



**Nkangala District Municipality
Annual Financial Statements
for the year ended 30 June 2022**

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity	District Municipality DC31
Nature of business and principal activities	Municipal Services
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 Mpumalanga
Postal address	P.O. Box 437 Middelburg 1050 Mpumalanga
Bankers	STANDARD BANK (Primary) ABSA Limited Middelburg
Auditors	Auditor General South Africa

Nkangala District Municipality

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Executive Mayor	Masilela TS (01/07/2021-08/11/2021)
	Mabuza LM (24/11/2021-30/06/2022)
Speaker	Ndinisa SL (01/07/2021-08/11/2021) (24/11/2021-30/06/2022)
Council Whip	Boshomane KJ (01/07/2021-08/11/2021) (24/11/2021-30/06/2022)
MMC Finance, Risk and Audit	Mthimunya GT(01/07/2021-08/11/2021)
	Makhabane EN (24/11/2021-30/06/2022)
MMC Technical Services	Dikgale LJ (01/07/2021-08/11/2021)
	Makwiting TJ (24/11/2021-30/06/2022)
MMC Social Services	Makhabane EN (01/07/2021-08/11/2021)
	Mahlangu DP (24/11/2021-30/06/2022)
MMC Corporate Services	Maraba CL (01/07/2021-08/11/2021)
	Pookgoadi KT (24/11/2021-30/06/2022)
MMC Development and Planning Unit	Mahlangu L (01/07/2021-08/11/2021)
	Mathebula TT (24/11/2021-30/06/2022)
MMC Local Economic Development	Pookgoadi KT (01/07/2021-08/11/2021)
	Mahlangu L (24/11/2021-30/06/2022)
MPAC Chairperson	Ngwenya XS (01/07/2021-08/11/2021)
	Mthimunya GT (24/11/2021-30/06/2022)
Section 79 Chairpersons	Nkosi NB (01/07/2021-08/11/2021)
	Moseri PP (24/11/2021-30/06/2022)
	Legong TB(01/07/2021-08/11/2021)
	Zondo LJN (24/11/2021-30/06/2022)
	Mboweni LM(01/07/2021-08/11/2021)
	Maja SR (24/11/2021-30/06/2022)
	Khumalo LF(01/07/2021-08/11/2021)
	Matlaila BJ (24/11/2021-30/06/2022)
	Moseri PP(01/07/2021-08/11/2021)
	Banda EM (24/11/2021-30/06/2022)
	Leballo JM(01/07/2021-08/11/2021)
	Mampuru DS (24/11/2021-30/06/2022)
Councillors	Bath DJ (01/07/2021-08/11/2021)
	Masombuka AB(24/11/2021-30/06/2022)
	Bhamjee M(01/07/2021-08/11/2021)
	Makoala VD (24/11/2021-30/06/2022)
	Buda KV (01/07/2021-08/11/2021)
	Botha AA (24/11/2021-30/06/2022)
	Chembe D (01/07/2021-08/11/2021)
	Sibanyoni JM (24/11/2021-30/06/2022)
	Cronje RE (01/07/2021-08/11/2021)
	Makola LM (24/11/2021-30/06/2022)
	Dyason J (01/07/2021-08/11/2021)
	Mbonani ND (24/11/2021-30/06/2022)
	Fakude DC (01/07/2021-08/11/2021)
	Masombuka NZ (24/11/2021-30/06/2022)
	Fakude T (01/07/2021-08/11/2021)
	Sebeshe E (24/11/2021-30/06/2022)
	Khumalo AB (01/07/2021-08/11/2021)
	Moolman L (24/11/2021-30/06/2022)
	Lamola BR (01/07/2021-08/11/2021)
	Sibanyoni (24/11/2021-26/11/2021)

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Mtsweni SN (26/11/2021-30/06/2022)
Legong MS (01/07/2021-08/11/2021)
Mhlanga KP (24/11/2021-30/06/2022)
Magagula M (01/07/2021-08/11/2021)
Ngubeni PN (24/11/2021-30/06/2022)
Maja SR (01/07/2021-08/11/2021)
Malatjie RJ (24/11/2021-30/11/2021)
Ditshego K (15/12/2021-30/06/2022)
Mahlangu A (01/07/2021-08/11/2021)
Rankapole MM (24/11/2021-30/06/2022)
Mahlangu IM (01/07/2021-08/11/2021)
Ngwenya TD (24/11/2021-30/06/2022)
Mahlangu NJ (01/07/2021-08/11/2021)
Skosana SI (24/11/2021-30/06/2022)
Makola ML (01/07/2021-08/11/2021)
Malatjie LM (01/07/2021-08/11/2021)
Malatjie RJ (01/07/2021-08/11/2021)
Moela WN (24/11/2021-30/06/2022)
Malefane P (01/07/2021-08/11/2021)
Koko GS (24/11/2021-30/06/2022)
Mampuru DS (01/07/2021-08/11/2021)
Mabena DM (24/11/2021-30/06/2022)
Maseko DF (01/07/2021-08/11/2021)
Dzondzi L (24/11/2021-30/06/2022)
Mathabe RS (01/07/2021-08/11/2021)
Morokolo ME (24/11/2021-30/06/2022)
Mhlanga MT (01/07/2021-08/11/2021)
Phahlamswari DM (24/11/2021-30/06/2022)
Mlangeni ZB (01/07/2021-08/11/2021)
Bhamjee M (24/11/2021-30/06/2022)
Mnisi ST (01/07/2021-08/11/2021)
Steyn L (24/11/2021-30/11/2022)
Mogolo SM (01/07/2021-08/11/2021)
Van Dyk WA (24/11/2021-30/06/2022)
Mokoala VD (01/07/2021-08/11/2021)
Masilela PM (24/11/2021-30/06/2022)
Mokolo LM (01/07/2021-08/11/2021)
Mogola SM (24/11/2021-30/06/2022)
Morokolo ME (01/07/2021-08/11/2021)
Klopper DD (24/11/2021-30/06/2022)
Mtsweni SN (01/07/2021-08/11/2021)
Mathunyane ST (24/11/2021-30/06/2022)
Ndlovu R (01/07/2021-08/11/2021)
Dikgale LJ (24/11/2021-30/06/2022)
Ngwenya TD (01/07/2021-08/11/2021)
Seswike SC (24/11/2021-30/06/2022)
Nobela (01/07/2021-08/11/2021)
Sebeshe E (01/07/2021-08/11/2021)
Dlamini BN (24/11/2021-30/06/2022)
Shongwe E (01/07/2021-08/11/2021)

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	Nhlapho SR (24/11/2021-30/06/2022)
	Skhosana DJ (01/07/2021-08/11/2021)
	Mokolo ML (24/11/2021-30/06/2022)
	Sibanyoni MJ (01/07/2021-08/11/2021)
	Nyalunga XC (24/11/2021-30/06/2022)
	Zondo LJN (01/07/2021-08/11/2021)
	Mtsweni SM (24/11/2021-30/06/2022)
	Van den Berg EH (01/07/2021-08/11/2021)
	Buda KV (24/11/2021-30/06/2022)
	Simelane BS (01/07/2021-30/11/2021)
	Mkhawane SG (15/12/2021-30/06/2022)
Traditional leaders	Ikosi Mabena FJ
	Ikosi Mahlangu BR
	Ikosi Mahlangu VW
	Ikosi Mahlangu SE
	Kgosi Maloka NJ
	Kgosi Chaane EP
	Kgosi Leffi MG
	Kgosi Moepi TJ
	Ikosi Mahlangu CM
Audit Committee Chairperson	Ms F Mudau
Members of Audit Committee	Ms SJ Masite
	Mr LAT Gafane
	Ms MJ Moloi-Chamane
	Ms P Ntuli
Risk Committee Chairperson	Mr T Boltman

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

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
mSCOA	Municipal Standard Chart of Accounts
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
MPAC	Municipal Public Accounts Committee
SALGA	The South African Local Government Association
AC	Audit Committee
EPWP	Expanded Public Works Programme
COVID-19	Corona Virus Disease
DWS	The Department of Water and Sanitation
PAYE	Pay as you earn
UIF	Unemployment Insurance Fund

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 2023 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 mainly dependent on the grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer 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 30 June 2022 and were signed on its behalf by:

M M Skosana
Municipal Manager

Nkangala District Municipality

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Report of the Chief Financial Officer

Nkangala District Municipality

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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 has finalised and prepared the annual financial statements for 2021/22 on version 6.5 from 6.4 of mSCOA for the 2020/21 financial year.

As we were slowly recovering from the COVID 19 pandemic impact on the municipality's operations, the notice issued by National Treasury that deemed the PPPFA 2017 regulations invalid had a huge impact on the procurement of the municipality also affecting the implementation of projects for service delivery.

2. REVIEW OF OPERATING RESULTS

The 2021/22 budget of the Nkangala District Municipality was approved by Council on the 26 May 2021 under item DM-ND 374/05/2021. The roll over budget was approved 25 August 2021 under DM-ND 74/08/2021. An adjustment budget was approved on the 23 February 2022 under item DM-ND 294/02/2022. Herewith is commentary on the financial results.

2.1 REVENUE

The total revenue of the district increased with 4.24% from R414,079 million (2020/21) to R431,628 million (2021/22) and indicate a positive outcome over the R457,880 million budgeted for the 2021/22 financial year.

