (01/07/2020-21/10/2020)
	N Naidu (01/07/2020-08/12/2020)
Traditional leaders	Ikosi Mabhena FJ
	Ikosi Mahlangu BR
	Ikosi Mahlangu VW
	Ikosi Mahlangu SE
	Kgosi Maloka NJ
	Kgosi Chaane EP II (09/10/2020-30/06/2021)
	Kgosi Leffi MG
	Kgosi Moepi TJ
	Ikosi Mahlangu CM
Members of Audit Committee	Ms FJ Mudau (01/07/2020 - 28/02/2021)
	Mr L Lankalebalela (01/07/2020 - 28/02/2021)
	Mr MG Mthabathae
	Ms SJ Masite
	Mr LAT Gafane
	Ms. MJ Moloi- Chamane (01/03/2021 - 30/06/2021)
	Ms. P Ntuli (01/03/2021 - 30/06/2021)
Risk Committee Chairperson	Mr T Boltman
Grading of local authority	High Capacity
Chief Finance Officer (CFO)	A L Stander
Accounting Officer	M M Skosana
Registered office	2A Walter Sisulu Street Middelburg 1050 Mpumalanga
Business address	2A Walter Sisulu Street Middelburg 1050

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General Information

	Mpumalanga
Postal address	P.O. Box 437 Middelburg 1050 Mpumalanga
Bankers	STANDARD BANK (Primary) ABSA Limited Middelburg
Auditors	Auditor General South Africa
Contact Details	Telephone: +27 (13) 249 2000 Fax: +27 (13) 249 2114 www.nkangaladm.gov.za

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
MPAC	Municipal Public Accounts Committee
AC	Audit Committee
EPWP	Expanded Public Works Programme
COVID-19	Corona Virus Disease

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Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that she 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 2022 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in the note 26 except for irregular expenditure as per note 44 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act..

The annual financial statements set out on page 9 - 85, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

M M Skosana
Municipal Manager

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Report of the Chief Financial Officer

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Report of the Chief Financial Officer

1. INTRODUCTION

The financial objective of the district municipality is to secure sound and sustainable management of the financial affairs of the district municipality and to assist the six local municipalities to be financially viable.

Critical functional areas for the district municipality amongst others include improvement of audit outcomes, effective financial management, fully functional internal audit units and audit committees, high vacancy rate in key positions, declining growth in the Regional Services Council Replacement Grant, increase in operational expenditure, which negatively impacts on the allocations to local municipalities.

Issue 3 of the IDP relates to financial viability and includes projects that contributed to the financial viability of the district and local municipalities.

The District was a pilot site from 1 July 2015 for the new mSCOA regulations and successfully implemented the mSCOA for the 2020/21 financial year. 2020/21 are the sixth year of implementation of mSCOA. It has indeed been challenging as the mSCOA chart has been changing with every new version release of the mSCOA by National Treasury. The District has finalised and prepared the annual financial statements for 2020/21 on version 6.4 from 6.3 of mSCOA for the 2019/20 financial year.

Indeed the whole of the financial year brought along very difficult times due to COVID 19 Disaster declaration by the Honourable President of South-Africa. The District had to reprioritise funds through the budget processes to enable the District to respond to the challenges around COVID 19.

2. REVIEW OF OPERATING RESULTS

The 2020/21 budget of the Nkangala District Municipality was approved by Council on the 27 May 2020 under item DM-ND 349/05/2020. The roll over budget was approved 20 August 2020 under DM-ND 56/08/2020. An adjustment budget was approved on the 24 February 2021 under item DM-ND 257/02/2021. Herewith is commentary on the financial results.

2.1 REVENUE

The total revenue of the district increased with 1.07% from R409,710 million (2019/20) to R414,079 million (2020/21) and indicate a positive outcome over the R437,423 million budgeted for the 2020/21 financial year.

Revenue from exchange transactions decreased from R41,116 million (2019/20) to R21,266 million (2020/21), whilst the revenue from non-exchange transactions increased from R368,593 million (2019/20) to R392,812 million (2020/21) of which the major portions is from government grants and subsidies. The district is highly dependent on the RSC Replacement Grant that shows a deterioration growth rate year on year, however indicative allocations published in Division of Revenue Act (DORA) point to a very small increase in the RSC Levy Replacement Grant,

The outlook for the next financial year is that the total revenue will increase compared to the year under review.

TRANSFERS AND SUBSIDIES

Transfers and subsidies increased by 6.94 % from R365,959 million (2019/20) to R391,374 million (2020/21). Transfers and Subsidies include conditional and non-conditional grants, donations or subsidies to the District and amongst others include the RSC Levy Replacement grant, the Equitable Share, Municipal System Improvement Grant, Finance Management Grant and the Expanded Public Works Programme Incentive Grant. All conditional grants have been spent 95.03% and has been recognised as revenue in 2020/21. According to the accounting policies only the portion that has been expensed and meets the conditions of the conditional grant is recognized as revenue.

INTEREST, DIVIDENDS AND RENT ON LAND

The District earned interest, which decreased by 48.96% from R40,431 million (2019/20) to R20,634 million (2020/21). This decrease is attributed to the improved implementation of projects to local municipalities under expenditure: transfers and subsidies paid and left more surplus cash for investment and the increase in interest rates on call deposits. 87.62% realised of budgeted amount for 2020/21 and the variance is due to that more interest revenue was received than anticipated during the budget process.

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FINES, PENALTIES AND FORFEITS

Revenue from Fines, Penalties and Forfeits decrease by 60.91% from R1,839 million (2019/20) to R0,719 million (2020/21). 189.27% of budgeted amount realised for 2020/21 due to the adhoc nature of the imposing of fines and penalties.

SALE OF GOODS

Sale of goods decreased by 100% from R0,214 million (2019/20) to R0 million (2020/21) and consists mainly the selling of tender documents. 0% realised for 2020/21 due to decreased selling of tender documents as they are also now available free of charge electronically.

OPERATIONAL REVENUE

Operational revenue increased by 38.28% from R0,427 million (2019/20) to R0,591 million (2020/21). 127.09% of budgeted amount realised for 2020/21 due to more operational revenue received than anticipated

RENTAL FROM FIXED ASSETS

Rental from fixed assets decreased by 7.15% from R0,044 million (2019/20) to R0,041 million (2020/21) and flows from the lease agreement with Vodacom. 100% realised as more fixed assets were rented out in 2020/21 than anticipated.

LICENCES AND PERMITS

Revenue from licences and permits has decreased with 9.47% from R0,794 million in the (2019/20) to R0,719 million that was realised in the (2020/21) financial year. 60.41% of budgeted amount realised for 2020/21 due to the new function that are rendered by the District and various according to the number of applications received and the effect of COVID 19 on businesses.

2.2 EXPENDITURE

The total expenditure decreased with 6.66% from R479,134 million (2019/20) to R447,231 million (2020/21) compared to the budgeted operating expenditure of R535,299 million 2020/21. Transfers and subsidies to local municipalities are the main driver of the expenditure of the District

TRANSFERS & SUBSIDIES

This expenditure relates to expenditure on infrastructure and operational projects for local municipalities within the District's jurisdictional area.

Actual grants and subsidies paid for 2020/21 represent 34.28% (41.11% 2019/20) of the total expenditure and decreased by 22.18% from R196,943 million (2019/20) to R153,256 million (2020/21). The actual transfers and subsidies are 67.74% of the budgeted amount of R226,251 million (2020/21) due to the delays in appointments due to COVID 19, projects that are completed from the 2019/20 financial year and transferred from Inventory – Work in progress.

EMPLOYEE RELATED COST

Actual employee related costs increased by 6.68% from R159,124 million (2019/20) to R169,761 million (2020/21) due to the drive to appoint staff in all vacancies and salary increases applied. Actual employee related costs are 98.26 % of the budgeted employee related cost, which is due to the few vacancies which have not been filled in the year under review.

OPERATIONAL COST

The actual expenditure of operational costs decreased by 8.15% from R40,333 million (2019/20) to R37,048 million (2020/21). Actual operational costs are 84.82% of the budgeted operational cost. Due to non-responsive tenders and operational projects that were not fully completed.

CONTRACTED SERVICES

Contracted services increased by 12.70% from R44,190 million (2019/20) to R49,801 million (2020/21). Actual contracted services are 96.76% of the budgeted operational cost, due decrease in allocated contracts for the year.

REMUNERATION OF COUNCILLORS

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Payments made to councillors are in terms of the legislation on remuneration of public office bearers.

Actual councillor allowance costs decreased by 0.83 % from R14,798 million (2019/20) to R14,676 million (2020/21). Actual councillor allowance costs are 92.48% of the budgeted remuneration of councillors, due to the % increase that realised on the determination of upper limits.

DEPRECIATION/ AMORTISATION

Depreciation/amortisation is charged on Property, Plant & Equipment/intangibles at rates determined in the accounting policies and asset useful lives are reviewed annually.

Actual depreciation/amortisation costs increased by 2.77% from R15,158 million (2019/20) to R15,577 million (2020/21). Actual depreciation/amortisation costs are 89.50% of the budgeted depreciation/amortisation cost, and is dependent on the acquisition of new assets for the District.

INVENTORY CONSUMED

Actual inventory consumed costs decreased by 25.82% from R6,283 million (2019/20) to R4,661 million (2020/21). Actual inventory consumed costs are 90.89% of the budgeted amount, due to the less than anticipated inventory consumed.

INTEREST, DIVIDEND AND RENT ON LAND PAID

The District only realised interest paid on the annuity loan with DBSA and Financial leases for office equipment.

Actual interest costs decreased by 40.19 % from R0,143 million (2019/20) to R0,085 million (2020/21), the decline is due to the redemption of loans and finance leases. Actual interest costs are 56.93% the budgeted amount due to less finance leases taken than anticipated.

GAINS AND LOSSES

The District only realised a small loss on the disposal of fixed and intangible assets, whilst an actuarial gain was realised for both 2019/20 and 2020/21, which decrease from R2,930 million (2019/20) compared to the loss of R2,021 million (2020/21) financial year. The budget variance is due to the unknown nature of actuarial valuations.

OPERATING LEASES

Actual operating leases costs increased by 9.48 % from R2,162 million (2019/20) to R2,366 million (2020/21). Actual inventory consumed costs are 91.60% of the budgeted amount, due to the two additional leases taken out.

SURPLUS/DEFICIT

The district realised a deficit of R66,494 million 2019/20 compared to the deficit of R35,173 million 2020/21 as a result of the impact of COVID on the expenditure

3. FINANCIAL POSITION

The Statement of Financial position represents the financial strength of the district by a comparison of assets over liabilities.

The total assets of the district decreased by 4.25% from R685,176 million (2019/20) to R656,024 million (2020/21). The contributing factors of this decrease can mainly be attributed to decrease of trade and other receivables and decrease in cash and cash equivalents.

Total liabilities increased by 8.59% from R70,134 million (2019/20) to R76,156 million (2020/21), which is mainly due to the increase in accruals, post-retirement benefits and provisions for long services.

4. KEY RATIOS

CURRENT RATIO

This ratio represents the ability of the district to pay short term obligations within the next 12 months.

Current assets	Current Liabilities	
R million	R million	Ratio

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2019/20	486,281	52,846	9.20:1
2020/21	379,075	52,941	7.16:1

ACID TEST

A stringent indicator that determines whether a company/institution has enough short-term assets to cover its immediate liabilities without considering inventory. Institutions with ratios of less than 1 cannot pay their current liabilities and should be looked at with extreme caution.

	Current assets – Inventory	Current Liabilities	
	R million	R million	Ratio
2019/20	431,201	52,846	8.16:1
2020/21	301,898	52,941	5.70:1

SOLVENCY RATIO

This represents the ability of the district to pay both its long term and short term obligations.

	Total Assets	Total Liabilities	
	R million	R million	Ratio
2019/20	685,171	70,134	9.77:1
2020/21	656,006	76,156	8.61:1

OTHER RATIOS

Ratio	30 Jun 2021	30 Jun 2020
Employee related cost and Councillor remuneration / Total expenditure	41.24	36.30
Actual transfers and subsidies paid / Total expenditure	34.27	41.10
Actual transfers and subsidies paid / Total revenue	37.01	48.07

5. CREDIT RATING

The NDM final credit rating report completed by Global Credit Rating Co. in November 2019.

The credit ratings of municipalities are based on South African national scales. The highest grade in the long-term assessment is "zaAAA" and scales down from there to zaBBB – the lowest. Within each of the levels a "+" or "-" sign indicates further relative strength or weakness. An "A" indicates relative strength and capacity to repay liabilities. The best short-term grades range from zaA1+ down to zaA1-. In view of the country's downgraded status the District was also downgraded as expected and overall I am satisfied with the grading given to the district.

NDM CREDIT RATING NOVEMBER 2019

In summary, NDM credit rating analysis is as follows as a per credit rating report issued by Global Credit Rating Co.:

Rating class	Rating scale	Rating	Rating outlook
Long term	National	A(ZA)	Stable
Short term	National	A1(ZA)	Stable
Long term	International	BB-	Stable

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NDM CURRENT RATINGS NOVEMBER 2019

Summary rating rationale:

Nkangala District Municipality's ("Nkangala", or, NDM, "the District") ratings are underpinned by its strong financial profile, supported by its net ungeared position and substantial cash holdings. Constraining the ratings somewhat is the District's operating structure, which is over-reliant on grant income funding, with no internally generated revenue ("IGR") to support project implementation.

Nkangala's economy is underpinned by coal mining and primary industries, whose productivity has remained constrained over several years. Consequently, the district's GDP growth has lagged national statistics. The closure of several mines has resulted in an uptick in unemployment in the district to 38%, compared to the 29% national average. Despite some improvement in certain socio-economic indicators, Nkangala has broadly been lagging national metrics over the review period. The District is seeking ways to bolster economic diversification and growth, with agricultural production in particular likely to benefit from mining operations releasing land, but meaningful improvement will only be achieved in the longer term.

GCR considers the district operating structure to be an inherent rating weakness. This is because Nkangala is entirely reliant on grant funding, with negligible internally generated revenue. Conversely, the bulk of its operating costs have been increasing faster than inflation. This has been most evidenced in the rapid progression in staff costs to account for 38.1% of expenditure in FY19, compared to 24.8% in FY15. The escalation in operating costs have seen an inversion in the overall expenditure profile since FY15. Specifically, operating expenditure now accounts for 64% of total annual spend, squeezing out capital implementation, whereas historically capex accounted for approximately 65% of total annual expenditure. As increases to grant income are likely to remain low amidst the weaker national fiscal position, this trend is likely to continue.

Factors that could trigger a rating action:

Positive factors: NDM's ratings are at the upper limit for district municipalities and thus further progression is unlikely unless there is a major change in the operating structure of district municipalities.

Negative factors: A reduction in government support, either through lower grant funding or in terms of perceived operational support would negatively impact the ratings. The ratings could also be downgraded if the current trend of rapid expenditure growth and slow income persists, resulting in an erosion of NDM's liquidity profile.

International scale: The rating is directly linked to the South African sovereign rating, and any movement in the sovereign rating would likely have an impact on NDM's international scale rating.