Revenue from exchange transactions decreased from R21,266 million (2020/21) to R20,180 (2021/22), whilst the revenue from non-exchange transactions increased from R392,812 million (2020/21) to R411,448 (2021/22) 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 4.81% from R391,374 million (2020/21) to R410,210 million (2021/22). 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, the Expanded Public Works Programme Incentive Grant and Department of Water & Sanitation grants. All conditional grants have been spent 94.23% and has been recognised as revenue in 2021/22. 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 5.08% from R20,634 million (2020/21) to R19,586 million (2021/22). This decrease is attributed to the slow down of the economy and lower interest rates offered by financial banks. The District realised 94.82% of budgeted amount for 2021/22 and the variance is due to that less interest revenue was received than anticipated during the budget process.

FINES, PENALTIES AND FORFEITS

Revenue from Fines, Penalties and Forfeits decrease by 81.92% from R0,719 million (2020/21) to R0,130 million (2021/22). 20.64% of budgeted amount realised for 2021/22 due to the adhoc nature of the imposing of fines and penalties and that fines and penalties have reach a peak due to improved compliance.

OPERATIONAL REVENUE

Nkangala District Municipality

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Report of the Chief Financial Officer

Operational revenue decreased by 7.55% from R0,591 million (2020/21) to R0,546 million (2021/22). 148.04% of budgeted amount realised for 2021/22 due to less operational revenue received than anticipated as less insurance refund and reversal of provision was realised.

RENTAL FROM FIXED ASSETS

Rental from fixed assets increased by 17.99% from R0,041 million (2020/21) to R0,049 million (2021/22) and flows from the lease agreement with Vodacom. 100% realised as more fixed assets were rented out in 2021/22 than anticipated as the COVID 19 pandemic impact has normalised during the financial year.

LICENCES AND PERMITS

Revenue from licences and permits has increased with 54.16% from R0,719 million that was realised in the (2020/21) to R1,108 million (2021/22) financial year. 123.13% of budgeted amount realised for 2021/22 due to the new function that are rendered by the District and various according to the number of applications received.

2.2 EXPENDITURE

The total expenditure decreased with 7.29% from R447,927 million (2020/21) to R415,288 million (2021/22) compared to the budgeted operating expenditure of R564,405 million 2021/22. 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 the District implements for local municipalities within the District's jurisdictional area.

Actual grants and subsidies paid for 2021/22 represent 24.93% (34.22% 2020/21) of the total expenditure of the District and decreased by 32.45% from R153,256 million (2020/21) to R103,522 million (2021/22). The actual transfers and subsidies are 49.98% of the budgeted amount of R207,125 million 2021/22 due to the delays in appointments due to the notice issued by National Treasury in terms of the PPPFA 2017 regulations rendered as invalid and halting all procurement. Projects that are completed from the 2020/21 financial year are transferred from Inventory – Work in progress.

EMPLOYEE RELATED COST

Actual employee related costs increased by 6.55% from R169,761 million (2020/21) to R180,886 million (2021/22) due to the drive to appoint staff in all vacancies and salary increases applied. Actual employee related costs are 91.89 % 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 increased by 10.24% from R37,688 million (2020/21) to R41,549 million (2021/22). The increase mainly relates to the normalisation of the impact of COVID 19 on the District, which lead to increased travel and subsistence and increased advertising, further to that there was an increase in municipal rates and service cost and increase in insurance cost. Actual operational costs are 73.76% of the budgeted operational cost. Due to non-responsive tenders and operational projects that were not fully completed.

CONTRACTED SERVICES

Contracted services decreased by 0.47% from R49,801 million (2020/21) to R49,569 million (2021/22). Actual contracted services are 84.05% of the budgeted contracted cost, due to decrease in allocated contracts for the year and the notice issued by National Treasury rendering the PPPFA 2017 regulations invalid and halting all procurement.

REMUNERATION OF COUNCILLORS

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

Actual councillor allowance costs increased by 2.81 % from R14,676 million (2020/21) to R15,087 million (2021/22). Actual councillor allowance costs are 88.58% of the budgeted remuneration of councillors, due to the % increase that realised on the determination of upper limits.

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Report of the Chief Financial Officer

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 10.54% from R15,592 million (2020/21) to R17,235 million (2021/22). The increase is mainly due to the additions to the property, plant and equipment at the District. Actual depreciation/amortisation costs are 96.87% 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 19.2% from R4,661 million (2020/21) to R3,766 million (2021/22). The decrease are mainly due to the decline of sanitisers and protective clothing to deal with the COVID 19 pandemic. Actual inventory consumed costs are 67.69% of the budgeted amount, due to the less than anticipated inventory consumed as the COVID 19 pandemic normalised.

INTEREST, DIVIDEND AND RENT ON LAND PAID

The District only realised interest paid on the Financial leases for office equipment.

Actual interest costs increased by 127.92 % from R0,085 million (2020/21) to R0,194 million (2021/22), the increase is due to the addition of finance leases for the year. Actual interest costs are 67.43% 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 2020/21 and (2021/22), which decrease from R2,021 million (2020/21) compared to the loss of R1,493 million (2021/22) financial year. The budget variance is due to the unknown nature of actuarial valuations.

OPERATING LEASES

Actual operating leases costs increased by 43.43 % from R2,408 million (2020/21) to R3,453 million (2021/22). Actual operating lease costs are 78.12% of the budgeted amount, due to the two additional leases taken out.

SURPLUS/DEFICIT

The district realised a surplus of R14,847 million 2021/22 compared to the deficit of R35,869 million 2020/21 due to the slow implementation of projects affected by the National Treasury notice for the PPPFA 2017 Regulations that halted procurement.

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 increased by 2.40% from R655,188 million (2020/21) to R670,933 million (2021/22). The contributing factors of this increase can mainly be attributed to increase in Inventory and the long term investment.

Total liabilities increased by 1.18% from R76,128 million (2020/21) to R77,026 million (2021/22), which is mainly due to the increase in 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

Nkangala District Municipality

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Report of the Chief Financial Officer

	R million	R million	Ratio
2020/21	379,075	52,913	7.16:1
2021/22	399,326	51,551	7.75:1

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 R million	Current Liabilities R million	Ratio
2020/21	301,898	52,913	5.71:1
2021/22	264,593	51,551	5.14:1

SOLVENCY RATIO

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

	Total Assets R million	Total Liabilities R million	Ratio
2020/21	655,188	76,128	8.61:1
2021/22	670,933	77,026	8.71:1

OTHER RATIOS

Ratio	30 Jun 2022	30 Jun 2021
Employee related cost and Councillor remuneration / Total expenditure	47.18	41.18
Actual transfers and subsidies paid / Total expenditure	24.92	34.22
Actual transfers and subsidies paid / Total revenue	25.98	37.01

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
GRAP 8	Interests in Joint Ventures

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Report of the Chief Financial Officer

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
IGRAP 16	Intangible Assets - Website Costs

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Report of the Chief Financial Officer

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)

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Report of the Chief Financial Officer

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	231 152 420	285 745 899
Inventories	4	134 373 145	77 177 205
Construction contracts and receivables	5	6 080 077	2 631 686
Prepayments	6	4 235	5 652
Trade & other receivables from exchange transactions	7	223 602	58 558
VAT receivable	8	27 492 200	13 455 855
		399 325 679	379 074 855
Non-Current Assets			
Property, plant and equipment	9	189 981 279	197 777 676
Intangible assets	10	13 368 626	14 517 805
Heritage assets	11	508 772	508 772
Long term Investments	12	67 748 712	63 308 712
		271 607 389	276 112 965
Total Assets		670 933 068	655 187 820
Liabilities			
Current Liabilities			
Consumer deposits	13	14 030	14 030
Payables from exchange transactions	14	49 303 212	51 067 426
Finance lease obligation	15	923 429	835 578
Defined benefit obligation	16	465 000	353 000
Operating lease accrual		-	7 112
Long service awards	17	845 000	636 000
		51 550 671	52 913 146
Non-Current Liabilities			
Finance lease obligation	15	755 494	1 705 963
Defined benefit obligation	16	18 632 000	15 969 000
Long service awards	17	6 088 000	5 540 000
		25 475 494	23 214 963
Total Liabilities		77 026 165	76 128 109
Net Assets		593 906 903	579 059 711
Accumulated surplus		593 906 903	579 059 711
Total Net Assets		593 906 903	579 059 711