The District is satisfied with the credit rating under the prevailing circumstances.

No rating was done for 2020 due to cost constraints.

6. GENERALLY RECOGNISED ACCOUNTING PRACTICES

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

The following standards were applicable during the year under review:

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates

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GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash generating assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of budget
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash generating assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IGRAP 1	Applying The Probability Test On Initial Recognition Of Revenue
IGRAP 2	Changes in Existing Decommissioning Restoration and Similar Liabilities
IGRAP 3	Determining Whether an Arrangement Contains a Lease
IGRAP 4 Rehabilitation Funds	Rights to Interests Arising from Decommissioning, Restoration and Environmental
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7 Interaction	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidation – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities -Non-Monetary Contributions
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue - Barter Transactions Involving Advertising Services

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IGRAP 16	Intangible Assets - Website Costs
IGRAP 17	SCA where Grantor Controls Significant Residual Interest
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue

7. CONCLUSION

Good governance, sound financial management and financial viability remain critical success factors for the district.

8. ACKNOWLEDGEMENT

I would like to extend my appreciation to the Honourable Executive Mayor, Mayoral Committee, Councillors, Audit Committee, Risk Committee and Municipal Public Accounts Committee for strategic direction and leadership demonstrated during the financial year.

The guidance and vision of the Municipal Manager and Heads of Departments are acknowledged with gratitude. A special word of appreciation is extended to all my colleagues for their loyalty and support.

Thank you

AL STANDER

MANAGER: FINANCE (CHIEF FINANCIAL OFFICER)

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Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Non-Current Assets			
Property, plant and equipment	3	197 957 282	186 187 708
Intangible assets	4	15 174 615	12 199 014
Heritage assets	5	508 772	508 772
Long term Investments	6	63 308 712	-
		276 949 381	198 895 494
Current Assets			
Short term portion of long term Investments	6	-	59 299 177
Inventories	7	77 177 205	55 079 745
Construction contracts and receivables	8	2 631 686	-
Prepayments	9	5 652	3 534 907
VAT receivable	10	13 455 853	34 301 268
Trade & other receivables from exchange transactions	11	58 558	57 937
Cash and cash equivalents	12	285 745 907	334 007 627
		379 074 861	486 280 661
Total Assets		656 024 242	685 176 155
Liabilities			
Current Liabilities			
Consumer deposits	13	14 030	14 030
Payables from exchange transactions	14	51 067 429	51 564 540
Finance lease obligation	15	835 581	504 632
Defined benefit obligation	16	353 000	310 000
Operating lease accrual		34 694	56 027
Long service awards	17	636 000	397 000
		52 940 734	52 846 229
Non-Current Liabilities			
Finance lease obligation	15	1 705 963	-
Defined benefit obligation	16	15 969 000	12 479 000
Long service awards	17	5 540 000	4 809 000
		23 214 963	17 288 000
Total Liabilities		76 155 697	70 134 229
Net Assets		579 868 545	615 041 926
Accumulated surplus		579 868 545	615 041 912
Total Net Assets		579 868 545	615 041 912

* See Note 36

Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		-	214 014
Rental from fixed assets	18	41 116	44 281
Operational Revenue	19	590 965	427 370
Interest Revenue	20	20 634 083	40 430 724
Total revenue from exchange transactions		21 266 164	41 116 389
Revenue from non-exchange transactions			
Taxation revenue			
Licences and Permits (Non-exchange)	21	718 879	794 121
Transfer revenue			
Government grants and subsidies	22	391 374 265	365 959 377
Fines, Penalties and Forfeits	23	719 210	1 839 812
Total revenue from non-exchange transactions		392 812 354	368 593 310
Total revenue	24	414 078 518	409 709 699
Expenditure			
Employee related costs	25	169 760 753	159 124 129
Remuneration of councillors	26	14 675 747	14 798 294
Depreciation and amortisation	27	15 577 050	15 157 753
Transfers and Subsidies	28	153 255 733	196 943 313
Interest expense	29	85 259	142 553
Inventory Consumed	30	4 660 617	6 282 947
Contracted services	31	49 801 012	44 189 939
Operating lease	32	2 366 764	2 161 744
Operational costs	33	37 048 303	40 333 489
Total expenditure		447 231 238	479 134 161
Operating deficit		(33 152 720)	(69 424 462)
Gain (loss) on disposal of assets		(464 949)	(92 693)
Fair value adjustments		(197 711)	28 160
Actuarial gains/losses	16	(1 358 002)	3 165 978
Impairment loss		-	(171 896)
		(2 020 662)	2 929 549
Deficit for the year		(35 173 382)	(66 494 913)

* See Note 36

Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	680 056 068	680 056 068
Adjustments		
Correction of error-refer to note 36	1 480 757	1 480 757
Balance at 01 July 2019 as restated*	681 536 825	681 536 825
Changes in net assets		
Surplus/(deficit) for the year as previously reported	(66 494 913)	(66 494 913)
Total changes	(66 494 913)	(66 494 913)
Restated* Balance at 01 July 2020	615 041 927	615 041 927
Changes in net assets		
Surplus/(deficit) for the year	(35 173 382)	(35 173 382)
Total changes	(35 173 382)	(35 173 382)
Balance at 30 June 2021	579 868 545	579 868 545

* See Note 36

Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Grants		388 742 579	365 512 562
Interest income		20 634 162	40 430 724
Rental from fixed assets		41 116	44 281
Other receipts		2 049 700	3 275 317
Movement of VAT		20 845 415	-
		<u>432 312 972</u>	<u>409 262 884</u>
Payments			
Employee costs		(155 048 580)	(170 616 618)
Suppliers		(292 462 017)	(279 241 006)
Finance costs		(85 259)	(142 553)
Movement of VAT		-	(16 181 816)
		<u>(447 595 856)</u>	<u>(466 181 993)</u>
Net cash flows from operating activities	34	<u>(15 282 884)</u>	<u>(56 919 109)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(27 104 602)	(31 589 162)
Proceeds from sale of property, plant and equipment	3	146 718	25 669
Purchase of other intangible assets	4	(3 830 850)	(4 669 950)
Proceeds from sale of other intangible assets	4	1 554	-
Decreases/(Increases) of investments		(4 009 535)	(5 294 880)
Net cash flows from investing activities		<u>(34 796 715)</u>	<u>(41 528 323)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		-	(1 542 534)
Finance lease payments		2 036 912	(598 409)
Operating leases		(21 333)	(131 971)
Net cash flows from financing activities		<u>2 015 579</u>	<u>(2 272 914)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(48 064 020)</u>	<u>(100 720 346)</u>
Cash and cash equivalents at the beginning of the year		334 007 627	434 727 963
Fair value adjustments to cash and cash equivalents		(197 711)	-
Cash and cash equivalents at the end of the year	12	<u>285 745 896</u>	<u>334 007 617</u>

* See Note 36

Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	*Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	460 000	5 000	465 000	590 965	125 965	#
Interest Revenue	23 550 000	-	23 550 000	20 675 199	(2 874 801)	#
Total revenue from exchange transactions	24 010 000	5 000	24 015 000	21 266 164	(2 748 836)	
Revenue from non-exchange transactions						
Taxation revenue						
Licences and Permits (Non-exchange)	1 190 000	-	1 190 000	718 879	(471 121)	#
Transfer revenue						
Transfers and subsidies	404 895 000	6 942 760	411 837 760	391 374 265	(20 463 495)	#
Fines, penalties and forfeits	1 340 000	(960 000)	380 000	719 210	339 210	#
Total revenue from non-exchange transactions	407 425 000	5 982 760	413 407 760	392 812 354	(20 595 406)	
Total revenue	431 435 000	5 987 760	437 422 760	414 078 518	(23 344 242)	
Expenditure						
Employee related costs	(156 552 955)	(16 213 988)	(172 766 943)	(169 760 753)	3 006 190	#
Remuneration of councillors	(15 869 430)	-	(15 869 430)	(14 675 747)	1 193 683	#
Depreciation and amortisation	(17 404 712)	-	(17 404 712)	(15 577 050)	1 827 662	#
Interest expense	(239 294)	92 850	(146 444)	(85 259)	61 185	#
Operating leases	(1 460 000)	(1 123 743)	(2 583 743)	(2 366 764)	216 979	#
Inventory consumed	(6 692 499)	1 564 676	(5 127 823)	(4 660 616)	467 207	#
Contracted Services	(58 174 521)	6 703 801	(51 470 720)	(49 801 012)	1 669 708	#
Transfers and Subsidies	(185 088 216)	(41 162 385)	(226 250 601)	(153 255 733)	72 994 868	#
Operational costs	(56 229 365)	12 551 068	(43 678 297)	(37 048 301)	6 629 996	#
Total expenditure	(497 710 992)	(37 587 721)	(535 298 713)	(447 231 235)	88 067 478	
Operating deficit	(66 275 992)	(31 599 961)	(97 875 953)	(33 152 717)	64 723 236	
Loss on disposal of assets and liabilities	-	-	-	(464 949)	(464 949)	
Fair value adjustments	-	-	-	(197 711)	(197 711)	
Actuarial gains/losses	-	-	-	(1 358 002)	(1 358 002)	
	-	-	-	(2 020 662)	(2 020 662)	
Deficit before taxation	(66 275 992)	(31 599 961)	(97 875 953)	(35 173 379)	62 702 574	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(66 275 992)	(31 599 961)	(97 875 953)	(35 173 379)	62 702 574	

Refer to CFO report for explanation of differences between actual and final budget, pages 8-15.

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	*Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	65 623 094	-	65 623 094	77 177 205	11 554 111	
Construction contracts and receivables	-	-	-	2 631 686	2 631 686	
VAT receivable	18 740 245	-	18 740 245	13 455 853	(5 284 392)	
Prepayments	-	-	-	5 652	5 652	
Consumer debtors	228 083	-	228 083	58 558	(169 525)	
Cash and cash equivalents	425 442 180	-	425 442 180	285 745 907	(139 696 273)	
	510 033 602	-	510 033 602	379 074 861	(130 958 741)	

Non-Current Assets

Property, plant and equipment	190 763 424	6 628 681	197 392 105	197 957 282	565 177	
Intangible assets	11 390 385	-	11 390 385	15 174 615	3 784 230	
Heritage assets	508 772	-	508 772	508 772	-	
Long term Investments	54 004 297	-	54 004 297	63 308 712	9 304 415	
	256 666 878	6 628 681	263 295 559	276 949 381	13 653 822	

Total Assets

	766 700 480	6 628 681	773 329 161	656 024 242	(117 304 919)	
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Liabilities

Current Liabilities

Finance lease obligation	2 187 000	-	2 187 000	835 581	(1 351 419)	
Payables from exchange transactions	46 181 149	-	46 181 149	51 067 423	4 886 274	
Consumer deposits	12 000	-	12 000	14 030	2 030	
Defined benefit obligation	195 519	-	195 519	353 000	157 481	
Long service awards	500 000	-	500 000	636 000	136 000	
Operating lease accrual	50 000	-	50 000	34 694	(15 306)	
	49 125 668	-	49 125 668	52 940 728	3 815 060	

Non-Current Liabilities

Finance lease obligation	1 500 000	-	1 500 000	1 705 963	205 963	
Defined benefit obligation	10 872 000	-	10 872 000	15 969 000	5 097 000	
Long service awards	5 400 000	-	5 400 000	5 540 000	140 000	
	17 772 000	-	17 772 000	23 214 963	5 442 963	

Total Liabilities

	66 897 668	-	66 897 668	76 155 691	9 258 023	
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Net Assets

	699 802 812	6 628 681	706 431 493	579 868 551	(126 562 942)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	699 802 812	6 628 681	706 431 493	579 868 551	(126 562 942)	
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Nkangala District Municipality

(Registration number DC31)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	*Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Operational revenue	2 940 000	(955 000)	1 985 000	2 049 700	64 700	
Government grant - operating	402 697 000	(3 057 240)	399 639 760	379 176 565	(20 463 195)	
Government grant - capital	2 198 000	10 000 000	12 198 000	9 566 014	(2 631 986)	
Interest income	23 550 000	-	23 550 000	20 634 162	(2 915 838)	
Rent from fixed assets	50 000	-	50 000	41 116	(8 884)	
VAT	-	-	-	20 845 415	20 845 415	
	431 435 000	5 987 760	437 422 760	432 312 972	(5 109 788)	

Payments

Suppliers and employees	(298 971 292)	3 481 813	(295 489 479)	(294 254 866)	1 234 613	
Finance costs	(239 294)	92 850	(146 444)	(85 259)	61 185	
Transfers and Grants	(177 103 172)	(41 162 385)	(218 265 557)	(153 255 731)	65 009 826	
	(476 313 758)	(37 587 722)	(513 901 480)	(447 595 856)	66 305 624	

Net cash flows from operating activities	(44 878 758)	(31 599 962)	(76 478 720)	(15 282 884)	61 195 836	
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Cash flows from investing activities

Purchase of property, plant and equipment	(24 005 000)	(6 801 170)	(30 806 170)	(27 104 602)	3 701 568	
Proceeds from sale of property, plant and equipment	-	-	-	146 718	146 718	
Purchase of other intangible assets	(3 000 000)	(889 000)	(3 889 000)	(3 830 850)	58 150	
Proceeds from sale of intangible assets	-	-	-	1 554	1 554	
Decrease(Increase) in non-current investments	(4 009 535)	-	(4 009 535)	(4 009 535)	-	
	(31 014 535)	(7 690 170)	(38 704 705)	(34 796 715)	3 907 990	

Net cash flows from investing activities	(31 014 535)	(7 690 170)	(38 704 705)	(34 796 715)	3 907 990	
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Cash flows from financing activities

Finance lease payments	2 013 274	-	2 013 274	2 015 579	2 305	
Net increase/(decrease) in cash and cash equivalents	(73 880 019)	(39 290 132)	(113 170 151)	(48 064 020)	65 106 131	
Cash and cash equivalents at the beginning of the year	-	-	-	334 007 627	334 007 627	
Fair value adjustments to cash and cash equivalents	-	-	-	(197 711)	(197 711)	
Cash and cash equivalents at the end of the year	(73 880 019)	(39 290 132)	(113 170 151)	285 745 896	398 916 047	

Reconciliation

Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Appendix C(6): Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Interest Dividend and Rent on Land	(23 550 000)	-	(23 550 000)	-		(23 550 000)	(20 675 199)		2 874 801	88 %	88 %
Transfers recognised - operational	(402 697 000)	3 057 240	(399 639 760)	-		(399 639 760)	(379 176 565)		20 463 195	95 %	94 %
Other own Revenue	(2 990 000)	955 000	(2 035 000)	-		(2 035 000)	(2 029 054)		5 946	100 %	68 %
Total revenue (excluding capital transfers and contributions)	(429 237 000)	4 012 240	(425 224 760)	-		(425 224 760)	(401 880 818)		23 343 942	95 %	94 %
Employee costs	156 552 955	6 091 390	162 644 345	-	10 122 598	172 766 943	171 118 754	-	(1 648 189)	99 %	109 %
Remuneration of councillors	15 869 430	-	15 869 430	-	-	15 869 430	14 675 746	-	(1 193 684)	92 %	92 %
Fair value adjustment	-	-	-			-	197 711	-	197 711	DIV/0 %	DIV/0 %
Gains/Losses	-	-	-			-	464 949	-	464 949	DIV/0 %	DIV/0 %
Depreciation and asset impairment	17 404 712	(735 600)	16 669 112			16 669 112	15 577 049	-	(1 092 063)	93 %	89 %
Finance charges	239 294	(85 000)	154 294	-	(7 850)	146 444	85 258	-	(61 186)	58 %	36 %
Materials and bulk purchases	6 692 499	(289 379)	6 403 120	-	(1 275 296)	5 127 824	4 660 616	-	(467 208)	91 %	70 %
Transfers and grants	185 088 216	40 865 885	225 954 101	-	296 500	226 250 601	153 255 731	-	(72 994 870)	68 %	83 %
Other expenditure	115 863 886	(8 995 174)	106 868 712	-	(8 400 351)	98 468 361	89 216 086	-	(9 252 275)	91 %	77 %
Total expenditure	497 710 992	36 852 122	534 563 114	-	735 601	535 298 715	449 251 900	-	(86 046 815)	84 %	90 %
Surplus/(Deficit)	68 473 992	40 864 362	109 338 354	-		110 073 955	47 371 082		(62 702 873)	43 %	69 %

Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	(2 198 000)	(10 000 000)	(12 198 000)	-		(12 198 000)	(12 197 700)		300	100 %	555 %
Surplus (Deficit) after capital transfers and contributions	66 275 992	30 864 362	97 140 354	-		97 875 955	35 173 382		(62 702 573)	36 %	53 %
Surplus/(Deficit) for the year	66 275 992	30 864 362	97 140 354	-		97 875 955	35 173 382		(62 702 573)	36 %	53 %

Capital expenditure and funds sources

Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 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:

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

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of property, plant and equipment and other assets

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

Effective interest rate

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

Defined Benefit Obligations

The municipality obtains actuarial valuations of its defined benefit plan and other long term employee benefits. The defined benefit plan and other long term employee benefits identified are post retirement health benefit obligations and long service awards. The estimated liabilities are recorded in accordance with GRAP25.