* See Note 36

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Rental from fixed assets	18	48 513	41 116
Operational Revenue	19	546 357	590 965
Interest Revenue	20	19 585 553	20 634 083
Total revenue from exchange transactions		20 180 423	21 266 164
Revenue from non-exchange transactions			
Taxation revenue			
Licences and Permits (Non-exchange)	21	1 108 190	718 879
Transfer revenue			
Government grants and subsidies	22	410 209 712	391 374 265
Fines, Penalties and Forfeits	23	130 052	719 210
Total revenue from non-exchange transactions		411 447 954	392 812 354
Total revenue	24	431 628 377	414 078 518
Expenditure			
Employee related costs	25	(180 886 362)	(169 760 753)
Remuneration of councillors	26	(15 087 417)	(14 675 747)
Depreciation and amortisation	27	(17 235 116)	(15 592 211)
Interest expense	29	(194 323)	(85 259)
Operating lease	32	(3 453 063)	(2 407 515)
Debt Impairment		(25 731)	-
Inventory Consumed	30	(3 766 004)	(4 660 617)
Contracted services	31	(49 568 731)	(49 801 012)
Transfers and Subsidies	28	(103 522 372)	(153 255 733)
Operational costs	33	(41 548 774)	(37 688 552)
Total expenditure		(415 287 893)	(447 927 399)
Operating surplus (deficit)		16 340 484	(33 848 881)
Gain (loss) on disposal of assets		(1 338 867)	(464 953)
Fair value adjustments		(84 448)	(197 711)
Actuarial gains/losses	16	(70 001)	(1 358 002)
		(1 493 316)	(2 020 666)
Surplus (deficit) for the year		14 847 168	(35 869 547)

* See Note 36

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	615 041 927	615 041 927
Adjustments		
Correction of error-refer to note 36	(112 673)	(112 673)
Balance at 01 July 2020 as restated*	614 929 254	614 929 254
Changes in net assets		
Surplus/(deficit) for the year as previously reported	(35 869 543)	(35 869 543)
Total changes	(35 869 543)	(35 869 543)
Restated* Balance at 01 July 2021	579 059 723	579 059 723
Changes in net assets		
Surplus/(deficit) for the year	14 847 167	14 847 167
Total changes	14 847 167	14 847 167
Balance at 30 June 2022	593 906 890	593 906 890

* See Note 36

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Grants		404 129 635	388 742 579
Interest income		19 585 553	20 634 162
Rental from fixed assets		48 513	41 116
Other receipts		1 141 969	2 049 700
Movement of VAT		-	20 845 415
		<u>424 905 670</u>	<u>432 312 972</u>
Payments			
Employee costs		(189 474 331)	(155 048 575)
Suppliers		(260 771 571)	(292 462 017)
Finance Costs		(194 323)	(85 259)
Movement of VAT		(14 036 344)	-
		<u>(464 476 569)</u>	<u>(447 595 851)</u>
Net cash flows from operating activities	34	<u>(39 570 899)</u>	<u>(15 282 879)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(9 750 807)	(27 104 602)
Proceeds from sale of property, plant and equipment		272 228	146 714
Purchase of other intangible assets	10	(150 120)	(3 830 850)
Proceeds from sale of other intangible assets		297	1 554
Decreases/(Increases) of Investments		(4 440 000)	(4 009 535)
Net cash flows from investing activities		<u>(14 068 402)</u>	<u>(34 796 719)</u>
Cash flows from financing activities			
Finance lease payments		(862 618)	2 036 912
Operating leases		(7 112)	(21 333)
Net cash flows from financing activities		<u>(869 730)</u>	<u>2 015 579</u>
Net increase/(decrease) in cash and cash equivalents		<u>(54 509 031)</u>	<u>(48 064 019)</u>
Cash and cash equivalents at the beginning of the year		285 745 899	334 007 627
Fair value adjustments to cash and cash equivalents		(84 448)	(197 711)
Cash and cash equivalents at the end of the year	3	<u>231 152 420</u>	<u>285 745 897</u>

The accounting policies on pages 26 to 49 and the notes on pages 50 to 85 form an integral part of the annual financial statements.

* See Note 36

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

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 Performance

Revenue

Revenue from exchange transactions

Other income	219 050	150 000	369 050	594 870	225 820	
Interest Revenue	20 655 000	-	20 655 000	19 585 553	(1 069 447)	#
Total revenue from exchange transactions	20 874 050	150 000	21 024 050	20 180 423	(843 627)	

Revenue from non-exchange transactions

Taxation revenue

Licences and Permits (Non-exchange)	900 000	-	900 000	1 108 189	208 189	#
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Transfer revenue

Transfers and subsidies	489 326 000	(54 000 000)	435 326 000	410 209 712	(25 116 288)	#
Fines, penalties and forfeits	780 000	(150 000)	630 000	130 052	(499 948)	#

Total revenue from non-exchange transactions	491 006 000	(54 150 000)	436 856 000	411 447 953	(25 408 047)	
Total revenue	511 880 050	(54 000 000)	457 880 050	431 628 376	(26 251 674)	

Expenditure

Employee related costs	(191 795 580)	(5 061 677)	(196 857 257)	(180 886 362)	15 970 895	#
Remuneration of councillors	(17 033 260)	-	(17 033 260)	(15 087 417)	1 945 843	#
Depreciation and amortisation	(17 791 920)	-	(17 791 920)	(17 235 116)	556 804	#
Interest expense	(158 620)	(129 549)	(288 169)	(194 323)	93 846	#
Operating leases	(1 378 000)	(3 042 425)	(4 420 425)	(3 453 063)	967 362	#
Debt Impairment	-	(26 000)	(26 000)	(25 731)	269	#
Inventory consumed	(6 340 600)	776 884	(5 563 716)	(3 766 004)	1 797 712	#
Contracted Services	(72 256 720)	13 284 428	(58 972 292)	(49 568 731)	9 403 561	#
Transfers and Subsidies	(230 945 410)	23 820 354	(207 125 056)	(103 522 372)	103 602 684	#
Operational costs	(57 204 830)	878 151	(56 326 679)	(41 548 774)	14 777 905	#

Total expenditure	(594 904 940)	30 500 166	(564 404 774)	(415 287 893)	149 116 881	
Operating surplus	(83 024 890)	(23 499 834)	(106 524 724)	16 340 483	122 865 207	
Loss on disposal of assets and liabilities	-	-	-	(1 338 867)	(1 338 867)	
Fair value adjustments	-	-	-	(84 448)	(84 448)	
Actuarial gains/losses	-	-	-	(70 001)	(70 001)	
	-	-	-	(1 493 316)	(1 493 316)	

Surplus before taxation	(83 024 890)	(23 499 834)	(106 524 724)	14 847 167	121 371 891	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(83 024 890)	(23 499 834)	(106 524 724)	14 847 167	121 371 891	

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

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

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	55 079 744	-	55 079 744	134 373 145	79 293 401	
Construction contracts and receivables	2 538 791	-	2 538 791	6 080 077	3 541 286	
VAT receivable	11 432 063	-	11 432 063	27 492 200	16 060 137	
Prepayments	2 048 465	-	2 048 465	4 235	(2 044 230)	
Operating lease	131 971	-	131 971	223 602	91 631	
Cash and cash equivalents	269 528 202	(18 291 351)	251 236 851	231 152 420	(20 084 431)	
	340 759 236	(18 291 351)	322 467 885	399 325 679	76 857 794	

Non-Current Assets

Property, plant and equipment	230 824 052	(1 540 600)	229 283 452	189 981 279	(39 302 173)	
Intangible assets	19 221 763	(1 000 000)	18 221 763	13 368 626	(4 853 137)	
Heritage assets	-	-	-	508 772	508 772	
Long term Investments	58 792 091	-	58 792 091	67 748 712	8 956 621	
	308 837 906	(2 540 600)	306 297 306	271 607 389	(34 689 917)	

Total Assets

	649 597 142	(20 831 951)	628 765 191	670 933 068	42 167 877	
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Liabilities

Current Liabilities

Finance lease obligation	-	-	-	923 429	923 429	
Payables from exchange transactions	37 257 696	-	37 257 696	49 303 210	12 045 514	
Consumer deposits	14 583	-	14 583	14 030	(553)	
Defined benefit obligation	48 410	-	48 410	465 000	416 590	
Long service awards	397 000	-	397 000	845 000	448 000	
	37 717 689	-	37 717 689	51 550 669	13 832 980	

Non-Current Liabilities

Finance lease obligation	-	-	-	755 494	755 494	
Defined benefit obligation	12 479 000	-	12 479 000	18 632 000	6 153 000	
Long service awards	4 809 000	-	4 809 000	6 088 000	1 279 000	
	17 288 000	-	17 288 000	25 475 494	8 187 494	

Total Liabilities

	55 005 689	-	55 005 689	77 026 163	22 020 474	
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Net Assets

	594 591 453	(20 831 951)	573 759 502	593 906 905	20 147 403	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	594 591 453	(20 831 951)	573 759 502	593 906 905	20 147 403	
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Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

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	1 899 050	-	1 899 050	1 141 968	(757 082)
Government grant - operating	487 098 000	(54 000 000)	433 098 000	401 901 636	(31 196 364)
Government grant - capital	2 228 000	-	2 228 000	2 228 000	-
Interest income	20 655 000	-	20 655 000	19 634 066	(1 020 934)
	511 880 050	(54 000 000)	457 880 050	424 905 670	(32 974 380)

Payments

Suppliers and employees	(346 008 990)	6 727 241	(339 281 749)	(346 723 529)	(7 441 780)
Finance Costs	(158 620)	(129 549)	(288 169)	(194 325)	93 844
Transfers and Grants	(230 945 410)	23 820 354	(207 125 056)	(103 522 371)	103 602 685
Movement of VAT	-	-	-	(14 036 344)	(14 036 344)
	(577 113 020)	30 418 046	(546 694 974)	(464 476 569)	82 218 405