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

Property, plant and equipment are depreciated on the 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:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite life
Buildings	Straight-line	15 to 30 years
Leased assets	Straight-line	3 years
Machinery and equipment	Straight-line	5 to 20 years
Furniture and office equipment	Straight-line	1 to 15 years
Transport assets	Straight-line	7 to 20 years
Computer equipment	Straight-line	1 to 10 years
Infrastructure: Electricity	Straight-line	20 years
Infrastructure: Roads, Pavements, Bridges and Stormwater	Straight-line	10 to 30 years

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3 and 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3 and 4).

Nkangala District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3- 15 years

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

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1.5 Intangible assets (continued)

Intangible assets are derecognised:

- 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 intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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.

Subsequent measurement

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

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).

1.7 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.

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1.7 Financial instruments (continued)

Classification

The Municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Investments	Financial asset measured at amortised cost
Bank	Financial asset measured at amortised cost
Cash	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other payables	Financial liability measured at amortised cost
Long term liabilities	Financial liability measured at amortised cost
Finance lease	Financial liability measured at amortised cost
Other receivables	Financial liability measured at amortised cost

The municipality has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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1.7 Financial instruments (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The Municipality 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.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

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

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality :
 - 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.

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1.7 Financial instruments (continued)

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.

Financial liabilities

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

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

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

1.8 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term except where other systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed

1.9 Inventories

The municipality constructs infrastructure projects, which will subsequently be transferred to local municipalities in its area of jurisdiction at no cost when the project is completed. Projects still in progress and not yet completed are disclosed as inventory. Inventory is measured at the actual costs.

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1.9 Inventories (continued)

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

1.10 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 a municipality 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 municipality 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 .

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.

1.11 Impairment of cash-generating assets

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

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the statement of financial performance immediately. The recoverable amount of the asset is the higher of the asset's fair value less cost to sell and its value in use.

The fair value represents the amount obtained obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties..

The value in use of an asset represents the expected future cash flows, from continuing use and disposal that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belong. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of the value in use, R1.00 or fair value less cost to sell.

A previously recognised impairment loss related to assets is reserved if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

The municipality assesses at each reporting date whether there is any indication that a 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 cash-generating intangible asset with an indefinite useful life or a 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.

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1.11 Impairment of cash-generating assets (continued)

Value in use

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

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

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

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating 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.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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1.11 Impairment of 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 cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a 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 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 cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued 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 cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.13 Net Assets

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

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Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits: Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the statement of financial performance as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

The municipality contributes towards retirement benefits of its employees and councilors to the under-mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund

Municipal Gratuity Fund Councilors are members of the Municipal Councilor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

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1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

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

- the amount determined above; and
- 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.

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Accounting Policies

1.14 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

Before determining the effect of a curtailment or settlement, the entity re-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 [OR is not] presented as the net of the amount recognised for a reimbursement.

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

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Accounting Policies

1.14 Employee benefits (continued)

Long Service Award

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25 and 30 years of continued service

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

1.15 Provisions and contingencies

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating deficits.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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

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Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

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

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

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

1.17 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.

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rental from fixed assets

Rental of facilities arising from the use by others of entity assets yielding interest is recognised when:

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

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 using in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Licences and permits

Revenue from the issuing of licenses and permits in terms of laws and regulations and is recognised when:

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

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Fines, penalties and forfeits

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

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1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 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, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

1.25 Segment information

A segment is an activity of an entity:

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

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Accounting Policies

1.25 Segment information (continued)

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.26 Budget information

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

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

The approved budget covers the fiscal period from 01/07/2020 to 30/06/2021.

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

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

1.27 Related parties

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

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

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Accounting Policies

1.27 Related parties (continued)

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.

1.28 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.

1.29 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 (No. 89 of 1991)

The municipality accounts for Value Added Tax on payment basis as per the VAT Act

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Figures in Rand

2021

2020

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: Years beginning on or after	Expected impact:
• GRAP 18 on Segment Reporting	01 April 2020	Unlikely there will be a material impact
• GRAP 34 on Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35 on Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36 on Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37 on Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38 on Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 on Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 20 on Adjustments to Revenue (and related amendments to IGRAP 1)	01 April 2020	Unlikely there will be a material impact

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3. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 713 105	-	1 713 105	1 713 105	-	1 713 105
Machinery and Equipment	45 000 272	(23 023 735)	21 976 537	42 000 895	(19 319 148)	22 681 747
Furniture and Office Equipment	16 772 526	(9 883 872)	6 888 654	16 097 017	(9 769 738)	6 327 279
Transport Assets	54 456 402	(25 800 621)	28 655 781	49 894 103	(24 249 925)	25 644 178
Computer Equipment	17 506 311	(6 863 864)	10 642 447	14 008 308	(7 909 413)	6 098 895
Community-Buildings	69 824 015	(8 329 253)	61 494 762	51 024 160	(6 592 568)	44 431 592
Other property, plant and equipment- Buildings	75 686 804	(30 097 036)	45 589 768	61 505 313	(28 030 742)	33 474 571
Sanitation Infrastructure	1 592 234	(21 660)	1 570 574	134 228	(10 557)	123 671
Water Supply Infrastructure	144 810	(19 020)	125 790	144 810	(11 782)	133 028
Roads Infrastructure	3 954 149	(1 166 155)	2 787 994	2 391 548	(1 021 807)	1 369 741
Stormwater Infrastructure	6 595 311	(2 506 154)	4 089 157	6 493 177	(2 225 699)	4 267 478
Construction Work in Progress	1 624 013	-	1 624 013	34 367 789	-	34 367 789
Electrical Infrastructure	8 186 098	(1 501 714)	6 684 384	4 937 682	(1 292 458)	3 645 224
ICT Infrastructure	3 140 471	(1 536 316)	1 604 155	2 679 319	(1 259 115)	1 420 204
Leased Assets	2 711 110	(200 949)	2 510 161	1 717 821	(1 228 615)	489 206
Total	308 907 631	(110 950 349)	197 957 282	289 109 275	(102 921 567)	186 187 708

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received from WIP	Transfers to Completed	Depreciation	Total
Land	1 713 105	-	-	-	-	-	1 713 105
Machinery and Equipment	22 681 747	1 146 252	(823)	1 917 420	-	(3 768 059)	21 976 537
Furniture and Office Equipment	6 327 279	773 346	(74 913)	619 431	-	(756 489)	6 888 654
Transport Assets	25 644 178	5 486 445	(292 000)	1 467 200	-	(3 650 042)	28 655 781
Computer Equipment	6 098 895	2 863 492	(191 181)	3 037 387	-	(1 166 146)	10 642 447
Community	44 431 592	-	-	18 799 855	-	(1 736 685)	61 494 762
Other property, plant and equipment	33 474 571	622 492	-	13 558 999	-	(2 066 294)	45 589 768
Sanitation Infrastructure	123 671	113 400	-	1 344 606	-	(11 103)	1 570 574
Water Supply Infrastructure	133 028	-	-	-	-	(7 238)	125 790
Roads Infrastructure	1 369 741	-	-	1 562 601	-	(144 348)	2 787 994
Stormwater Infrastructure	4 267 478	-	-	102 134	-	(280 455)	4 089 157
Construction Work in Progress	34 367 789	13 144 637	-	-	(45 888 413)	-	1 624 013
Electrical Infrastructure	3 645 224	10 200	-	3 238 216	-	(209 256)	6 684 384
ICT Infrastructure	1 420 204	233 227	(3 894)	240 563	-	(285 945)	1 604 155
Leased Assets	489 206	2 711 111	(48 856)	-	-	(641 305)	2 510 156
	186 187 708	27 104 602	(611 667)	45 888 412	(45 888 413)	(14 723 365)	197 957 277

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Correction of error	Depreciation	Impairment loss	Total
Land	1 286 584	426 521	-	-	-	-	1 713 105
Machinery and Equipment	25 008 844	1 402 620	(51 509)	(2 168)	(3 676 040)	-	22 681 747
Furniture and fixtures	6 648 268	503 972	(37 176)	608	(788 393)	-	6 327 279
Transport Assets	24 725 015	3 020 614	-	1 655 549	(3 585 104)	(171 896)	25 644 178
Computer Equipment	5 476 330	1 615 501	(29 677)	(1 325)	(961 934)	-	6 098 895
Community-Buildings	46 173 694	-	-	(804)	(1 741 298)	-	44 431 592
Other property, plant and equipment- Buildings	35 262 942	264 500	-	(5 308)	(2 047 563)	-	33 474 571
Sanitation Infrastructure	130 385	-	-	-	(6 714)	-	123 671
Water Supply Infrastructure	140 273	-	-	-	(7 245)	-	133 028
Roads Infrastructure	1 560 967	-	-	(72)	(191 153)	-	1 369 741
Stormwater Infrastructure	4 687 938	-	-	(1)	(420 459)	-	4 267 478
Construction Work in Progress	11 387 990	22 979 799	-	-	-	-	34 367 789
Electrical Infrastructure	3 875 599	-	-	(85)	(230 290)	-	3 645 224
ICT Infrastructure	87 135	1 375 635	-	(196)	(42 369)	-	1 420 204
Leased Assets	1 076 525	-	-	-	(587 318)	-	489 206
	167 528 489	31 589 162	(118 362)	1 646 198	(14 285 880)	(171 896)	186 187 708

Pledged as security

None of assets pledged as security:

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3. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Buildings	-	30 989 071
Water Supply Infrastructure	174 012	174 012
Motor vehicles	-	784 000
IT equipment	-	2 420 706
Community	1 450 000	-
	1 624 012	34 367 789

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	-	-
Machinery and equipment	1 521 246	1 579 393
Transport assets	2 203 706	2 185 817
Other property, plant and equipment	5 131 102	4 519 666
Information and communication infrastructure	4 588 256	3 835 776
	13 444 310	12 120 652

The remaining useful lives of all assets were adjusted during 2020/2021, and was treated as a change in accounting estimate (refer to note 48). All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

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

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4. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	10 524 816	(3 774 001)	6 750 815	10 459 340	(2 930 276)	7 529 064
Intangible assets under development	8 423 800	-	8 423 800	4 669 950	-	4 669 950
Total	18 948 616	(3 774 001)	15 174 615	15 129 290	(2 930 276)	12 199 014

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	7 529 064	77 000	(1 554)	(853 695)	6 750 815
Intangible assets under development	4 669 950	3 753 850	-	-	8 423 800
	12 199 014	3 830 850	(1 554)	(853 695)	15 174 615

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Correction of error	Amortisation	Total
Computer software, other	8 401 110	-	(178)	(871 868)	7 529 064
Intangible assets under development	-	4 669 950	-	-	4 669 950
	8 401 110	4 669 950	(178)	(871 868)	12 199 014

Pledged as security

None of the intangible assets were pledged as security:

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4. Intangible assets (continued)

Expenditure incurred to repair and maintain intangible assets

Expenditure incurred to repair and maintain intangible assets included in the Statement of Financial Position

Intangible assets	737 857	1 191 773
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5. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	508 772	-	508 772	508 772	-	508 772

Reconciliation of heritage assets 2021

	Opening balance	Total
Municipal Jewellery	508 772	508 772

Reconciliation of heritage assets 2020

	Opening balance	Total
Municipal Jewellery	508 772	508 772

Age and/or condition of heritage assets

The heritage asset relates to the Mayoral Chain which was purchased and brought in to use in the financial year ended 30 June 2017

Pledged as security

None of heritage assets pledged as security

6. Long term Investments

At amortised cost

Fixed term deposit	63 308 712	59 299 177
The investment was made on 2 October 2020 and the maturity is 2 October 2025 i.e after 5 years		

Non-current assets

At amortised cost	63 308 712	-
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Current assets

At amortised cost	-	59 299 177
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The investment matured on 23 September 2020

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Figures in Rand	2021	2020
6. Long term Investments (continued)		
Long Term Investments		
Long term investment movement		
Opening Balance	60 000 000	54 004 296
Interest Capitalised	3 308 712	5 294 881
	63 308 712	59 299 177
7. Inventories		
Work in progress	77 177 205	55 079 745
Inventory pledged as security		
No inventories were pledged as security for liabilities in the current financial year.		
Work in progress		
Balance at the beginning of the year	55 079 745	65 623 094
Current year expenditure	175 353 191	186 399 964
less: Projects completed and transferred to Local Municipalities	(153 255 731)	(196 943 313)
Closing balance	77 177 205	55 079 745
8. Construction contracts and receivables		
Receivables		
Receivables due	2 631 686	-
Receivables from Department of Water and Sanitation		
9. Prepayments		
Prepayment	5 652	3 534 907
Prepayments relates to the payment of fees in 2020/2021.		
Prepayments relates to the payment of a truck in 2019/2020.		
10. VAT receivable		
VAT	13 455 853	34 301 268
The Municipality accounts for Value Added Tax on the payment basis		
Refer to note 36 for correction of error		
11. Trade and other receivables from exchange transactions		
Gross balances		
Debtors	58 558	57 937