Net cash flows from operating activities	(65 232 970)	(23 581 954)	(88 814 924)	(39 570 899)	49 244 025
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Cash flows from investing activities

Purchase of property, plant and equipment	(31 410 000)	2 540 600	(28 869 400)	(9 750 807)	19 118 593
Proceeds from sale of property, plant and equipment	-	-	-	272 227	272 227
Purchase of other intangible assets	(4 000 000)	1 000 000	(3 000 000)	(150 120)	2 849 880
Proceeds from sale of intangible assets	-	-	-	297	297
Decrease(Increase) of Investments	-	-	-	(4 440 000)	(4 440 000)

Net cash flows from investing activities	(35 410 000)	3 540 600	(31 869 400)	(14 068 403)	17 800 997
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Cash flows from financing activities

Finance lease payments	-	-	-	(862 618)	(862 618)
Operating leases	-	-	-	(7 111)	(7 111)

Net cash flows from financing activities	-	-	-	(869 729)	(869 729)
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Net increase/(decrease) in cash and cash equivalents	(100 642 970)	(20 041 354)	(120 684 324)	(54 509 031)	66 175 293
Cash and cash equivalents at the beginning of the year	-	-	-	285 745 899	285 745 899
Fair value adjustments to cash and cash equivalents	-	-	-	(84 448)	(84 448)

Cash and cash equivalents at the end of the year	(100 642 970)	(20 041 354)	(120 684 324)	231 152 420	351 836 744
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Reconciliation

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

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
2022											
Financial Performance											
Interest Dividend and Rent on Land	(20 655 000)	-	(20 655 000)	-		(20 655 000)	(19 585 554)		1 069 446	95 %	95 %
Transfers recognised - operational	(487 098 000)	54 000 000	(433 098 000)	-		(433 098 000)	(407 981 712)		25 116 288	94 %	84 %
Other own revenue	(1 899 050)	-	(1 899 050)	-		(1 899 050)	(1 833 111)		65 939	97 %	97 %
Total revenue (excluding capital transfers and contributions)	(509 652 050)	54 000 000	(455 652 050)	-		(455 652 050)	(429 400 377)		26 251 673	94 %	84 %
Employee costs	191 795 580	4 722 940	196 518 520	-	660 857	197 179 377	180 886 362	-	(16 293 015)	92 %	94 %
Remuneration of councillors	17 033 260	-	17 033 260	-	(240 000)	16 793 260	15 087 417	-	(1 705 843)	90 %	89 %
Debt impairment	-	-	-			-	25 731	-	25 731	DIV/0 %	DIV/0 %
Fair Value Adjustment	-	-	-			-	84 448	-	84 448	DIV/0 %	DIV/0 %
Loss on disposal of assets and liabilities	-	-	-			-	1 408 868	-	1 408 868	DIV/0 %	DIV/0 %
Depreciation and asset impairment	17 791 920	-	17 791 920			17 791 920	17 235 116	-	(556 804)	97 %	97 %
Finance charges	158 620	20 000	178 620	-	109 550	288 170	194 323	-	(93 847)	67 %	123 %
Materials and bulk purchases	6 340 600	220 000	6 560 600	-	(996 884)	5 563 716	3 766 004	-	(1 797 712)	68 %	59 %
Transfers and grants	230 945 410	(23 899 354)	207 046 056	-	79 000	207 125 056	103 522 372	-	(103 602 684)	50 %	45 %
Other expenditure	130 839 550	(11 481 635)	119 357 915	-	387 481	119 745 396	94 570 568	-	(25 174 828)	79 %	72 %
Total expenditure	594 904 940	(30 418 049)	564 486 891	-	4	564 486 895	416 781 209	-	(147 705 686)	74 %	70 %
Surplus/(Deficit)	85 252 890	23 581 951	108 834 841	-		108 834 845	(12 619 168)		(121 454 013)	(12)%	(15)%

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

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	(2 228 000)	-	(2 228 000)	-		(2 228 000)	(2 228 000)		-	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	83 024 890	23 581 951	106 606 841	-		106 606 845	(14 847 168)		(121 454 013)	(14)%	(18)%
Surplus/(Deficit) for the year	83 024 890	23 581 951	106 606 841	-		106 606 845	(14 847 168)		(121 454 013)	(14)%	(18)%
Capital expenditure and funds sources											
Total capital expenditure	35 410 000	(2 540 600)	32 869 400	-		32 869 400	9 900 925		(22 968 475)	30 %	28 %
Sources of capital funds											
Internally generated funds	35 410 000	(2 540 600)	32 869 400	-		32 869 400	9 900 925		(22 968 475)	30 %	28 %

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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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 municipality 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

Annual Financial Statements for the year ended 30 June 2022

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, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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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 straight-line basis over their expected useful lives to their estimated residual value.

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

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).

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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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Accounting Policies

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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Accounting Policies

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

Accounting Policies

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.

Nkangala District Municipality

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Accounting Policies

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 interest rate implicit in the lease.

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.

Nkangala District Municipality

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Accounting Policies

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.

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.

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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.

Nkangala District Municipality

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Accounting Policies

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.

Accounting Policies

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.

Accounting Policies

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.

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

Accounting Policies

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

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.

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.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

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).

Accounting Policies

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.

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.

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

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.

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

Nkangala District Municipality

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Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

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.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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.

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 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.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.24 Irregular expenditure (continued)

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.

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 2021/07/01 to 2021/12/31.

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.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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.

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

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:

- | | |
|-------------------------------------|--|
| • GRAP 25: Employee Benefits | Unlikely there will be a material impact |
| • GRAP 103 on Heritage Assets | Unlikely there will be a material impact |
| • GRAP 104 on Financial Instruments | Unlikely there will be a material impact |

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10 200	10 200
Bank balances	13 311 460	10 853 369
Short-term deposits	217 830 760	274 882 330
	231 152 420	285 745 899

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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3. Cash and cash equivalents (continued)

3.2 The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA BANK - Current Account - 1040161836	4 844	(5 557)	-	6 064	24 995	-
Standard Bank Current Account - 042244552	13 305 397	10 827 962	-	13 305 397	10 828 383	-
ABSA Bank- Fixed Deposit- 2079702968	-	7 000 000	-	-	7 000 000	-
ABSA Bank-Fixed Deposit- 4083615135	4 304 580	7 985 923	-	4 304 580	7 985 923	-
ABSA Bank-Fixed Deposit- 2080419461	10 000 000	-	-	10 000 000	-	-
ABSA Bank-Fixed Deposit- 2080308559	5 000 000	-	-	5 000 000	-	-
Nedbank-Fixed Deposit- 03/7881531304/000188	7 194 816	9 907 210	-	7 194 816	9 907 210	-
Nedbank-Fixed Deposit- 04/7881531304/000325	-	8 000 000	-	-	8 000 000	-
Nedbank-Fixed Deposit- 03/7881531304/000337	6 000 000	-	-	6 000 000	-	-
Nedbank-Fixed Deposit- 03/7881531304/000338	5 000 000	-	-	5 000 000	-	-
FNB(RMB) Bank-Term Deposit- 62786703184	6 308 863	9 967 535	-	6 308 863	9 967 535	-
FNB(RMB) Bank - Term Deposit - 74892232056	-	5 000 000	-	-	5 000 000	-
Stanbii-N00111	77 933 844	99 117 030	-	77 933 844	99 117 030	-
Standard Bank -Notice Deposit - 038433834#081	8 301 557	5 744 373	-	8 301 567	5 744 373	-
Standard Bank - 038433834#0913	-	81 503	-	-	81 503	-
Standard Bank -Notice Deposit - 038433834#140	-	8 000 000	-	-	8 000 000	-
Standard Bank -Notice Deposit - 038433834#155	10 000 000	-	-	10 000 000	-	-
Standard Bank -Notice Deposit - 038433834#156	10 000 000	-	-	10 000 000	-	-
Sanlam -NDCKON	40 984 502	59 203 217	-	40 984 502	59 203 217	-
Interest Accrued	851 600	556 208	-	851 600	567 924	-
Investec -Fixed Deposit 1400- 121751-500-JB5M52361	5 590 351	6 358 464	-	5 590 351	6 358 464	-
Investec -Fixed Deposit-1400- 121751-502	360 635	347 440	-	360 635	347 440	-
Investec -Fixed Deposit-1400- 121751-452-JB10649643	-	3 000 000	-	-	3 000 000	-
FNB Retention-74794690154	20 000 000	44 601 792	-	20 000 000	44 601 792	-
Total	231 140 989	285 693 100	-	231 142 219	285 735 789	-

4. Inventories

Work in progress	134 373 145	77 177 205
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Inventory pledged as security

No inventories were pledged as security for liabilities in the current financial year.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Construction contracts and receivables		
Receivables		
Receivables due	6 080 077	2 631 686
Receivables from Department of Water and Sanitation.		
6. Prepayments		
Prepayment		
Prepayments	4 235	5 652
2022 - Prepayment relates to payment of DSTV subscription.		
2021 - Prepayments relate to payment of fees.		
7. Trade and other receivables from exchange transactions		
Gross balances		
Debtors	249 333	58 558
Less: Allowance for impairment		
Debtors	(25 731)	-
Net balance		
Debtors	223 602	58 558
Other (specify)		
Current (0 -30 days)	223 325	22 938
> 365 days	26 008	35 620
	249 333	58 558
Reconciliation of allowance for impairment		
Contributions to allowance	(25 731)	-
8. VAT receivable		
VAT	27 492 200	13 455 855

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2022			2021		
	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	43 518 877	(25 288 892)	18 229 985	45 000 272	(23 023 735)	21 976 537
Furniture and Office Equipment	17 949 707	(10 629 120)	7 320 587	16 772 526	(9 883 872)	6 888 654
Transport Assets	56 337 782	(28 732 656)	27 605 126	54 456 402	(25 800 621)	28 655 781
Computer Equipment	17 897 099	(7 418 505)	10 478 594	17 492 312	(6 855 458)	10 636 854
Community-Buildings	70 107 227	(10 692 200)	59 415 027	71 274 015	(8 329 253)	62 944 762
Other property, plant and equipment- Buildings	77 563 937	(32 654 579)	44 909 358	75 686 804	(30 097 036)	45 589 768
Sanitation Infrastructure	1 811 234	(111 531)	1 699 703	1 592 234	(21 660)	1 570 574
Water Supply Infrastructure	129 864	(23 204)	106 660	144 810	(19 020)	125 790
Roads Infrastructure	3 954 149	(1 455 093)	2 499 056	3 954 149	(1 166 155)	2 787 994
Stormwater Infrastructure	6 595 311	(2 742 088)	3 853 223	6 595 311	(2 506 154)	4 089 157
Electrical Infrastructure	8 314 189	(1 874 583)	6 439 606	8 186 098	(1 501 714)	6 684 384
ICT Infrastructure	5 813 653	(1 709 693)	4 103 960	3 140 471	(1 536 316)	1 604 155
Leased Assets	2 711 110	(1 103 821)	1 607 289	2 711 110	(200 949)	2 510 161
Total	314 417 244	(124 435 965)	189 981 279	308 719 619	(110 941 943)	197 777 676

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Work in Progress	Depreciation	Total
Land	1 713 105	-	-	-	-	-	-	1 713 105
Machinery and Equipment	21 976 537	-	(485 598)	150 000	-	-	(3 410 954)	18 229 985
Furniture and Office Equipment	6 888 654	1 346 216	(25 672)	-	-	-	(888 611)	7 320 587
Transport Assets	28 655 781	2 792 850	(509 408)	-	-	-	(3 334 097)	27 605 126
Computer Equipment	10 636 854	1 559 930	(196 560)	-	-	-	(1 521 630)	10 478 594
Community	62 944 762	129 400	-	-	(1 579 400)	283 212	(2 362 947)	59 415 027
Other property, plant and equipment	45 589 768	227 400	-	1 050 400	-	599 333	(2 557 543)	44 909 358
Sanitation Infrastructure	1 570 574	-	-	219 000	-	-	(89 871)	1 699 703
Water Supply Infrastructure	125 790	-	(12 124)	-	-	-	(7 006)	106 660
Roads Infrastructure	2 787 994	-	-	-	-	-	(288 938)	2 499 056
Stormwater Infrastructure	4 089 157	-	-	-	-	-	(235 934)	3 853 223
Electrical Infrastructure	6 684 384	-	(9 661)	140 000	-	-	(375 117)	6 439 606
ICT Infrastructure	1 604 155	2 812 466	(617)	20 000	-	-	(332 044)	4 103 960
Leased Assets	2 510 161	-	-	-	-	-	(902 877)	1 607 284
	197 777 676	8 868 262	(1 239 640)	1 579 400	(1 579 400)	882 545	(16 307 569)	189 981 274

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Work in Progress	Correction of error	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	-	(6 994)	(1 164 745)	10 636 854
Community	44 431 592	-	-	18 799 855	1 450 000	-	(1 736 685)	62 944 762
Other property, plant and equipments	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
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
	151 819 919	13 959 965	(611 667)	45 888 412	1 450 000	(6 994)	(14 721 964)	197 777 671

Pledged as security

None of assets pledged as security:

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	599 333	-
Community	283 212	1 450 000
	882 545	1 450 000

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
9. Property, plant and equipment (continued)		
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	1 352 078	1 521 246
Transport Assets	2 489 035	2 203 706
Other Property, plant and equipment	5 731 764	5 131 102
Information and communication infrastructure	5 343 709	4 588 256
	14 916 586	13 444 310

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.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	11 797 170	(4 322 964)	7 474 206	10 677 365	(3 793 110)	6 884 255
Intangible assets under development	5 894 420	-	5 894 420	7 633 550	-	7 633 550
Total	17 691 590	(4 322 964)	13 368 626	18 310 915	(3 793 110)	14 517 805

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software, other	6 884 255	-	(371 752)	1 889 250	(927 547)	7 474 206
Intangible assets under development	7 633 550	150 120	-	(1 889 250)	-	5 894 420
	14 517 805	150 120	(371 752)	-	(927 547)	13 368 626

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Correction of error	Amortisation	Total
Computer software, other	7 529 064	77 000	(1 554)	150 000	(870 255)	6 884 255
Intangible assets under development	4 669 950	3 753 850	-	(790 250)	-	7 633 550
	12 199 014	3 830 850	(1 554)	(640 250)	(870 255)	14 517 805

Pledged as security

None of the intangible assets were pledged as security.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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10. Intangible assets (continued)

Expenditure incurred to repair and maintain intangible assets

Intangible assets	806 443	737 857
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11. Heritage assets

	2022			2021		
	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 2022

	Opening balance	Total
Municipal Jewellery	508 772	508 772

Reconciliation of heritage assets 2021

	Opening balance	Total
Municipal Jewellery	508 772	508 772

12. Long term Investments

At amortised cost

Fixed term deposit	67 748 712	63 308 712
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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	67 748 712	63 308 712
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Long Term Investments

Long term investment movement

Opening Balance	63 308 712	60 000 000
Methods used to determine fair value are as follow: [provide details]		
Assumptions used in determining fair value with valuation technique: [provide details about assumptions]		
Interest Capitalised	4 440 000	3 308 712
Methods used to determine fair value are as follow: [provide details]		
Assumptions used in determining fair value with valuation technique: [provide details about assumptions]		
	67 748 712	63 308 712

13. Consumer deposits

Rental of facilities	14 030	14 030
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Deposits relates to rental of NDM facilities.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
14. Payables from exchange transactions		
Trade payables	21 452 222	26 165 617
Advance Payments	8 140	8 981
Retentions	13 446 445	12 659 147
Accrued leave pay	11 262 059	12 233 681
Performance Bonus	3 134 346	-
	49 303 212	51 067 426
15. Finance lease obligation		
Minimum lease payments due		
- within one year	1 049 759	1 049 759
- in second to fifth year inclusive	787 319	-
	1 837 078	1 049 759
less: future finance charges	(158 155)	(216 422)
Present value of minimum lease payments	1 678 923	833 337
Non-current liabilities	755 494	1 705 963
Current liabilities	923 429	835 578
	1 678 923	2 541 541

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

The average lease term was 30-36 months and the average effective borrowing rate was 10% (2021: 10%).

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:

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
16. Defined benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Opening Balance	16 322 000	12 789 000
Current service cost	1 383 000	1 107 000
Interest cost	1 675 000	1 378 000
Actuarial (gain)/loss	70 000	1 358 000
Employer benefit payments	(353 000)	(310 000)
	19 097 000	16 322 000
 Non-current liabilities	 (18 632 000)	 (15 969 000)
Current liabilities	(465 000)	(353 000)
	(19 097 000)	(16 322 000)

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.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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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	11,85 %	10,37 %
Health care cost inflation rate	8,46 %	6,95 %
Net-of-health care cost inflation discount rate	3,13 %	3,20 %
Maximum subsidy inflation rate	5,97 %	4,84 %
Net of maximum subsidy inflation discount rate	5,55 %	5,28 %

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	-	13,423	5,674	19,097	-
Health care inflation rate	+1%	14,411	5,957	2,368	7%
	- -1%	11,997	5,330	17,327	11%
Discount rate	+1%	11,253	5,212	16,465	-14%
	- -1%	16,206	6,217	22,423	17%
Post-employment mortality	+1 yr	13,124	5,505	18,629	-2%
	- -1 yr	13,714	5,842	19,556	2%
Average retirement age	-1 yr	14,757	5,674	20,431	7%
Membership continuation	-10%	11,742	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, 2022

Assumption	Change	Current Service cost	Interest Cost	Total	% Change
Central assumptions	-	1 383 000,00	1 675 000,00	3 058 000,00	-
Health care inflation rate	+1%	1 509 000,00	1 809 000,00	3 318 000,00	9%

Nkangala District Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2022 2021

16. Defined benefit obligations (continued)

-	-1%	1 197 000,00	1 495 000,00	2 692 000,00	-12%
Discount rate	+1%	1 130 000,00	1 573 000,00	2 703 000,00	-12%
-	-1%	1 714 000,00	1 790 000,00	3 504 000,00	15%
Post-employment mortality	+1 yr	1 354 000,00	1 632 000,00	2 986 000,00	-2%
Post-employment mortality	-1 yr	1 413 000,00	1 717 000,00	3 130 000,00	-2%
Average retirement age	-1 yr	1 421 000,00	1 801 000,00	3 222 000,00	5%
Membership continuation	-10%	1 214 000,00	1 519 000,00	2 733 000,00	-11%