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Figures in Rand	2021	2020
11. Trade and other receivables from exchange transactions (continued)		
Net balance		
Debtors	58 558	57 937
Other (specify)		
Current (0 -30 days)	22 938	-
121 - 365 days	-	12 550
> 365 days	35 620	45 387
	58 558	57 937

The debtors consists of only Sundry debtors and payment arrangements are made for those above 365 days.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10 200	10 200
Bank balances	10 853 376	22 384 940
Short-term deposits	274 882 331	311 612 487
	285 745 907	334 007 627

12.2 The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
ABSA BANK -Current Account -1040161836	(5 557)	3 773 228	24 995	3 766 275
Standard Bank Current account -042244552	10 827 962	18 619 285	10 828 383	18 618 667
ABSA BANK -Fixed Deposit -2079702968	7 000 000	-	7 000 000	-
ABSA BANK -Fixed Deposit -4083615135	7 985 923	4 726 093	7 985 923	4 726 093
ABSA BANK - Fixed Deposit -2079136058	-	13 000 000	-	13 000 000
Nedbank -Fixed Deposit -03/7881531304/00018	-	695 978	-	695 978
Nedbank -Fixed Deposit -03/7881531304/000188	9 907 210	-	9 907 210	-
Nedbank Fixed Depositi -03/7881531304/000325	8 000 000	-	8 000 000	-
Nedbank -Fixed Deposit -03/7881531304/000310	-	17 000 000	-	17 000 000
FNB (RMB) Bank -Term Deposit -62786703184	9 967 535	3 785 972	9 967 535	3 785 972
FNB (RMB) Bank -Term Deposit -74892232056	5 000 000	-	5 000 000	-
FNB (RMB) Bank -Term Deposit -71847847939	-	15 258 205	-	15 000 000
Stanlib -N00111	99 117 030	114 497 952	99 117 030	114 497 952
Standard Bank -Notice Deposit -038433834#081	5 744 373	534 932	5 744 373	534 932
Standard Bank -Notice Deposit -038433834#093	81 503	80 643	81 503	80 643
Standard Bank -Notice Deposit -038433834#140	8 000 000	-	8 000 000	-
Standadrd Bank -Notice Deposit -038433834#126	-	17 000 000	-	17 000 000
Sanlam -NDCKON	59 203 217	66 920 243	59 203 217	66 920 243
Interest Accrued	556 208	2 082 372	567 924	2 082 372
Investec -Fixed Deposit -1400-121751-500	-	153 790	-	153 790
Investec -Fixed Deposit -1400-121751-502	-	335 956	-	335 956
Investec -Fixed Deposit -1400-121751-452-JB10311429	-	13 000 000	-	13 000 000
Investec -Fixed Deposit -1400-121751-500 - JB5M52361	6 358 464	-	6 358 464	-
Investec -Fixed Deposit -1400-121751-502	347 440	-	347 440	-
Investec -Fixed Deposit - 1400-121751-452 - JB10649643	3 000 000	-	3 000 000	-
FNB Retention -74794690154	44 601 792	43 053 935	44 601 792	42 798 551
Total	285 693 100	334 518 584	285 735 789	333 997 424

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Figures in Rand	2021	2020
13. Consumer deposits		
Rental of facilities	14 030	14 030
Deposits relates to rental of NDM facilities.		
14. Payables from exchange transactions		
Trade payables	26 165 620	26 519 062
Advance Payments	8 982	3 874
Retentions	12 659 147	13 777 947
Accrued leave pay	12 233 680	11 263 657
	51 067 429	51 564 540
Refer to note 36 for correction of error		
15. Finance lease obligation		
Minimum lease payments due		
- within one year	1 049 759	529 690
	1 049 759	529 690
less: future finance charges	(216 422)	(25 058)
Present value of minimum lease payments	833 337	504 632
Non-current liabilities	1 705 963	-
Current liabilities	835 581	504 632
	2 541 544	504 632

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

The average lease term was 30-36 months and the average effective borrowing rate was 10% (2020: 11,84%).

16. Defined benefit obligations

Projected accrued liability

The post-employment medical aid benefits are provided for retired employees and their legitimate spouses and is paid monthly. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The provision is an estimate of the liability based on historical staff turnover and life expectancy of the relevant people and is discounted by using the inflation rate at the reporting date. The following is a reconciliation of the unfunded accrued liability:

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16. Defined benefit obligations (continued)

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

Carrying value		
Opening Balance	12 789 000	13 393 044
Current service cost	1 107 000	1 308 897
Interest cost	1 378 000	1 277 642
Acturial (gain)/loss	1 358 000	(2 905 029)
Employer benefit payments	(310 000)	(285 554)
	16 322 000	12 789 000
 Non-current liabilities	 (15 969 000)	 (12 479 000)
Current liabilities	(353 000)	(310 000)
	(16 322 000)	(12 789 000)

The method used is called the "projected unit credit method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to the valuation date. Assumptions are made in respect of, inter-alia, medical scheme contribution increases, withdrawals, deaths and ill-health, early and normal retirements. These payments are discounted at the valuation rate of discount to determine the present value of the liabilities at the valuation date.

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16. Defined benefit obligations (continued)

Key assumptions used

The following key assumptions were used to calculate the unfunded accrued liability and the expense figures for the current financial year:

Discount rates used	10,37 %	10,90 %
Health care cost inflation rate	6,95 %	6,89 %
Net-of -health-care-cost-inflation discount rate	3,20 %	3,75 %
Maximum subsidy inflation rate	4,84 %	4,79 %
Net-of-maximum-subsidy-inflation discount rate	5,28 %	5,83 %

Sensitivity Analysis

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

- (i) A one percentage point increase and decrease in the assumed rate of health care cost inflation;
- (ii) A one percentage point increase and decrease in the discount rate;
- (iii) A one-year age increase and decrease in the assumed rates of post-employment mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A decrease of ten percentage points in the assumed proportion of in-service members that remain members at retirement.

The table below summarises the results of the sensitivity on the accrued liability:

Assumption	Change	Eligible Employees	Continuation Member	Total	% Change
Central assumptions	-	11,948	4,374	16,322	-
Health care inflation rate	+1%	12,969	4,644	17,613	8%
-	-1%	10,546	4,045	14,591	-11%
Discount rate	+1%	9,994	4,010	14,004	-14%
-	-1%	14,472	4,804	19,276	18%
Post-employment mortality	+1 yr	11,671	4,237	15,908	-3%
-	-1 yr	12,219	4,511	16,730	2%
Average retirement age	-1 yr	13,166	4,374	17,540	7%
Membership continuation	-10%	10,450	4,374	14,824	-9%

The table below summarises the results of the sensitivity analysis on the current service and interest costs for the year ending June 30, 2021.

Assumption	Change	Current Service cost	Interest Cost	Total	% Change
Central assumptions	-	1 107 000,00	1 378 000,00	2 485 000,00	-

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16. Defined benefit obligations (continued)

Health care inflation rate	+1%	1 219 000,00	1 494 000,00	2 713 000,00	9%
-	-1%	954 000,00	1 229 000,00	2 183 000,00	-12%
Discount rate	+1%	908 000,00	1 298 000,00	2 206 000,00	-11%
-	-1%	1 368 000,00	1 468 000,00	2 836 000,00	14%
Post-employment mortality	+1 yr	112 800,00	1 411 000,00	1 523 800,00	2%
Average retirement age	-1 yr	1 253 000,00	1 472 000,00	2 725 000,00	10%
Membership continuation	-10%	974 000,00	1 254 000,00	2 228 000,00	-10%

The basis on which the discount rate has been determined is as follow.

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

Reconcilliation of movement in post-employment medical aid benefit long term portion

Opening balance	12 479 000	13 107 490
Contributions to post employment medical aid benefit	3 843 000	(318 490)
Transfer to the current post employment medical aid benefit	(353 000)	(310 000)
	15 969 000	12 479 000

Post retirement medical benefits projection for the year

	Year ending 30 June 2022	Year ending 30 June 2023
Opening balance	16 322 000	19 027 000
Current service costs	1 383 000	1 526 000
Interest cost	1 675 000	1 954 000
Expected employer benefit payment	(353 000)	(369 000)
	19 027 000	22 138 000

Amounts for the current and previous four years are as follows:

	2021	2020	2019	2018	2017
Defined benefit obligation	16 322 000	12 789 000	13 393 039	18 544 406	18 165 138

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

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17. Long service awards

Non-current liabilities	5 540 000	4 809 000
Current liabilities	636 000	397 000
	6 176 000	5 206 000

Long service awards

Opening balance	5 206 000	4 462 133
Current service costs	946 000	946 300
Interest cost	396 000	361 488
Actuarial (gain)/loss	25 000	(260 950)
Expected employer benefits payment	(397 000)	(302 971)
	6 176 000	5 206 000

Key financial assumptions

The following key financial assumptions were used to calculate the unfunded accrued liability and the expense figures for the current year.

Assumption

Discount rate	9.77%	7.90%
Salary inflation rate	5.98%	3.41%
Net effective discount rate	3.58%	4.34%

Sensitivity Analysis

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

- (i) a one percentage point increase and decrease in the assumed 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.

The table below summarises the results of the sensitivity on the accrued liability:

Assumption	Change	Liability	% Change
Central assumptions	-	6 176 000,00	-
General earnings inflation rate	+1%	6 613 000,00	7%
-	-1%	5 783 000,00	-6%
Discount rate	+1%	5 773 000,00	-7%
-	-1%	6 631 000,00	7%
Average retirement age	+2 yrs	6 626 000,00	7%
-	-2 yrs	5 722 000,00	-7%
Withdrawal rates	x2	4 656 000,00	-25%
-	x0.5	7 259 000,00	18%

The table below summarises the results of the sensitivity analysis on the Current-Service and Interest Costs for the year ending 30 June 2021.

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17. Long service awards (continued)

Assumption	Change	Current service costs	Interest cost	Total	% Change
Central assumptions	-	946,000	396,000	946,00	-
General earnings inflation rate	+1%	1,028,000	428,000	1,03	8%
-	-1%	870,000	368,000	870,00	-8%
Discount rate	+1%	877,000	413,000	877,00	-4%
-	-1%	1,022,000	375,000	1,02	4%
Average retirement age	+2 yrs	994,000	429,000	994,00	6%
-	-2 yrs	884,000	367,000	884,00	-7%
Withdrawal rates	x2	651,000	288,000	651,00	-30%
-	x0.5	1,168,000	474,000	1,17	22%

Reconciliation of movement in long service awards provision-Long term portion

Balance at the beginning of the year	4 809 000	4 159 162
Contribution to long service benefit	1 367 000	1 046 838
Transfer to current long service benefit	(636 000)	(397 000)
	5 540 000	4 809 000

Long service award benefit projections for the year

	Year ending 30 June 2022	Year ending 30 June 2023
Opening balance	6 176 000	7 120 000
Current service cost	1 007 000	1 105 000
Interest cost	573 000	653 000
Expected employer benefit payments	(636 000)	(905 000)
	7 120 000	7 973 000

18. Rental of Fixed Assets

Premises

Buildings	41 116	44 281
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19. Operational Revenue

Request for access of information	130	130
Staff Recoveries	-	27 448
Insurance Refund	140 771	52 204
Commision	29 856	27 613
Inspection fees	60 168	-
Skills development	227 079	263 058
Legal Fees Recovered	41 266	26 571
Reversal of provision	91 695	30 346
	590 965	427 370

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20. Interest Revenue		
Interest revenue		
Short term Investments and Call Accounts	20 343 129	39 818 418
Bank accounts	290 954	612 306
	20 634 083	40 430 724
21. Licences and permits (non-exchange)		
Health Certificates	718 879	794 121

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22. Government grants and subsidies		
Operating grants		
Equitable share	372 500 000	356 274 000
Financial Management Grant	1 000 000	1 000 000
Expanded Public Works Programme Intergrated Grant.	1 977 000	2 131 000
Water Service Infrastructure Grant	3 699 565	3 797 562
	379 176 565	363 202 562
Capital grants		
Rural Road Asset Management System Grant	2 198 000	2 756 815
Rand Water Grant	9 999 700	-
	12 197 700	2 756 815
	391 374 265	365 959 377
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	18 874 265	9 685 377
Unconditional grants received	372 500 000	356 274 000
	391 374 265	365 959 377
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services.		
Rural Road Asset Management Systems Grant		
Balance unspent at beginning of year	-	446 815
Current-year receipts	2 198 000	2 310 000
Conditions met - transferred to revenue	(2 198 000)	(2 756 815)
	-	-
Financial Management Grant		
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-
Expanded Public Works Programme Intergrated Grant.		
Current-year receipts	1 977 000	2 131 000
Conditions met - transferred to revenue	(1 977 000)	(2 131 000)
	-	-
Water Service Infrastructure Grant		
Current-year receipts	3 699 565	3 797 562
Conditions met - transferred to revenue	(3 699 565)	(3 797 562)
	-	-
Rand Water Grant		

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22. Government grants and subsidies (continued)		
Current-year receipts	7 368 014	-
Conditions met - transferred to revenue	(9 999 700)	-
	(2 631 686)	-
Condition met and not yet paid - remain receivables see note 8		
23. Fines, Penalties and Forfeits		
Building Fines	-	800 000
Law Enforcement Fines	135 582	164 292
Overdue Books Fines	16	-
Retentions Forfeits	583 612	875 520
	719 210	1 839 812
24. Total Revenue		
Sale of goods	-	214 014
Rental of facilities and equipment	41 116	44 281
Licences and Permits (Non-exchange)	718 879	794 121
Operational revenue	590 965	427 370
Interest revenue	20 634 083	40 430 724
Government grants & subsidies	391 374 265	365 959 377
Fines, Penalties and Forfeits	719 210	1 839 812
	414 078 518	409 709 699
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	-	214 014
Rental of facilities and equipment	41 116	44 281
Operational revenue	590 965	427 370
Interest revenue	20 634 083	40 430 724
	21 266 164	41 116 389
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Licences or permits	718 879	794 121
Transfer revenue		
Government grants & subsidies	391 374 265	365 959 377
Fines, Penalties and Forfeits	719 210	1 839 812
	392 812 354	368 593 310

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25. Employee related costs		
Basic Salary and Wages	101 115 114	94 346 266
Salaries Wages and Allowances: Bonuses	10 271 863	9 273 881
Social Contributions: Medical	8 714 982	8 103 125
Social Contributions: Unemployment Insurance	489 232	476 673
Leave pay provision charge	3 155 455	4 479 037
Social Contributions: Pension	16 849 612	15 796 627
Allowance: Overtime	9 776 025	7 741 834
Allowance: Service Related Benefits: Long Service Award	1 249 131	1 212 384
Allowance: Acting and Post Related Allowances	375 919	450 185
Allowance: Travel or Motor Vehicle	11 401 175	11 442 169
Allowance: Housing Benefits and Incidental: Housing Benefits	680 011	595 497
Standby Allowance	475 670	43 388
Social Contributions: Group Life Insurance	956 928	894 209
Allowance: Cellular and Telephone	1 770 034	1 685 027
Social Contributions: Bargaining Council	31 186	29 404
Post-retirement Benefit: Medical	2 448 416	2 554 423
	169 760 753	159 124 129

Included in Employee Costs, Allowance: Overtime is R 2 670 880 relating to COVID19 expenditure.

Remuneration of Municipal Manager

Annual Remuneration	1 251 853	1 251 888
Performance Bonuses	101 914	84 929
Contribution to UIF, Medical and Pension Funds	326 720	326 685
Cellphone Allowance	42 174	42 174
Car Allowance	120 000	120 000
Leave Pay	101 914	101 914
	1 944 575	1 927 590

Remuneration of Chief Finance Officer

Annual Remuneration	1 076 720	1 076 746
Car Allowance	126 000	126 000
Performance Bonuses	99 912	97 201
Contributions to UIF, Medical and Pension Funds	224 600	221 014
Cellphone Allowance	29 394	29 394
Leave Pay	68 511	68 511
Acting Allowance	-	1 413
	1 625 137	1 620 279

General Manager Planning and Economic Development

Annual Remuneration	1 013 507	998 978
Car Allowance	144 000	144 000
Contributions to UIF, Medical and Pension Funds	58 937	98 291
Cellphone Allowance	29 394	29 394
Leave Pay	59 581	59 581
	1 305 419	1 330 244

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25. Employee related costs (continued)

Remuneration of Manager: Corporate Services

Annual Remuneration	1 128 442	1 143 373
Car Allowance	96 000	96 000
Performance Bonuses	74 476	60 373
Contributions to UIF, Medical and Pension Funds	1 932	1 896
Acting Allowance	434	1 268
Cellphone Allowance	29 394	29 394
Leave Pay	59 581	59 581
	1 390 259	1 391 885

Remuneration of Manager: Technical Services

Annual Remuneration	857 421	862 192
Car Allowance	120 000	120 000
Performance Bonuses	84 406	-
Contributions to UIF, Medical and Pension Funds	77 658	72 081
Acting allowance	-	2 596
Cellphone Allowance	29 394	29 394
Leave Pay	50 644	50 644
	1 219 523	1 136 907

Remuneration of Manager: Social Services

Annual Remuneration	864 215	864 250
Car Allowance	183 901	183 901
Contributions to UIF, Medical and Pension Funds	193 152	193 118
Acting Allowance	-	423
Cellphone Allowance	29 394	29 394
Leave Pay	59 580	59 580
	1 330 242	1 330 666

26. Remuneration of councillors

Councillors	9 486 006	9 510 058
Councillors' pension contribution	982 681	1 011 690
Councillors' medical and other contributions	4 207 060	4 276 546
	14 675 747	14 798 294

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26. Employee related costs (continued)

In-kind benefits

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

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

Remuneration of the Executive Mayor

Annual Remuneration	886 883	879 934
Car Allowance	132 000	140 389
Cellphone Allowance	42 284	43 344
Contribution to UIF, Medical and Pension Funds	28 114	26 674
	1 089 281	1 090 341

Remuneration of the Speaker

Annual Remuneration	540 245	541 152
Car Allowance	209 399	209 399
Cellphone Allowance	42 284	43 344
Contribution to UIF, Medical and Pension Funds	87 952	87 046
	879 880	880 941

Remuneration of the Chief Whip

Annual Remuneration	535 095	535 565
Car Allowance	196 311	196 312
Cellphone Allowance	42 284	43 344
Contribution to UIF, Medical and Pension Funds	53 839	53 370
	827 529	828 591

Remuneration of the Mayoral Committee Members

Annual Remuneration	2 916 129	2 906 999
Car Allowance	1 014 604	1 083 209
Cellphone Allowance	235 856	249 228
Contribution to UIF, Medical and Pension Funds	467 664	517 699
	4 634 253	4 757 135

Remuneration of other Councillors

Annual Remuneration	4 607 653	4 646 408
Car Allowance	1 507 323	1 486 885
Cellphone Allowance	556 916	567 202
Contribution to UIF, Medical and Pension Funds	572 909	540 789
	7 244 801	7 241 284

27. Depreciation and amortisation

Property, plant and equipment	14 723 355	14 285 884
Intangible assets	853 695	871 869
	15 577 050	15 157 753

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Figures in Rand	2021	2020
28. Transfers and subsidies		
Operational		
Community and Social Services	3 821 125	3 875 701
Finance and Admin	2 446 843	6 765 646
Planning and Development	23 680 898	28 543 659
Road Transport	2 198 000	3 721 708
Health	93 519	101 078
Water Management	14 008 213	3 335 240
	46 248 598	46 343 032
Capital		
Public Safety	7 694 300	1 797 000
Disaster	-	1 182 000
Planning and Development	45 265 991	17 436 249
Road Transport	53 046 844	41 245 581
Waste Water Management	-	61 593 964
Water	1 000 000	17 764 699
Finance and Admin	-	9 580 788
	107 007 135	150 600 281
Transfers and Subsidies paid classified by region		
General	27 495 331	18 764 755
Dr JS Moroka	13 820 783	31 872 453
Emakhazeni	9 840 990	34 891 510
Emalahleni	2 441 867	21 096 411
Steve Tshwete	41 063 631	6 248 886
Thembisile Hani	51 763 148	43 399 736
Victor Khanye	6 829 981	40 669 563
	153 255 731	196 943 314
WIP transfer from Inventories to Transfers and subsidies		
Dr JS Moroka	21 337 537	6 770 626
Emakhazeni	317 185	10 904 755
Emalahleni	-	2 393 358
Steve Tshwete	12 571 963	2 273 079
Thembisile Hani	16 824 506	16 983 256
Victor Khanye	4 028 554	26 298 020
	55 079 745	65 623 094
WIP Transfer to Inventory from Transfers and subsidies		
Dr JS Moroka	48 092 859	21 337 537
Emakhazeni	12 455 503	317 185
Emalahleni	6 218 753	-
Steve Tshwete	-	12 571 963
Thembisile Hani	264 352	16 824 506
Victor Khanye	10 145 737	4 028 554
	77 177 204	55 079 745
	153 255 733	196 943 313

Included in Transfers and Subsidies is R 5 278 000 relating to COVID19 expenditure.

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Figures in Rand	2021	2020
29. Finance costs		
Finance leases	85 259	96 635
Current borrowings	-	45 918
	85 259	142 553
30. Inventory Consumed		
Inventory Consumed	4 660 617	6 282 947
Materials and supplies all directly expensed and no stores in place.		
Included in inventory consumed is R 721 798 which relates to COVID19 expenditure.		
31. Contracted services		
Outsourced Services		
Business and Advisory	6 671 508	2 881 681
Cleaning Services	2 059 360	1 398 766
Translators, Scribes and Editors	44 100	48 000
Consultants and Professional Services		
Business and Advisory	9 563 791	9 239 109
Infrastructure and Planning	1 167 681	25 168
Laboratory Services	1 748 876	1 635 162
Legal Cost	3 719 003	2 959 560
Contractors		
Artists and Performers	-	79 000
Audio-visual Services	97 991	72 000
Catering Services	1 296 192	3 875 488
Employee Wellness	467 900	560 043
Fire Protection	724 057	186 764
Gardening Services	2 014 775	1 418 280
Maintenance of Buildings and Facilities	5 131 102	4 519 666
Maintenance of Equipment	1 521 247	1 634 913
Maintenance of Unspecified Assets	7 529 819	7 135 511
Pest Control and Fumigation	47 107	300 358
Plants, Flowers and Other Decorations	96 080	286 060
Transportation	347 438	802 931
Safeguard and Security	4 560 670	4 218 126
Stage and Sound Crew	992 315	913 353
	49 801 012	44 189 939
32. Operating lease		
Plant and equipment		
Operating lease payments for Furniture and Office Equipment	34 954	-
Lease rentals on operating lease		
Operating lease payments for intangibles	2 331 810	2 161 744
	2 366 764	2 161 744

Operating lease expense refers to the Performance Management System, Risk Management System and Electronic Document Management System that the Municipality is renting.

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33. Operational Costs		
Advertising Publicity and Marketing	3 555 358	3 276 856
Bank Charges Facility and Card Fees	761 242	1 030 201
Courier and Delivery Services	-	4 404
Hire Charges	-	29 000
Insurance Underwriting	746 330	1 381 112
External Computer Service	6 844 797	5 920 915
Skills Development Fund Levy	1 207 238	1 115 303
Motor vehicle expenses	150 822	82 866
Wet Fuel	1 252 951	1 334 562
Printing. Publications and Books	92 669	318 236
Promotions	21 220	-
Uniform and Protective Clothing	2 132 759	2 980 965
Subscriptions and membership fees	251 054	224 737
Communication	6 488 075	5 610 985
Transport Provided as Part of Departmental Activities	-	565 629
Seating Allowance for Traditional Leaders	12 000	61 500
Travel and Subsistence	2 532 857	5 572 653
Municipal Services - Rates, Water & Electricity	4 466 936	4 584 074
Bursaries	2 636 181	2 249 306
Samples and Specimens	70 487	91 986
Toll Gate Fees	49 079	126 639
Travel Agency Fees	74 476	198 993
Workmen's Compensation Fund	906 795	786 915
Registration Fees	2 205 074	2 289 909
Learnership and internships	589 903	495 743
	37 048 303	40 333 489
34. Cash used in operations		
Deficit	(35 173 382)	(66 494 913)
Adjustments for:		
Depreciation and amortisation	15 577 050	15 157 753
Loss on sale of assets and liabilities	464 949	92 693
Fair value adjustments	197 711	-
Actuarial gains/losses	1 358 002	-
Impairment deficit	-	171 896
Movements in employee benefits	2 175 000	(604 039)
Movements in provisions	970 000	743 867
Less : Prior year accrued interest	-	(45 977)
Donations	-	(157 000)
Correction of error	-	210 166
Changes in working capital:		
Inventories	(22 097 460)	10 543 349
Consumer debtors	(621)	170 147
Prepayments	3 529 255	(3 534 907)
Construction contracts and receivables	(2 631 686)	-
Payables from exchange transactions	(497 117)	3 454 487
VAT	20 845 415	(16 181 816)
Unspent conditional grants and receipts	-	(446 815)
Consumer deposits	-	2 000
	(15 282 884)	(56 919 109)

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35. Contingencies		
Contingent liabilities		
TC Makola	1 960 000	1 960 000
MSB Seretse	1 553 500	1 553 500
Diamond Ntuli	90 000	90 000
Magiya Women Development	2 187 705	2 187 705
Mr Daniel Van Niekerk	72 713	-
Messrs Duvenage	-	1 845 631
TC Makola	1 834 739	-
	7 698 657	7 636 836

(i) TC Makola is claiming to be paid an amount of R 1 560 000 and legal fees R 400 00 due to the loss of office suffered whilst he was still a municipal manager of NDM.

(ii) MSB Seretse has instituted a civil claim against NDM and other for an amount of R 1 253 500 for compensation, medical expenses and loss of income. Legal costs are estimated at R 300 000.

(iii) Mr Diamond Ntuli is suing NDM an amount of R 45 000 for loss of Councillor allowances from September 2014 to the date of reinstatement. Legal costs are estimated at R 45 000.

(iv) Messrs Magiya Women Development is suing NDM an amount of R 1 887 705 for termination of contract done in December 2015 in accordance with the GCC and legal costs of R300 000.

(v) Mr Daniel Van Niekerk has instituted a civil claim in the Delmas Magistrates Court, seeking compensation for personal injuries he sustained as a result of an alleged collision with a pothole on a public road in Delmas. He is claiming R 42 713.17 and legal costs will amount to R 30 000.

(vi) The Plaintiff, Mr. Makola has issued a summons against NDM & 7 Others claiming for payment of damages for loss of income due to the unfair dismissal, legal costs for his unfair suspension case which was due to a misrepresentation of a sick note on his disciplinary hearing. The financial exposure is R 1 609 739 which is made up as follows R 1 534 739 (12 months salary) R 25 000 (mental anguish) R 25 000 (fraud allegations). Costs in the event NDM losses the matter are estimated at R 300 000. Total exposure is R 1 834 739.

36. Prior-year adjustments

The following prior period errors adjustment occurred.

Property plant and equipment with a cost of R21 856.32 were erroneously expensed

Residual value on Transport Assets was incorrectly calculated in the prior years

Accumulated depreciation and accumulated amortisation for prior year was understated due to leap year

Trade payables were understated in the prior years with R 431 742 and VAT receivables with R 56 314.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

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Figures in Rand		2021	2020	
36. Prior-year adjustments (continued)				
2020				
	Note	As previously reported	Correction of error	Restated
Property plant and equipment		183 894 071	2 293 637	186 187 708
Opening accumulated surplus		(680 056 068)	(1 480 757)	(681 536 825)
Payables from exchange transactions		(51 132 811)	(431 742)	(51 564 553)
VAT receivables		34 244 953	56 314	34 301 267
Intangible Assets		12 201 562	(2 548)	12 199 014
		(500 848 293)	434 904	(500 413 389)

Statement of financial performance

2020				
	Note	As previously reported	Correction of error	Restated
Depreciation		15 802 823	(645 070)	15 157 753
Contracted services		44 211 795	(21 856)	44 189 939
Operational costs		40 101 466	232 023	40 333 489
Surplus for the year		100 116 084	(434 903)	99 681 181

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Figures in Rand	2021	2020
37. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	129 400	9 190 210
• Intangible assets	1 427 600	-
	1 557 000	9 190 210
Total capital commitments		
Already contracted for but not provided for	1 557 000	9 190 210
Authorised operational expenditure		
Already contracted for but not provided for		
• Victor Khanye	9 849 118	1 885 835
• Dr JS Moroka	13 019 044	41 780 264
• Emalahleni	12 084 819	338 200
• Steve Tshwete	-	28 920 972
• Emakhazeni	10 167 796	158 000
• Thembisile Hani	-	4 965 955
• Nkangala	7 330 722	2 728 977
	52 451 499	80 778 203
Total operational commitments		
Already contracted for but not provided for	52 451 499	80 778 203
Total commitments		
Total commitments		
Authorised capital expenditure	1 557 000	9 190 210
Authorised operational expenditure	52 451 499	80 778 203
	54 008 499	89 968 413

The district municipality entered into contracts with service providers to construct projects which will subsequently be transferred to local municipalities on completions.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 660 000	878 285
- in second to fifth year inclusive	1 560 000	220 000
	3 220 000	1 098 285

Operating lease payments refers to the Performance Management System, Risk Management System and Electronic Document Management System that the municipality is renting.

38. Related parties

Other than the related parties included in note 25 and 26 the municipality do not have any other related parties. No transactions occurred with related parties that were not at arm's length or not in the ordinary course of business.

When the municipality enters into agreements with service providers who made declarations that close family members or directors are in service of the State. The municipality considers the transactions to be at an arms length and in the ordinary course of business.

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39. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's risk management policies are established and analyse the risk faced by the municipality, to set up limits and controls to monitor risks and adherence to limits. The risk management policy is reviewed annually and a risk assessment is performed annually and monitored regularly to effect changes in the municipality's activities and risk profile.