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

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

Opening Balance	15 969 000	12 479 000
Contributions to post employment medical aid benefit	3 128 000	3 843 000
Transfer to the current post-employment medical aid benefit	(465 000)	(353 000)
	18 632 000	15 969 000

Post retirement medical benefits projection for the year

	Year ending 30 June 2023	Year ending 30 June 2024
Opening balance	16 322 000	19 097 000
Current service costs	1 383 000	1 496 000
Interest cost	1 675 000	2 236 000
Actuarial (gain)/loss	70 000	-
Expected employer benefit payment	(353 000)	(465 000)
	19 097 000	22 364 000

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

	2022	2021	2020	2019	2018
Defined benefit obligation	19 097 000	16 322 000	12 789 000	13 393 039	18 544 406

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):

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
17. Long service awards		
Non-current liabilities	6 088 000	5 540 000
Current liabilities	845 000	636 000
	6 933 000	6 176 000
Long service awards		
Opening balance	6 176 000	5 206 000
Current service costs	1 007 000	946 000
Interest cost	573 000	396 000
Actuarial (gain)/loss	(187 000)	25 000
Expected employer benefit payment	(636 000)	(397 000)
	6 933 000	6 176 000

Key financial assumptions

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

Assumption		
Discount rate	11.29%	9.77%
Salary inflation rate	7.46%	5.98%
Net effective discount rate	3.57%	3.58%

Sensitivity Analysis

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

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

- (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	-	6 933 000,00	-
General earnings inflation rate	+1%	7 404 000,00	7%
-	-1%	6 508 000,00	-6%
Discount rate	+1%	6 497 000,00	-6%
-	-1%	7 425 000,00	7%
Average retirement age	+2 yrs	7 389 000,00	7%
-	-2 yrs	6 376 000,00	-8%
Withdrawal rates	x2	5 280 000,00	-24%
-	x0.5	8 101 000,00	17%

The table below summarises the results of the sensitivity analysis on the Current-Service and Interest Costs for the year ending 30 June 2022.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

17. Long service awards (continued)

Assumption	Change	Current service costs	Interest cost	Total	% Change
Central assumptions	-	1 007 000	573 000	1 580 000,00	-
General earnings inflation rate	+1%	1 092 000	616 000	1 708 000,00	8%
-	-1%	932 000	535 000	1 467 000,00	-7%
Discount rate	+1%	939 000	588 000	1 527 000,00	-3%
-	-1%	1 086 000	554 000	1 640 000,00	4%
Average retirement age	+2 yrs	1 059 000	615 000	1 674 000,00	6%
-	-2 yrs	939 000	529 000	1 468 000,00	-7%
Withdrawal rates	x2	703 000	425 000	1 128 000,00	-29%
-	x0.5	1 236 000	679 000	1 915 000,00	21%

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

Movement

Balance at the beginning of the year	5 540 000	4 809 000
Contribution to long service benefit	1 393 000	1 367 000
Transfer to current long service benefit	(845 000)	(636 000)
	6 088 000	5 540 000

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

Long service award benefit projections for the year

	Year ending 30 June 2023	Year ending 30 June 2024
Opening balance	6 176 000	6 933 000
Current service cost	1 007 000	1 045 000
Interest cost	573 000	736 000
Actuarial (gain)/loss	(187 000)	-
Expected employer benefit payments	(636 000)	(845 000)
	6 933 000	7 869 000

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

18. Rental of Fixed Assets

Premises

Buildings	48 513	41 116
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Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
19. Operational Revenue		
Request for access of information	283	130
Insurance Refund	114 312	140 771
Commision	31 402	29 856
Inspection fees	46 099	60 168
Skills development	312 797	227 079
Legal Fees Recovered	9 214	41 266
Reversal of provision	32 250	91 695
	546 357	590 965
20. Interest Revenue		
Interest revenue		
Short term Investments and Call Accounts	19 329 837	20 343 129
Bank accounts	255 716	290 954
	19 585 553	20 634 083
21. Licences and permits (non-exchange)		
Health Certificates	1 108 190	718 879

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
22. Government grants & subsidies		
Operating grants		
Equitable share	378 547 000	372 500 000
Financial Management Grant	1 000 000	1 000 000
Expanded Public Works Programme Intergrated Grant.	2 551 000	1 977 000
Water Service Infrastructure Grant	25 883 712	3 699 565
	407 981 712	379 176 565
Capital grants		
Rural Road Asset Management System Grant	2 228 000	2 198 000
Rand Water Grant	-	9 999 700
	2 228 000	12 197 700
	410 209 712	391 374 265
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services.		
Rural Road Asset Management Systems Grant		
Current-year receipts	2 228 000	2 198 000
Conditions met - transferred to revenue	(2 228 000)	(2 198 000)
	-	-
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	2 551 000	1 977 000
Conditions met - transferred to revenue	(2 551 000)	(1 977 000)
	-	-
Water Service Infrastructure Grant		
Current-year receipts	19 317 389	3 699 565
Conditions met - transferred to revenue	(25 397 457)	(3 699 565)
	(6 080 068)	-
Rand Water Grant		
Balance unspent at beginning of year	(2 631 686)	-
Current-year receipts	2 631 686	7 368 014
Conditions met - transferred to revenue	-	(9 999 700)
	-	(2 631 686)

Condition met and not yet paid - remain receivables see note 5

Nkangala District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Fines, Penalties and Forfeits		
Law Enforcement Fines	89 950	135 582
Overdue Books Fines	-	16
Retentions Forfeits	40 102	583 612
	130 052	719 210
24. Total Revenue		
Rental of facilities and equipment	48 513	41 116
Operational revenue	546 357	590 965
Interest revenue	19 585 553	20 634 083
Government grants & subsidies	410 209 712	391 374 265
Fines, Penalties and Forfeits	130 052	719 210
Licences and permits (Non-exchange)	1 108 190	718 879
	431 628 377	414 078 518
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	1	-
Rental of facilities and equipment	48 513	41 116
Operational revenue	546 357	590 965
Interest revenue	19 585 553	20 634 083
	20 180 424	21 266 164
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Licences or permits	1 108 190	718 879
Transfer revenue		
Government grants & subsidies	410 209 712	391 374 265
Fines, Penalties and Forfeits	130 052	719 210
	411 447 954	392 812 354

Nkangala District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
25. Employee related costs		
Basic Salary and Wages	108 793 114	101 115 114
Salaries Wages and Allowances: Bonuses	10 820 282	10 271 863
Social Contributions: Medical	9 460 277	8 714 982
Social Contributions: Unemployment Insurance	594 258	489 232
Leave pay provision charge	1 937 624	3 155 455
Social Contributions: Pension	17 826 702	16 849 612
Allowance: Overtime	9 469 196	9 776 025
Allowance: Service Related Benefits: Long Service Award	1 945 295	1 249 131
Allowance: Acting and Post Related Allowances	555 441	375 919
Allowance: Travel or Motor Vehicle	12 029 329	11 401 175
Allowance: Housing Benefits and Incidental: Housing Benefits	770 426	680 011
Standby Allowance	747 231	475 670
Social Contributions: Group Life Insurance	1 000 348	956 928
Allowance: Cellular and Telephone	1 828 295	1 770 034
Social Contributions: Bargaining Council	33 778	31 186
Post-retirement Benefit: Medical	3 074 766	2 448 416
	180 886 362	169 760 753
Included in Employee Costs, Allowance:Overtime is R 1 000 407 relating to COVID-19 expenditure.		
Remuneration of Municipal Manager		
Annual Remuneration	1 251 536	1 251 853
Performance bonus	84 928	101 914
Contribution to UIF, Medical and Pension funds	327 037	326 720
Cellphone allowance	42 174	42 174
Car allowance	120 000	120 000
Leave Pay	231 006	101 914
	2 056 681	1 944 575
Remuneration of Chief Finance Officer		
Annual Remuneration	1 029 859	1 076 720
Car Allowance	126 000	126 000
Performance Bonuses	85 639	99 912
Contributions to UIF, Medical and Pension Funds	225 095	224 600
Cellphone allowance	29 394	29 394
Leave Pay	169 044	68 511
	1 665 031	1 625 137
General Manager Planning and Economic Development		
Annual Remuneration	1 012 318	1 013 507
Car Allowance	144 000	144 000
Contributions to UIF, Medical and Pension Funds	60 126	58 937
Cellphone Allowance	29 394	29 394
Leave Pay	59 581	59 581
	1 305 419	1 305 419