Liquidity risk

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

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance Leases	833 337	1 705 962	-	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance Leases	424 830	-	-	-

Credit risk

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

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

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

Financial instrument	2021	2020
Trade and other receivables from exchange transactions	58 558	57 937
Investments	63 308 712	59 299 177
Cash and cash equivalents	285 745 987	334 007 627

Market risk

Interest rate risk

Nkangala District Municipality has a long term investment in the form of a promissory note. The municipality's interest rate risk arises from long-term borrowings which are issued at variable rates thereby exposing the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

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40. COVID-19

The COVID-19 pandemic has had an impact on the operational and strategic functioning of the municipality. During the year under review the municipality has spent an amount to the tune of R 3 392 678.55 in aid of compliance to the National State of Disaster Regulations. Funds were spent on necessities which include personal protective equipment and sanitizers as a means of protecting municipal employees and the community at large.

The virus has been anticipated to be in existence through the financial year which will result in a significant bearing on the future functioning of the municipality. The pandemic is proposed to have a major impact on the performance and cash flow of the institution due to its decimation of economic activities from a global perspective. We are therefore anticipating reduced revenue collection which will have a significant impact on the financial performance of the municipality. This will also have a negative impact on the cash flow projections of the municipality which will result directly to a diminished liquidity position for the municipality.

COVID-19 EXPENDITURE BREAKDOWN

Salaries- Overtime	2 670 880	875 909
Materials and Supplies	721 798	2 225 438
Transfers and Subsidies	5 278 000	1 411 500
	8 670 678	4 512 847

41. Going concern

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

42. Events after the reporting date

The council have taken a resolution to establish Nkangala Economic Development Agency which will have an impact on the reporting of the district in the future.

On the 23rd August 2021, the Executive Mayor Cllr. TS Masilela, General Manager Community Development Services Dr. T Matoane-Nkabinde and the Special Programmes Coordinator Ms. T Ndlovu were arrested by the Middelburg Hawks on allegations of their involvement in the procurement made for Ndzundza Mabusa Heritage Day Celebration held on the 28th September 2019. They were arrested together with five (5) service providers of the municipality as well as a Secretary to Ndzundza Mabhoko Traditional Council.

43. Fruitless and wasteful expenditure

Opening balance as previously reported	34 500	34 500
Opening balance as restated	34 500	34 500
Less: Amount written off - current	(34 500)	-
Closing balance	-	34 500

44. Irregular expenditure

Opening balance as previously reported	2 613 097	3 884 595
Opening balance as restated	2 613 097	3 884 595
Add: Irregular Expenditure - current	449 940	505 702
Add: Irregular Expenditure - prior period	602 248	2 107 395
Less: Amount written off - current	-	(3 884 595)
Closing balance	3 665 285	2 613 097

The amounts recorded above are exclusive of VAT.

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45. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1 692 063	1 491 129
Amount paid - current year	(1 692 063)	(1 491 129)
	<u>-</u>	<u>-</u>
Audit fees		
Current year subscription / fee	5 077 646	5 001 580
Amount paid - current year	(4 937 291)	(5 001 580)
	<u>140 355</u>	<u>-</u>
PAYE and UIF		
Current year subscription / fee	33 025 810	30 541 322
Amount paid - current year	(33 025 810)	(30 541 322)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	25 564 592	23 899 752
Amount paid - current year	(25 564 592)	(23 899 752)
	<u>-</u>	<u>-</u>

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

47. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of six major functional areas: Council, Governance, Finance, Social Services, Planning and Development, Technical Services and Administrative and Corporate Support. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

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47. Segment information (continued)

Segment surplus or deficit

2021

	Council Governance	Finance	Social Services	Planning & Economic Development	Technical Services	Administrative and Corporate Support	Total
Revenue							
Operational Revenue	130	530 666	60 168	-	-	-	590 964
Fines Penalties and Forfeits	-	635 612	83 584	-	-	-	719 196
Licences or Permits	-	-	718 878	-	-	16	718 894
Interest revenue	-	20 675 199	-	-	-	-	20 675 199
Government grants and subsidies	-	373 500 000	-	1 977 000	15 897 265	-	391 374 265
Total segment revenue	130	395 341 477	862 630	1 977 000	15 897 265	16	414 078 518
Entity's revenue							414 078 518
Expenditure							
Employee Related Costs	27 136 836	17 400 786	78 280 790	12 659 209	10 002 247	25 638 886	171 118 754
Remuneration of Councillors	14 675 747	-	-	-	-	-	14 675 747
Contracted Services	19 301 826	5 994 108	8 188 240	619 279	13 631	15 683 925	49 801 009
Depreciation and Amortisation	3 052 829	145 656	6 967 283	122 727	293 652	4 994 902	15 577 049
Inventory Consumed	1 681 646	128 456	2 413 361	68 118	73 477	295 558	4 660 616
Interest Expense	16 921	3 510	18 007	3 510	3 510	39 800	85 258
Operating Leases	1 684 873	2 931	4 981	2 931	2 931	668 117	2 366 764
Operational Costs	11 295 944	4 536 821	8 245 863	726 054	634 121	11 609 507	37 048 310
Transfers and Subsidies	2 679 496	864 000	8 409 713	20 041 154	118 062 138	3 199 231	153 255 732
Gain (Loss) on disposal of asset	279 511	14 373	95 842	15 019	6 553	53 652	464 950
Fair Value Adjustment	-	197 711	-	-	-	-	197 711
Total segment expenditure	81 805 629	29 288 352	112 624 080	34 258 001	129 092 260	62 183 578	449 251 900
Total segmental surplus/(deficit)							(35 173 382)

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Notes to the Annual Financial Statements

Figures in Rand

	Council Governance	Finance	Social Services	Planning & Economic Development	Technical Services	Administrative and Corporate Support	Total
47. Segment information (continued)							
Assets							
Cash and Cash Equivalents	(157 984 192)	1 271 670 988	(125 037 429)	(91 462 520)	(476 677 180)	(135 331 603)	285 178 064
Inventory	-	77 177 205	-	-	-	-	77 177 205
Trade and other Receivables from Exchange	-	626 403	-	-	-	-	626 403
Construction contracts and receivable	-	-	-	-	2 631 686	-	2 631 686
Prepayments	5 652	-	-	-	-	-	5 652
Operating Lease - Straight lining	(248 857)	-	-	-	-	214 163	(34 694)
VAT Receivable	6 527 167	(15 323 937)	2 766 968	3 929 620	12 405 553	3 150 482	13 455 853
Heritage Assets	508 772	-	-	-	-	-	508 772
Property Plant and Equipment	(857 572)	499 008	130 732 200	887 009	3 993 256	62 703 386	197 957 287
Intangible Assets	14 850 596	(2 549)	89 283	-	-	237 284	15 174 614
Long Term Investment	-	63 308 712	-	-	-	-	63 308 712
Total segment assets	(137 198 434)	1 397 955 830	8 551 022	(86 645 891)	(457 646 685)	(69 026 288)	655 989 554
Total assets as per Statement of financial Position							655 989 554
Liabilities							
Consumer Deposit	-	(14 030)	-	-	-	-	(14 030)
Defined Benefit Obligations	-	(16 322 000)	-	-	-	-	(16 322 000)
Long service awards	-	(6 176 000)	-	-	-	-	(6 176 000)
Finance lease obligation	(562 812)	(276 802)	(662 695)	(88 646)	(51 397)	(899 193)	(2 541 545)
Trade and Other Payable Exchange Transactions	38 747	(44 876 023)	44 867	5 596	1 356	(6 281 966)	(51 067 423)
Total segment liabilities	(524 065)	(67 664 855)	(617 828)	(83 050)	(50 041)	(7 181 159)	(76 120 998)
Total liabilities as per Statement of financial Position							(76 120 998)

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Figures in Rand	2021	2020
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48. Change in estimate

Property, plant and equipment

The useful lives of all asset classes were adjusted during 2020/2021 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 3. The effect of changing the remaining useful life of assets for the Municipality during 2020/2021 has decreased the depreciation charge for the current by R234 169.42 and future periods. It is impracticable to estimate the effect of these changes on future periods.

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DEVIATION REPORTS 2020 - 2021 FINANCIAL YEAR													
NO.	DEVIATION NUMBER	DESCRIPTION OF SERVICES REQUIRED	REQUESTING DEPARTMENT	APPROVED SERVICE PROVIDER	VALUE OF PROJECT / SERVICES / GOODS	DATE OF DECISION	REASONS FOR DEVIATION			PAYMENT			
							DEPARTMENT	AM: SCM	DEPUTY CFO	ORDER NUMBER	PAYMENT NO	PAYMENT DATE	ACTUAL PAYMENT
JULY 2020													
1	000001	The rate at which the virus spreading across the district requires urgent procurement of PPE for essential services personnel	Corporate Services	Lwati V Trading	R 339,020.00	07/07/2020	The rate at which the virus spreading across the district requires urgent procurement of PPE for essential services personnel	In an emergency situation		030667	EF072664-0001	29/07/2020	R 339,020.00
2	000002	Renewal of professional membership	Finance	Chartered Institute of Procurement & Supply (CIPS)	*Annual Rates	08/07/2020	Renewal of professional membership	If such goods or services are produced or available from a single provider only		031881 030659	EF073017-0002 EF072653-0004	30/06/2021 10/07/2020	R 22,292.75
3	000003	For workstation repairs	ICT	Mustek Limited	R 10,611.86	16/07/2020	For workstation repairs	Repairs and maintenance on strip and quote		030702	EF072804-0007	14/12/2020	R 10,611.86
4	000004	There's an urgent need for the deviation since the building must be disinfected to save people's lives	Corporate Services	Ntakagistix Transport & Construction	R 56,221.00	16/07/2020	There's an urgent need for the deviation since the building must be disinfected to save people's lives	In an emergency situation; In any other exceptional case where it is impractical or impossible		030692	EF072663-0006	29/07/2020	R 56,221.00
TOTAL					R405 852.86				TOTAL R 428 145.61				
AUGUST 2020													
TOTAL					R 0.00				TOTAL R 0.00				
SEPTEMBER 2020													
7	000007	Payment of annual membership and entrance fee membership - Registration fees	Finance	South African Institute of Professional Accountants (SAIPA)	R 11,067.72	10/9/2020	Payment of annual membership and entrance fee membership - Registration fees	If such goods or services are produced or available from a single provider only		030863	EF072709-0001	16/09/2020	R 11,067.72
8	000008	Membership fees for Nchabeleg C, SAIT is the only sole provider	Finance	South African Institute for Tax Professionals (SAIT)	R 1,905.54	18/09/2020	Membership fees for Nchabeleg C, SAIT is the only sole provider	If such goods or services are produced or available from a single provider only		030956	EF072740-0001	13/10/2020	R 1,905.54
TOTAL					R 12,973.26				TOTAL R 12,973.26				
OCTOBER 2020													
9	000009	SALGA MP: Provincial Membership Assembly (PMA) for 2020; Fortis Hotel eMalahleni attended by MM, Speaker, Exec Mayor, Council Whip and Chair of MPAC	Municipal Manager's Office	South African Local Government Association	R 10,000.00	15/10/2020	SALGA MP: Provincial Membership Assembly (PMA) for 2020; Fortis Hotel eMalahleni attended by MM, Speaker, Exec Mayor, Council Whip and Chair of MPAC	If such goods or services are produced or available from a single provider only		030989	EF072752-0008	27/10/2020	R 10,000.00
10	000010	CIGFARO Annual membership 2020/2021 - MM Skosana	Municipal Manager's Office	CIGFARO	R 1,060.00	15/10/2020	CIGFARO Annual membership 2020/2021 - MM Skosana	If such goods or services are produced or available from a single provider only		030986	EF072752-0005	27/10/2020	R 1,060.00
11	000011	A 36 (Thirty six) months deviation in favour of Messer Lexis Nexis (Pty) Ltd be approved due to the fact that they are the only Service Provider for online research database package consisting of National and Local Government legislation	Corporate Services	Lexis Nexis	*Annual Rates	22/10/2020	A 36 (Thirty six) months deviation in favour of Messer Lexis Nexis (Pty) Ltd be approved due to the fact that they are the only Service Provider for online research database package consisting of National and Local Government legislation	If such goods or services are produced or available from a single provider only		031150 031021 030687	EF072831-0010 EF072763-0005 EF072660-0005	13/01/2021 12/11/2020 22/07/2020	R 47,273.71

* See Note

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TOTAL R11 060.00										TOTAL R 58 333.71											
NOVEMBER 2020																					
12	000012	The EHP training workshop is only offered by the institute with CPD points	Social Services	South African Institute of Environmental Health (SAIEH)	R 7,400.00	12/11/2020	The EHP training workshop is only offered by the institute with CPD points	If such goods or services are produced or available from a single provider only	031125	EF072781-0000	25/11/2020									R 7,400.00	
13	000013	A 36 (Thirty six) months deviation in favour of Messer SAIT be approved due to the fact that they are the only Service Provider for tax professionals	Finance	South African Institute for Tax Professionals (SAIT)	*Annual Rates	04/11/2020	A 36 (Thirty six) months deviation in favour of Messer SAIT be approved due to the fact that they are the only Service Provider for tax professionals	If such goods or services are produced or available from a single provider only	031138 030956	EF072862-0001 EF072740-0001	06/02/2021 13/10/2020									R 7,855.54	
TOTAL R 7,400.00										TOTAL R 15,255.54											
DECEMBER 2020																					
TOTAL R0.00										TOTAL R0.00											
JANUARY 2021																					
TOTAL R0.00										TOTAL R0.00											
FEBRUARY 2021																					
17	000017	Association of Certified Fraud Examiner is the only provider	Internal Audit	Association of Certified Fraud Examiner (ACFE)	R 6,500.00	01/02/2021	Association of Certified Fraud Examiner is the only provider	If such goods or services are produced or available from a single provider only	031415	EF072885-0000	03/03/2021									R 6,500.00	
18	000018	A 36 (thirty six) months deviation in favour of the Tax Faculty be approved due to the fact that they are the only service providers for tax professionals trainings	Finance	The Tax Faculty	*Annual Rates	27/01/2021	A 36 (thirty six) months deviation in favour of the Tax Faculty be approved due to the fact that they are the only service providers for tax professionals trainings	If such goods or services are produced or available from a single provider only	NO TRANSACTIONS FOR THE YEAR												
19	000019	The institute is the only service provider or company that NDM Environmental Services has joined its membership. The institute is not offering any service its only membership	Health Services	Institute of Environmental and Recreation Management	R 2,600.00	17/02/2021	The institute is the only service provider or company that NDM Environmental Services has joined its membership. The institute is not offering any service its only membership	If such goods or services are produced or available from a single provider only	031384	EF072913-0000	30/03/2021									R 2,600.00	
20	000020	Payment of annual membership and entrance fee for Mr. S Mahlangu, Mr. A Msiza, Mr. A Ndlovu and Mr. N Hlongwa	Finance	South African Institute of Professional Accountants (SAIPA)	R 27,905.49	18/02/2021	Payment of annual membership and entrance fee for Mr. S Mahlangu, Mr. A Msiza, Mr. A Ndlovu and Mr. N Hlongwa	If such goods or services are produced or available from a single provider only	031509	EF072905-0001	18/03/2021									R 8,848.38	
TOTAL R 37,005.49										TOTAL R 17,948.38											
MARCH 2021																					
TOTAL R0.00										TOTAL R0.00											
APRIL 2021																					
21	000021	Training and Implementation of MBRR to the Nkangala District Municipality Staff (Budget Office)	Finance	Adapt IT	*Annual Rates	30/04/2021	Training and Implementation of MBRR to the Nkangala District Municipality Staff (Budget Office)	If such goods or services are produced or available from a single provider only	031629	EF072968-0000	30/05/2021									R 69,189.75	
TOTAL R0.00										TOTAL R 69,189.75											
MAY 2021																					
TOTAL R0.00										TOTAL R0.00											
JUNE 2021																					

* See Note

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22	000022	The TB Conference 05-07 June 2021 is hosted on Microsoft Teams. The TB Conference is only hosted by FPD	Social Services	Foundation for Professional Development (FPD)	R 2,000.00	31/05/2021	The TB Conference 05-07 June 2021 is hosted on Microsoft Teams. The TB Conference is only hosted by FPD	If such goods or services are produced or available from a single provider only	031769	EP073003-0000	23/06/2021	R 2,000.00
23	000023	SACPLAN is the only statutory council in terms of Planning Professional Act 2002 (Act 36 of 2002) established to regulate planning profession	PED	South African Council for Planners (SACPLAN)	*Annual Rates	14/06/2021	SACPLAN is the only statutory council in terms of Planning Professional Act 2002 (Act 36 of 2002) established to regulate planning profession	If such goods or services are produced or available from a single provider only	NO PAYMENT			
TOTAL R 2,000.00										TOTAL		R 2,000.00
TOTAL FOR THE YEAR R603,846.25												

* See Note

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2020 / 21 REGISTER OF UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE														
NKANGALA DISTRICT MUNICIPALITY														
NO	Date of discovery	Date reported to the Accounting Officer	Service Provider	Amount	Description of incident	Person liable (Official or Political office bearer	Type of prohibited expenditure	Status						General comments
								U	DP	CC	TR	P	WO	
	2020/21 Opening Balance (Audited)			R 2,647,597.00										
1	2021-06-30	2021-06-30	Ngezabanqobi Supply	48,550.00	Contravention with Cost Containment Regulations	GM Social Services Divisional Manager SCM	Irregular	✓						The matter was investigated by a forensic company and disciplinary processes are under way
2	2021-06-30	2021-06-30	Ngibonga-impilo Trading	50,000.00	Contravention with Cost Containment Regulations	GM Social Services Divisional Manager SCM	Irregular	✓						The matter was investigated by a forensic company and disciplinary processes are under way
3	2021-06-30	2021-06-30	Megaworks trading	39,060.00	Contravention with Cost Containment Regulations	GM Social Services Divisional Manager SCM	Irregular	✓						The matter was investigated by a forensic company and disciplinary processes are under way
4	2021-06-30	2021-06-30	Senzaona pty Ltd	39,060.00	Contravention with Cost Containment Regulations	GM Social Services Divisional Manager SCM	Irregular	✓						The matter was investigated by a forensic company and disciplinary processes are under way
5	2021-06-30	2021-06-30	Somziloyi Business	39,060.00	Contravention with Cost Containment Regulations	GM Social Services Divisional Manager SCM	Irregular	✓						The matter was investigated by a forensic company and disciplinary processes are under way
6	2021-06-30	2021-06-30	CITY OF CHOICE	12,382.50	Accommodation was arranged for SAMSRRA games against the Cost Containment Circular	GM Social Services Divisional Manager SCM	Irregular	✓						The matter was investigated by a forensic company and disciplinary processes are under way
7	2021-04-30	2021-04-30	Protea Consulting	330,000.00	Allegation of colusion and false declarations									
8	2020-12-01	2020-12-01	Vodacom	494,076.52	Contract with Vodacom for representative councilors that is not aligned to the Public Office Bearers Act. Use of content and subscriptions by Councilors	Under investigation	Irregular							
Cumulative balance as at 30 June 2021				R 3,699,786.02										
Amounts investigated and written off by Council.				R 34,500.00										
Amounts recovered				R -										
Closing balance as at 30 June 2021				R 3,665,286.02										

* See Note

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Supplementary Information

Abbreviations

UI	Irregular expenditure under investigation
DP	Disciplinary process initiated against responsible person
CC	Criminal charges laid with SAPS
TR	Transferred to receivables for recovery
P	Paid or in process of paying in installments
WO	Written-off by Council as irrecoverable

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Supplementary Information

Annexure 2

Interpretation of results

The green indicate that the results is within the norm

not within the acceptable norms

Nkangala District Municipality

RATIO		FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	2021	DATA INPUTS AND RESULTS	2020
1. FINANCIAL POSITION									
A. Asset Management/Utilisation									
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports, IDP and AR	10% - 20%					
						6%	7%		
					Total Operating Expenditure	449,251,900	476,204,612		
					Taxation Expense				
					Total Capital Expenditure	27,181,602		36,259,112	
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/(Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%			7%	8%	
						15,577,050	15,157,753		
					PPE at carrying value	198,466,054	186,696,480		
					Investment at carrying value				
					Intangible Assets at carrying value	15,174,615	12,199,014		
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure/ Property, Plant and Equipment and Investment Property (Carrying value) × 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-Year Reports	8%			7%	8%	
					Total Repairs and Maintenance Expenditure	14,461,060	12,120,652		
					PPE at carrying value	213,640,669	198,895,494		
					Investment Property at Carrying value				
					Intangible Assets at carrying value				

* See Note

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B. Debtors Management							
1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget , In-Year Reports, IDP and AR	95%		99%	499%
					Gross Debtors closing balance	58,558	57,937
					Gross Debtors opening balance	57,937	228,084
					Bad debts written Off		
					Billed Revenue	100,000	47,378
2	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off/Provision for Bad debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%	Consumer Debtors Bad debts written off	#DIV/0!	#DIV/0!
					Consumer Debtors Current bad debt Provision		
3	Net Debtors Days	((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue)) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 days		214 days	675 days
					Gross debtors	58,558	57,937
					Bad debts Provision	-	-
					Billed Revenue	100,000	24,179
C. Liquidity Management							
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In year Reports and AR	1 - 3 Months		6 Month	6 Month
					Cash and cash equivalents	285,745,907	334,007,627
					Unspent Conditional Grants	-2,631,686	-
					Overdraft		
					Short Term Investments		
					Total Annual Operational Expenditure	449,251,900	476,204,612
2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		7.16	9.20
					Current Assets	379,074,961	486,280,661
					Current Liabilities	52,940,734	52,846,229
D. Liability Management							
1	Capital Cost/Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost/Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%		0%	0%
					Interest Paid	85,259	142,553
					Redemption	2,034,607	2,140,943
					Total Operating Expenditure	449,251,900	476,204,612
					Taxation Expense		
2	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non current Finance Lease Obligation + Short Term Borrowings + Long term borrowing) / Total Operating Revenue	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		1%	0%
					Total Debt	2,541,544	504,632
					Total Operating Revenue	414,078,518	409,709,699
					Operational Conditional Grants	6,676,565	6,928,562

* See Note

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E. Sustainability							
1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank overdraft + Short Term Investment + Long Term Investment - Unspent grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		80%	84%
					Cash and cash Equivalents	285,745,907	334,007,627
					Bank Overdraft		
					Short Term Investment	-	59,299,177
					Long Term Investment	63,308,712	
					Unspent Grants		
					Net Assets	579,868,545	615,041,912
					Share Premium		
					Share Capital		
					Revaluation Reserve		
					Fair Value Adjustment Reserve		
					Accumulated Surplus		
2. FINANCIAL PERFORMANCE							
A. Efficiency							
1	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure)/Total Operating Revenue	Statement of Financial Performance, Budget, In-Year reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Asset	= or > 0%	Total Operating Revenue	-5%	-13%
					Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial	15,577,050	15,157,753
					Total Operating Expenditure	449,251,900	476,204,612
					Taxation Expense		
2	Net Surplus /Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure/Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	0% - 15%		#DIV/0!	#DIV/0!
					Total Electricity Revenue		
					Total Electricity Expenditure		
3	Net Surplus /Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%		#DIV/0!	#DIV/0!
					Total Water Revenue		
					Total Water Expenditure		
4	Net Surplus /Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%		#DIV/0!	#DIV/0!
					Total Refuse Revenue		
					Total Refuse Expenditure		
5	Net Surplus /Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= or > 0%		#DIV/0!	#DIV/0!
					Total Sanitation and Waste Water Revenue		
					Total Sanitation and Waste Water Expenditure		

* See Note

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B. Distribution Losses							
1	Electricity Distribution Losses (Percentage)	(Number of Electricity Units Purchased and/or Generated - Number of units sold) / Number of Electricity Units Purchased and/or generated) × 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%	Number of units purchased and/or generated Number of units sold	#DIV/0! -	#DIV/0! -
2	Water Distribution Losses (Percentage)	(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified × 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%	Number of kilolitres purchased and/or purified Number of kilolitres sold	#DIV/0! -	#DIV/0! -
C. Revenue Management							
1	Growth in Number of Active Consumer Accounts	(Period under review's number of Active Debtor Accounts - previous period's number of Active Debtor Accounts) / previous number of Active Debtor Accounts × 100	Debtors System	None	Number of Active Debtors Accounts (Previous) Number of Active Debtors Accounts (Current)	#DIV/0! -	#DIV/0! -
2	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue) / previous period's Total Revenue) × 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= CPI	CPI Total Revenue (Previous) Total Revenue (Current)	1% 409,709,699 414,078,518	4% 392,095,052 409,709,699
3	Revenue Growth (%) - Excluding capital grants	(Period under review's Total Revenue Excluding capital grants- previous period's Total Revenue excluding capital grants/ previous period's Total Revenue excluding capital grants) × 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= CPI	CPI Total Revenue Excl.Capital (Previous) Total Revenue Excl.Capital (Current)	1% 407,976,514 411,321,703	5% 389,920,052 407,976,514

* See Note

Nkangala District Municipality
 (Registration number DC31)
 Annual Financial Statements for the year ended 30 June 2021

Supplementary Information

D. Expenditure Management							
1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-Year reports and AR	30 days		35 days	27 days
					Trade Creditors	26,165,620	26,519,062
					Contracted Services	35,339,952	32,069,287
					Repairs and Maintenance	14,461,060	12,120,652
					General expenses	194,964,653	280,247,249
					Bulk Purchases		
					Capital Credit Purchases (Capital Credit Purchases refers to additions of Investment Property)	27,181,602	36,259,112
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		0%	1%
					Irregular, Fruitless and Wasteful and Unauthorised Expenditure	1,052,189	2,613,097
					Total Operating Expenditure	449,251,900	476,204,612
					Taxation Expense		
3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councilors' Remuneration) / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	25% - 40%		41%	37%
					Employee/personnel related cost	169,780,753	159,124,129
					Councilors Remuneration	14,675,747	14,798,294
					Total Operating Expenditure	449,251,900	476,204,612
					Taxation Expense		
4	Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	2% - 5%		11%	9%
					Contracted Services	49,801,012	44,189,939
					Total Operating Expenditure	449,251,900	476,204,612
					Taxation Expense		

* See Note

Nkangala District Municipality
(Registration number DC31)
Annual Financial Statements for the year ended 30 June 2021

Supplementary Information

E. Grant Dependency							
1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	Own funded Capital Expenditure (Internally generated funds + Borrowings) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-Year reports and AR	None		100%	100%
					Internally generated funds	27,181,602	36,259,112
					Borrowings		
					Total Capital Expenditure	27,181,602	36,259,112
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information) Budget, IDP, In-Year reports and AR	None		100%	100%
					Internally generated funds	27,181,602	36,259,112
					Total Capital Expenditure	27,181,602	36,259,112
3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	Own Source Revenue (Total revenue + Government grants and Subsidies - Public Contributions and Donations)/ Total Operating Revenue (including agency services) x 100	Statement Financial Performance, Budget, IDP, In-Year reports and AR	None		9%	11%
					Total Revenue	414,078,518	409,709,699
					Government grant and subsidies	379,176,565	363,202,562
					Public contributions and Donations	-	-
					Capital Grants	11,721,524	2,756,815
5. BUDGET IMPLEMENTATION							
1	Capital Expenditure Budget Implementation Indicator	Actual capital Expenditure / Budget Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, In-Year reports and AR	95% - 100%		52%	53%
					Actual Capital Expenditure	27,181,602	36,259,112
					Budget Capital Expenditure	43,896,684	43,896,684
2	Operating Expenditure Budget Implementation Indicator	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		54%	52%
					Actual Operating Expenditure	449,251,900	476,204,612
					Budget Operating Expenditure	535,299,000	516,149,680
3	Operating Revenue Budget Implementation Indicator	Actual Operating Revenue / Budget Operating Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		97%	101%
					Actual Operating Revenue	414,078,518	409,709,699
					Budget Operating Revenue	425,225,000	404,901,816
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	Actual Service Charges and Property Rates Revenue / Budget Service Charges and Property Rates Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		#DIV/0!	#DIV/0!
					Actual Service Charges and Property Rates Revenue	-	-
					Budget Service Charges and Property Rates Revenue	-	-

* See Note

Nkangala District Municipality
Unaudited Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2021

	2021/2020								2020/2019						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional															
Municipal governance and administration	392 632 000	5 083 000	397 715 000	-		397 715 000	395 341 623		(2 373 377)	99 %	101 %				402 022 724
Executive and council	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				402 022 724
Finance and administration	392 632 000	5 083 000	397 715 000	-		397 715 000	395 341 623		(2 373 377)	99 %	101 %				-
Internal audit	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	1 030 000	-	1 030 000	-		1 030 000	804 368		(225 632)	78 %	78 %				895 152
Community and social services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	180 000	-	180 000	-		180 000	74 650		(105 350)	41 %	41 %				99 592
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	850 000	-	850 000	-		850 000	729 718		(120 282)	86 %	86 %				795 560
Economic and environmental services	37 773 000	904 760	38 677 760	-		38 677 760	17 932 526		(20 745 234)	46 %	47 %				6 791 823
Planning and development	36 673 000	1 664 760	38 337 760	-		38 337 760	17 874 265		(20 463 495)	47 %	49 %				5 928 562
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	1 100 000	(760 000)	340 000	-		340 000	58 261		(281 739)	17 %	5 %				863 261
Trading services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Energy sources	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Functional	431 435 000	5 987 760	437 422 760	-		437 422 760	414 078 517		(23 344 243)	95 %	96 %				409 709 699

Nkangala District Municipality
Unaudited Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2021