Nkangala District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
25. Employee related costs (continued)		
Remuneration of Manager: Corporate Services		
Annual Remuneration	1 145 503	1 128 442
Car Allowance	96 000	96 000
Performance Bonuses	62 063	74 476
Contributions to UIF, Medical and Pension Funds	2 249	1 932
Acting Allowance	8 780	434
Cellphone Allowance	29 392	29 394
Leave Pay	139 022	59 581
	1 483 009	1 390 259
Remuneration of Manager: Technical Services		
Annual Remuneration	840 025	857 421
Car Allowance	120 000	120 000
Performance Bonuses	52 754	84 406
Contributions to UIF, Medical and Pension Funds	95 054	77 658
Cellphone Allowance	29 394	29 394
Acting Allowance	6 177	50 644
Leave Pay	50 644	-
	1 194 048	1 219 523
Remuneration of Manager: Social Services		
Annual Remuneration	592 849	864 215
Car Allowance	125 543	183 901
Performance Bonuses	62 063	-
Contributions to UIF, Medical and Pension Funds	129 334	193 152
Cellphone Allowance	20 066	29 394
Leave Pay	109 232	59 580
	1 039 087	1 330 242
26. Remuneration of councillors		
Councillors	10 040 458	9 486 006
Councillors' pension contribution	772 150	982 681
Councillors' medical and other contributions	4 274 809	4 207 060
	15 087 417	14 675 747

Nkangala District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Remuneration of councillors (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	803 084	886 883
Car Allowance	152 031	132 000
Cellphone Allowance	38 307	42 284
Contribution to UIF, Medical and Pension Funds	67 871	28 114
	1 061 293	1 089 281
Remuneration of the Speaker		
Annual Remuneration	529 981	540 245
Car Allowance	204 830	209 399
Cellphone Allowance	38 307	42 284
Contribution to UIF, Medical and Pension Funds	82 063	87 952
	855 181	879 880
Remuneration of the Chief Whip		
Annual Remuneration	522 717	535 095
Car Allowance	191 949	196 311
Cellphone Allowance	38 307	42 284
Contribution to UIF, Medical and Pension Funds	50 683	53 839
	803 656	827 529
Remuneration of the Mayoral Committee Members		
Annual Remuneration	3 490 268	2 916 129
Car Allowance	1 164 081	1 014 604
Cellphone Allowance	254 320	235 856
Contribution to UIF, Medical and Pension Funds	417 619	467 664
	5 326 288	4 634 253
Remuneration of other Councillors		
Annual Remuneration	4 694 408	4 607 653
Car Allowance	1 496 329	1 507 323
Cellphone Allowance	528 360	556 916
Contribution to UIF, Medical and Pension Funds	321 902	572 909
	7 040 999	7 244 801
27. Depreciation and amortisation		
Property, plant and equipment	16 307 570	14 721 956
Intangible assets	927 546	870 255
	17 235 116	15 592 211

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
28. Transfer and subsidies		
Operational		
Community and Social Services	4 083 564	3 821 125
Finance and Admin	2 012 646	2 446 843
Planning and Development	22 154 083	23 680 898
Road Transport	2 228 000	2 198 000
Health	111 270	93 519
Waste water management	14 474 712	8 695 391
Water Management	9 279 394	5 312 822
	54 343 669	46 248 598
Capital		
Public Safety	4 767 212	7 694 300
Planning and Development	22 966 271	45 265 991
Road Transport	5 480 494	53 046 844
Waste Water Management	5 294 821	-
Water	10 456 491	1 000 000
Finance and Admin	213 414	-
	49 178 703	107 007 135
	103 522 372	153 255 733
Transfers and Subsidies paid classified by region		
General	23 451 811	27 495 331
Dr JS Moroka	9 537 782	13 820 783
Emakhazeni	26 885 040	9 840 990
Emalahleni	12 039 912	2 441 867
Steve Tshwete	551 567	41 063 631
Thembisile Hani	16 281 545	51 763 148
Victor Khanye	14 774 711	6 829 981
	103 522 368	153 255 731
WIP transfer from Inventories to 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
WIP transfer to Inventory from Transfers and Subsidies		
Dr JS Moroka	71 664 753	48 092 859
Emakhazeni	1 295 513	12 455 503
Emalahleni	11 191 196	6 218 753
Steve Tshwete	10 082 973	-
Thembisile Hani	14 262 467	264 352
Victor Khanye	25 876 243	10 145 737
	134 373 145	77 177 204
29. Finance Costs		
Finance leases	194 323	85 259

Nkangala District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. Inventory Consumed		
Inventory Consumed	3 766 004	4 660 617
Materials and supplies all directly expensed and no stores in place.		
Included in inventory consumed is R 139 204 which relates to COVID19 expenditure.		
31. Contracted services		
Outsourced Services		
Business and Advisory	3 166 493	6 671 508
Cleaning Services	2 556 390	2 059 360
Personnel and Labour	98 378	-
Translators, Scribes and Editors	14 000	44 100
Consultants and Professional Services		
Business and Advisory	9 623 627	9 563 791
Infrastructure and Planning	1 000	1 167 681
Laboratory Services	1 749 979	1 748 876
Legal Cost	5 303 899	3 719 003
Contractors		
Artists and Performers	7 000	-
Audio-visual Services	124 374	97 991
Catering Services	1 968 849	1 296 192
Employee Wellness	520 500	467 900
Fire Protection	100 659	724 057
Gardening Services	1 987 069	2 014 775
Maintenance of Buildings and Facilities	5 731 764	5 131 102
Maintenance of Equipment	1 361 646	1 521 247
Maintenance of Unspecified Assets	8 629 620	7 529 819
Pest Control and Fumigation	78 787	47 107
Plants, Flowers and Other Decorations	13 960	96 080
Transportation	323 875	347 438
Safeguard and Security	5 411 292	4 560 670
Stage and Sound Crew	795 570	992 315
	49 568 731	49 801 012
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	3 453 063	2 372 561
	3 453 063	2 407 515

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

Nkangala District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
33. Operational Costs		
Advertising Publicity and Marketing	5 688 167	3 555 358
Bank Charges Facility and Card Fees	619 974	761 241
Cleaning	167 000	-
Courier and Delivery Services	3 933	-
Hire Charges	218 589	-
Insurance Underwriting	2 745 064	746 330
External Computer Service	4 893 333	7 485 047
Skills Development Fund Levy	1 585 382	1 207 238
Motor vehicle expenses	141 869	150 822
Wet Fuel	1 619 677	1 252 951
Printing, Publications and Books	21 301	91 259
Promotions	-	21 220
Uniform and Protective Clothing	1 895 847	2 132 759
Subscriptions and membership fees	243 400	252 464
Communication	6 052 614	6 488 075
Seating Allowance for Traditional Leaders	30 000	12 000
Travel and Subsistence	3 892 329	2 532 857
Achievements and awards	210 926	-
Municipal Services - Rates, Water & Electricity	5 062 716	4 466 936
Bursaries	2 334 534	2 636 181
Samples and Specimens	60 430	70 487
Toll Gate Fees	100 327	49 079
Travel Agency Fees	144 273	74 476
Workmen's Compensation Fund	947 972	906 795
Registration Fees	2 188 748	2 205 074
Learnership and internships	680 369	589 903
	41 548 774	37 688 552
34. Cash used in operations		
Surplus (deficit)	14 847 169	(35 869 543)
Adjustments for:		
Depreciation and amortisation	17 235 116	15 592 211
Loss on sale of assets and liabilities	1 338 867	464 953
Fair value adjustments	84 448	197 711
Actuarial gains/losses	70 001	1 358 002
Debt impairment	25 731	-
Movements in employee benefits	2 704 999	2 175 000
Movements in provisions	757 000	970 000
Correction of error	-	681 001
Changes in working capital:		
Inventories	(57 195 940)	(22 097 460)
Consumer debtors	(190 775)	(621)
Prepayments	1 417	3 529 255
Construction contracts and receivables	(3 448 377)	(2 631 686)
Payables from exchange transactions	(1 764 210)	(497 117)
VAT	(14 036 345)	20 845 415
	(39 570 899)	(15 282 879)

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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 Nierkerk	-	72 713
TC Makola	1 834 739	1 834 739
	7 625 944	7 698 657

(i) TC Makola is claiming to be paid an amount of R 1 560 000 and legal fees R 400 000 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 Councillors 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) 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 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 loses the matter are estimated at R 300 000. Total exposure is R 1 834 739.

36. Prior-year adjustments

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

The lost laptop was not removed from the fixed assets register in the prior years.

The expenses for professional fees were capitalised in the prior years.

Expenses for training were erroneously capitalised under intangible assets

Operating lease accrual was incorrectly recognised.

Intangible assets completed was under intangible assets under development.

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Property, Plant and equipment		197 957 282	(179 605)	197 777 677
Opening accumulated surplus		(615 041 927)	112 673	(614 929 254)
Operating lease accrual		(34 694)	27 582	(7 112)
Intangible Assets		15 174 615	(656 810)	14 517 805
		(401 944 724)	(696 160)	(402 640 884)

Statement of financial performance

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand		2022	2021	
36. Prior-year adjustments (continued)				
2021				
	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation		15 577 050	15 159	15 592 209
Operating lease		2 366 764	40 751	2 407 515
Operational Costs		37 048 303	640 250	37 688 553
Surplus for the year		54 992 117	696 160	55 688 277

Nkangala District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
37. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	5 667 455	129 400
• Intangible assets	-	1 427 600
	5 667 455	1 557 000
Total capital commitments		
Already contracted for but not provided for	5 667 455	1 557 000
Authorised operational expenditure		
Already contracted for but not provided for		
• Victor Khanye	44 149 722	9 849 118
• Dr JS Moroka	8 599 368	13 019 044
• Emalahleni	824 261	12 084 819
• Steve Tshwete	3 486 134	-
• Emakhazeni	41 043	10 167 796
• Thembisile Hani	8 088 337	-
• Nkangala	5 824 953	7 330 722
	71 013 818	52 451 499
Total operational commitments		
Already contracted for but not provided for	71 013 818	52 451 499
Total commitments		
Total commitments		
Authorised capital expenditure	5 667 455	1 557 000
Authorised operational expenditure	71 013 818	52 451 499
	76 681 273	54 008 499
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	2 840 000	1 660 000
- in second to fifth year inclusive	1 986 667	1 560 000
	4 826 667	3 220 000

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

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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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.