	2021/2020							2020/2019							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional															
Governance and administration	183 349 068	(4 692 991)	178 656 077	-	-	178 656 077	163 428 283	-	(15 227 794)	91 %	89 %	-	-	-	165 333 187
Executive and council	36 842 106	(2 088 630)	34 753 476	-	49 000	34 802 476	28 627 686	-	(6 174 790)	82 %	78 %	-	-	-	31 481 209
Finance and administration	135 605 992	(2 402 973)	133 203 019	-	(2 541 551)	130 661 468	125 372 593	-	(5 288 875)	96 %	92 %	-	-	-	122 466 187
Internal audit	10 900 970	(201 388)	10 699 582	-	-	10 699 582	9 428 004	-	(1 271 578)	88 %	86 %	-	-	-	11 385 791
Community and public safety	111 399 461	3 623 025	115 022 486	-	2 748 150	117 770 636	116 032 044	-	(1 738 592)	99 %	104 %	-	-	-	108 231 708
Community and social services	32 827 666	124 345	32 952 011	-	(1 388 850)	31 563 161	30 378 382	-	(1 184 779)	96 %	93 %	-	-	-	30 229 468
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	47 065 346	2 841 680	49 907 026	-	1 093 000	51 000 026	50 755 995	-	(244 031)	100 %	108 %	-	-	-	46 312 139
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	31 506 449	657 000	32 163 449	-	3 044 000	35 207 449	34 897 667	-	(309 782)	99 %	111 %	-	-	-	31 690 101
Economic and environmental services	202 428 202	38 745 688	241 173 890	-	(255 599)	240 918 291	169 553 130	-	(71 365 161)	70 %	84 %	-	-	-	202 991 825
Planning and development	198 296 578	38 985 688	237 282 266	-	(255 599)	237 026 667	166 251 068	-	(70 775 599)	70 %	84 %	-	-	-	200 276 600
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	4 131 624	(240 000)	3 891 624	-	-	3 891 624	3 302 062	-	(589 562)	85 %	80 %	-	-	-	2 715 225
Trading services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Energy sources	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	534 261	(88 000)	446 261	-	-	446 261	238 442	-	(207 819)	53 %	45 %	-	-	-	-
Other	534 261	(88 000)	446 261	-	-	446 261	238 442	-	(207 819)	53 %	45 %	-	-	-	82 795
Total Expenditure - Functional	497 710 992	37 587 722	535 298 714	-	-	535 298 714	449 251 899	-	(86 046 815)	84 %	90 %	-	-	-	476 639 515
Surplus/(Deficit) for the year	(66 275 992)	(31 599 962)	(97 875 954)	-		(97 875 954)	(35 173 382)		62 702 572	36 %	53 %				(66 929 816)

Nkangala District Municipality
Unaudited Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2021

2021/2020											2020/2019			
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote														
Vote1- Municipal Manager	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Vote2- Finance Services	392 632 000	5 083 000	397 715 000	-	397 715 000	395 341 624		(2 373 376)	99 %	101 %				401 995 147
Vote3- Corporate Services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				27 578
Vote4- Social Services	2 130 000	(760 000)	1 370 000	-	1 370 000	862 629		(507 371)	63 %	40 %				1 758 412
Vote5- Planning and Economic Development	1 977 000	-	1 977 000	-	1 977 000	1 977 000		-	100 %	100 %				2 131 000
Vote6- Technical Services	34 696 000	1 664 760	36 360 760	-	36 360 760	15 897 265		(20 463 495)	44 %	46 %				3 797 562
-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Total Revenue by Vote	431 435 000	5 987 760	437 422 760	-	437 422 760	414 078 518		(23 344 242)	95 %	96 %				409 709 699
Expenditure by Vote to be appropriated														
Vote1- Municipal Manager	93 005 206	(1 584 798)	91 420 408	-	779 588	92 199 996	81 805 628	-	(10 394 368)	89 %	88 %	-	-	86 577 843
Vote2- Finance Services	31 631 362	(2 185 680)	29 445 682	-	895 243	30 340 925	29 288 352	-	(1 052 573)	97 %	93 %	-	-	30 391 464
Vote3- Corporate Services	69 293 908	(707 913)	68 585 995	-	(4 530 687)	64 055 308	62 183 570	-	(1 871 738)	97 %	90 %	-	-	52 026 402
Vote4- Social Services	108 643 036	3 057 425	111 700 461	-	3 077 701	114 778 162	112 639 098	-	(2 139 064)	98 %	104 %	-	-	110 946 932
Vote5- Planning and Economic Development	31 656 321	4 539 114	36 195 435	-	(256 277)	35 939 158	34 242 983	-	(1 696 175)	95 %	108 %	-	-	37 077 990
Vote6- Technical Services	163 481 159	34 469 574	197 950 733	-	34 432	197 985 165	129 092 258	-	(68 892 907)	65 %	79 %	-	-	159 618 884
-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	497 710 992	37 587 722	535 298 714	-	-	535 298 714	449 251 889	-	(86 046 825)	84 %	90 %	-	-	476 639 515
Surplus/(Deficit) for the year	(66 275 992)	(31 599 962)	(97 875 954)	-	(97 875 954)	(35 173 371)		62 702 583	36 %	53 %				(66 929 816)

Nkangala District Municipality
Unaudited Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2021

	2021/2020							2020/2019							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Sale of goods	180 000	(100 000)	80 000	-		80 000	-		(80 000)	- %	- %				214 014
Interest earned - external investments	23 550 000	-	23 550 000	-		23 550 000	20 675 329		(2 874 671)	88 %	88 %				40 475 004
Interest earned - outstanding debtors	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	1 340 000	(960 000)	380 000	-		380 000	719 210		339 210	189 %	54 %				1 839 812
Licences and permits	1 190 000	-	1 190 000	-		1 190 000	718 879		(471 121)	60 %	60 %				794 121
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies	402 697 000	(3 057 240)	399 639 760	-		399 639 760	379 176 565		(20 463 195)	95 %	94 %				363 202 562
Operational revenue	280 000	105 000	385 000	-		385 000	590 965		205 965	153 %	211 %				427 371
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	429 237 000	(4 012 240)	425 224 760	-		425 224 760	401 880 948		(23 343 812)	95 %	94 %				406 952 884

Nkangala District Municipality
Unaudited Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2021

2021/2020										2020/2019				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
156 552 955	6 091 390	162 644 345	-	10 122 598	172 766 943	171 118 754	-	(1 648 189)	99 %	109 %	-	-	-	159 124 131
15 869 430	-	15 869 430	-	-	15 869 430	14 675 747	-	(1 193 683)	92 %	92 %	-	-	-	14 798 294
-	-	-		-	-	197 711	-	197 711	DIV/0 %	DIV/0 %	-	-	-	(2 929 550)
17 404 712	-	17 404 712		-	17 404 712	15 577 050	-	(1 827 662)	89 %	89 %	-	-	-	15 802 823
239 294	(85 000)	154 294	-	(7 850)	146 444	85 258	-	(61 186)	58 %	36 %	-	-	-	142 553
1 460 000	(160 000)	1 300 000	-	1 283 742	2 583 742	2 366 763	-	(216 979)	92 %	162 %	-	-	-	2 161 744
6 692 499	(289 379)	6 403 120	-	(1 275 296)	5 127 824	4 660 616	-	(467 208)	91 %	70 %	-	-	-	6 282 947
58 174 521	(1 372 104)	56 802 417	-	(5 331 696)	51 470 721	49 801 012	-	(1 669 709)	97 %	86 %	-	-	-	44 211 794
185 088 216	40 865 885	225 954 101	-	296 500	226 250 601	153 255 731	-	(72 994 870)	68 %	83 %	-	-	-	196 943 313
56 229 365	(7 463 070)	48 766 295	-	(5 087 998)	43 678 297	37 048 439	-	(6 629 858)	85 %	66 %	-	-	-	40 101 466
-	-	-	-	-	-	464 949	-	464 949	DIV/0 %	DIV/0 %	-	-	-	-
497 710 992	37 587 722	535 298 714	-	-	535 298 714	449 252 030	-	(86 046 684)	84 %	90 %	-	-	-	476 639 515
(68 473 992)	(41 599 962)	(110 073 954)	-		(110 073 954)	(47 371 082)		62 702 872	43 %	69 %				(69 686 631)
2 198 000	10 000 000	12 198 000	-		12 198 000	12 197 700		(300)	100 %	555 %				2 756 815
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
(66 275 992)	(31 599 962)	(97 875 954)	-		(97 875 954)	(35 173 382)		62 702 572	36 %	53 %				(66 929 816)
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
(66 275 992)	(31 599 962)	(97 875 954)	-		(97 875 954)	(35 173 382)		62 702 572	36 %	53 %				(66 929 816)
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
(66 275 992)	(31 599 962)	(97 875 954)	-		(97 875 954)	(35 173 382)		62 702 572	36 %	53 %				(66 929 816)
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
(66 275 992)	(31 599 962)	(97 875 954)	-		(97 875 954)	(35 173 382)		62 702 572	36 %	53 %				(66 929 816)
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
(66 275 992)	(31 599 962)	(97 875 954)	-		(97 875 954)	(35 173 382)		62 702 572	36 %	53 %				(66 929 816)

Nkangala District Municipality
Unaudited Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended 30 June 2021

	2021/2020								2020/2019						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Single-year expenditure															
Vote1- Municipal Manager	9 380 000	(1 800 000)	7 580 000	-	-	7 580 000	6 975 203	-	(604 797)	92 %	74 %	-	-	-	8 185 271
Vote2- Finance Services	75 000	60 000	135 000	-	(1 000)	134 000	37 501	-	(96 499)	28 %	50 %	-	-	-	8 790 815
Vote3- Corporate Services	900 000	548 113	1 448 113	-	1 000	1 449 113	612 329	-	(836 784)	42 %	68 %	-	-	-	-
Vote4- Social Services	16 650 000	8 568 682	25 218 682	-	-	25 218 682	7 182 170	-	(18 036 512)	28 %	43 %	-	-	-	17 656 026
Vote5- Planning and Economic Development	-	313 375	313 375	-	-	313 375	272 500	-	(40 875)	87 %	DIV/0 %	-	-	-	-
Vote6- Technical Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	1 627 000
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	27 005 000	7 690 170	34 695 170	-	-	34 695 170	15 079 703	-	(19 615 467)	43 %	56 %	-	-	-	-
Total Capital Expenditure - Vote	27 005 000	7 690 170	34 695 170	-	-	34 695 170	15 079 703	-	(19 615 467)	43 %	56 %	-	-	-	-

Nkangala District Municipality
Unaudited Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended 30 June 2021

	2021/2020								2020/2019						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Functional															
Governance and administration	10 355 000	(1 191 887)	9 163 113	-	-	9 163 113	7 625 033	-	(1 538 080)	83 %	74 %	-	-	-	16 976 086
Executive and council	1 000 000	-	1 000 000	-	-	1 000 000	598 660	-	(401 340)	60 %	60 %	-	-	-	498 691
Finance and administration	9 355 000	(1 191 887)	8 163 113	-	-	8 163 113	7 026 373	-	(1 136 740)	86 %	75 %	-	-	-	16 477 395
Internal audit	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	16 650 000	8 568 682	25 218 682	-	-	25 218 682	7 182 170	-	(18 036 512)	28 %	43 %	-	-	-	17 656 026
Community and social services	3 000 000	550 000	3 550 000	-	-	3 550 000	43 655	-	(3 506 345)	1 %	1 %	-	-	-	2 420 705
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	10 500 000	6 703 332	17 203 332	-	-	17 203 332	6 142 251	-	(11 061 081)	36 %	58 %	-	-	-	14 887 151
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	3 150 000	1 315 350	4 465 350	-	-	4 465 350	996 264	-	(3 469 086)	22 %	32 %	-	-	-	348 170
Economic and environmental services	-	313 375	313 375	-	-	313 375	272 500	-	(40 875)	87 %	DIV/0 %	-	-	-	1 627 000
Planning and development	-	313 375	313 375	-	-	313 375	272 500	-	(40 875)	87 %	DIV/0 %	-	-	-	1 627 000
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Energy sources	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Functional	27 005 000	7 690 170	34 695 170	-	-	34 695 170	15 079 703	-	(19 615 467)	43 %	56 %	-	-	-	36 259 112
Funded by:															
National Government	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Provincial Government	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
District Municipality	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other transfers and grants	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public contributions & donations	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Borrowing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Internally generated funds	27 005 000	7 690 170	34 695 170	-		34 695 170	15 079 703		(19 615 467)	43 %	56 %				36 259 112
Total Capital Funding	27 005 000	7 690 170	34 695 170	-		34 695 170	15 079 703		(19 615 467)	43 %	56 %				36 259 112

Nkangala District Municipality
Unaudited Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2021

	2021/2020						2020		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Operational revenue	2 990 000	(955 000)	2 035 000	2 035 000	2 029 054	(5 946)	100 %	68 %	3 319 597
Government - operating	402 697 000	(3 057 240)	399 639 760	399 639 760	379 176 565	(20 463 195)	95 %	94 %	363 202 562
Government - capital	2 198 000	10 000 000	12 198 000	12 198 000	9 566 014	(2 631 986)	78 %	435 %	2 310 000
Interest	23 550 000	-	23 550 000	23 550 000	20 675 199	(2 874 801)	88 %	88 %	40 430 724
VAT	-	-	-	-	20 866 468	20 866 468	DIV/0 %	DIV/0 %	(16 181 816)
Payments									
Suppliers and employees	(294 978 770)	3 481 813	(291 496 957)	(291 496 957)	(279 530 835)	11 966 122	96 %	95 %	(252 914 311)
Finance charges	(239 294)	92 850	(146 444)	(146 444)	(85 258)	61 186	58 %	36 %	(142 553)
Transfers and Grants	(185 088 216)	(41 162 385)	(226 250 601)	(226 250 601)	(153 255 731)	72 994 870	68 %	83 %	(196 943 313)
Net cash flow from/used operating activities	(48 871 280)	(31 599 962)	(80 471 242)	(80 471 242)	(558 524)	79 912 718	1 %	1 %	(56 919 110)
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	148 266	148 266	DIV/0 %	DIV/0 %	25 669
Decrease (increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	4 009 535	-	4 009 535	4 009 535	4 009 535	-	100 %	100 %	(5 294 880)
Payments									
Capital assets	(27 005 000)	(7 690 170)	(34 695 170)	(34 695 170)	(15 079 704)	19 615 466	43 %	56 %	(36 259 112)
Net cash flow from/used investing activities	(22 995 465)	(7 690 170)	(30 685 635)	(30 685 635)	(10 921 903)	19 763 732	36 %	47 %	(41 528 323)
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	(730 380)
Increase (decrease) in consumer deposits	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Repayment of borrowing	(2 013 274)	-	(2 013 274)	(2 013 274)	(2 013 274)	-	100 %	100 %	(1 542 534)
Net cash flow from/used financing activities	(2 013 274)	-	(2 013 274)	(2 013 274)	(2 013 274)	-	100 %	100 %	(2 272 914)
Net increase/(decrease) in cash held	(73 880 019)	(39 290 132)	(113 170 151)	(113 170 151)	(13 493 701)	99 676 450	12 %	18 %	(100 720 347)
Cash/cash equivalents at the year begin:									434 727 963
Cash/cash equivalents at the year end:	(73 880 019)	(39 290 132)	(113 170 151)	(113 170 151)	(13 493 701)	99 676 450	12 %	18 %	