The municipality entered into an agreement with the Development Bank of South Africa to support the Nkangala District Municipality with the review of a district wide spatial development framework and no transactions have occurred in the current financial year.

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 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance Leases	923 429	755 494	-	-
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	-	-

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	2022	2021
Trade and other receivables from exchange transactions	223 602	58 558
Investments	67 748 712	63 308 712
Cash and cash equivalents	231 352 120	285 745 987

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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39. Risk management (continued)

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.

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 R139 204.45 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 throughout the financial year however the most of the restrictions were lifted during the year which will result in municipal activities slowly returning to the periods prior to the virus. 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	1 000 407	2 670 880
Materials and Supplies	139 204	721 798
Transfer and Subsidies	-	5 278 000
	1 139 611	8 670 678

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. Nkangala Economic Development Agency (NEDA)

During 2020/21 financial year the District Municipality council took a resolution to establish the Nkangala Economic Development Agency (NEDA). The establishment is still in process as the municipality is awaiting the comments of National Treasury to finalise the process. The NEDA will have future financial reporting implications on the Nkangala District Municipality when the NEDA become operational.

43. Fruitless and wasteful expenditure

Opening balance as previously reported	-	34 500
Add: Fruitless and wasteful expenditure identified - current	8 344	-
Less: Amount written off - current	-	(34 500)
Closing balance	8 344	-

Nkangala District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
44. Irregular expenditure		
Opening balance as previously reported	3 665 285	2 613 097
Add: Irregular expenditure - current	-	449 940
Add: Irregular expenditure - prior period	-	602 248
Less: Amount recovered - current	(12 382)	-
Less: Amount written off - current	(2 943 097)	-
Less: Amount written off due to credit note	(442 925)	-
Closing balance	266 881	3 665 285

The amounts recorded above are exclusive of VAT.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 981 742	1 692 063
Amount paid - current year	(1 981 742)	(1 692 063)
	-	-

Audit fees

Opening balance	140 355	-
Current year subscription / fee	4 432 011	5 077 646
Amount paid - current year	(4 572 366)	(4 937 291)
	-	140 355

PAYE and UIF

Current year subscription / fee	35 466 447	33 025 810
Amount paid - current year	(35 466 447)	(33 025 810)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	27 286 979	25 564 592
Amount paid - current year	(27 286 979)	(25 564 592)
	-	-

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.

Deviations for the current financial year amounts to R 911 464.71 as per the deviation register.

47. Segment information

General information

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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47. Segment information (continued)

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.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand

47. Segment information (continued)

Segment surplus or deficit

2022

	Council Governance	Finance	Community Development Services	Planning & Economic Development	Technical Services	Administrative and Corporate Support	Total
Revenue							
Operational Revenue	-	500 258	46 099	-	-	-	546 357
Fines Penalties and Forfeits	-	122 102	7 950	-	-	-	130 052
Licences or Permits	-	-	1 108 190	-	-	-	1 108 190
Interest revenue	-	19 634 066	-	-	-	-	19 634 066
Government grants and subsidies	-	379 547 000	-	2 551 000	28 111 712	-	410 209 712
Total segment revenue	-	399 803 426	1 162 239	2 551 000	28 111 712	-	431 628 377
Entity's revenue							431 628 377
Expenditure							
Employee Related Costs	29 495 791	18 684 713	83 531 873	13 303 624	9 481 710	26 388 645	180 886 356
Remuneration of Councillors	15 087 417	-	-	-	-	-	15 087 417
Contracted Services	17 617 565	5 346 335	7 846 668	291 966	11 079	18 455 114	49 568 727
Depreciation and Amortisation	3 345 915	135 040	7 547 358	153 825	290 309	5 762 665	17 235 112
Inventory consumed	772 628	128 756	2 439 068	68 881	40 005	316 665	3 766 003
Interest expense	48 011	6 463	50 289	6 463	6 463	76 635	194 324
Operating lease	2 234 949	3 994	39 939	3 994	3 994	1 166 192	3 453 062
Operational costs	11 336 057	4 910 208	8 707 790	2 597 845	562 542	13 434 343	41 548 785
Transfers and subsidies	2 159 181	-	10 091 239	14 892 088	73 019 580	3 360 285	103 522 373
Gain/(Loss)	451 127	6 441	427 550	26 948	3 966	492 839	1 408 871
Fair value adjustments	-	84 448	-	-	-	-	84 448
Debt impairment	-	25 731	-	-	-	-	25 731
Total segment expenditure	82 548 641	29 332 129	120 681 774	31 345 634	83 419 648	69 453 383	416 781 209
Total segmental surplus/(deficit)							14 847 168

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

	Council Governance	Finance	Community Development Services	Planning & Economic Development	Technical Services	Administrative and Corporate Support	Total
47. Segment information (continued)							
Assets							
Cash and Cash Equivalents	(190 104 616)	1 446 873 522	(156 911 735)	(104 568 747)	(588 451 689)	(175 684 315)	231 152 420
Inventory	-	134 373 145	-	-	-	-	134 373 145
Trade and other Receivables from Exchange	4 235	223 602	-	-	-	-	227 837
Construction contracts and receivable	-	-	-	-	6 080 077	-	6 080 077
VAT Receivable	6 740 015	(2 093 728)	2 888 435	4 151 778	12 408 180	3 397 515	27 492 195
Heritage Assets	508 772	-	-	-	-	-	508 772
Property Plant and Equipment	834 194	411 861	127 215 015	713 198	3 702 371	57 104 642	189 981 281
Intangible Assets	13 656 231	(2 549)	31 976	-	-	(317 032)	13 368 626
Long Term Investment	-	67 748 712	-	-	-	-	67 748 712
Total segment assets	(168 361 169)	1 647 534 565	(26 776 309)	(99 703 771)	(566 261 061)	(115 499 190)	670 933 065
Total assets as per Statement of financial Position							670 933 065
Liabilities							
Consumer Deposit	-	(14 030)	-	-	-	-	(14 030)
Operating lease Straight lining	(248 857)	-	-	-	-	248 857	-
Defined Benefit Obligations	-	(19 097 000)	-	-	-	-	(19 097 000)
Long service awards	-	(6 933 000)	-	-	-	-	(6 933 000)
Finance lease obligation	(283 056)	(251 024)	(463 279)	(62 868)	(25 619)	(593 076)	(1 678 922)
Trade and other payable exchange transactions	507	(49 401 600)	83 387	9 986	1 457	3 053	(49 303 210)
Total segment liabilities	(531 406)	(75 696 654)	(379 892)	(52 882)	(24 162)	(341 166)	(77 026 162)
Total liabilities as per Statement of financial Position							(77 026 162)

2021

	Council Governance	Finance	Community Development Services	Planning & Economic Development	Technical Services	Administrative and Corporate Support	Total
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Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

47. Segment information (continued)

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	160 815	6 967 283	122 727	293 652	4 994 902	15 592 208
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	708 868	2 407 515
Operational Costs	11 936 199	4 536 821	8 245 863	726 054	634 121	11 609 507	37 688 565
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

82 445 884 29 303 511 112 624 080 34 258 001 129 092 260 62 224 329 449 948 065

Total segmental surplus/(deficit)

(35 869 547)

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

	Council Governance	Finance	Community Development Services	Planning & Economic Development	Technical Services	Administrative and Corporate Support	Total
47. Segment information (continued)							
Assets							
Cash and cash equivalents	(157 984 192)	1 272 238 823	(125 037 429)	(91 462 520)	(476 677 180)	(135 331 603)	285 745 899
Inventory	-	77 177 205	-	-	-	-	77 177 205
Trade and other Receivables from Exchange	-	58 558	-	-	-	-	58 558
Construction contracts and receivable	-	-	-	-	2 631 686	-	2 631 686
Prepayments	5 652	-	-	-	-	-	5 652
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	130 552 589	887 010	3 993 256	62 703 386	197 777 677
Intangible Assets	14 193 786	(2 549)	89 283	-	-	237 284	14 517 804
Long Term Investment	-	63 308 712	-	-	-	-	63 308 712
Total segment assets	(137 606 387)	1 397 955 820	8 371 411	(86 645 890)	(457 646 685)	(69 240 451)	655 187 818
Total assets as per Statement of financial Position							655 187 818
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 payables from Exchange Transactions	38 747	(44 876 023)	44 867	5 596	1 356	(6 281 966)	(51 067 423)
Operating lease Straight lining	(7 112)	-	-	-	-	-	(7 112)
Total segment liabilities	(531 177)	(67 664 855)	(617 828)	(83 050)	(50 041)	(7 181 159)	(76 128 110)
Total liabilities as per Statement of financial Position							(76 128 110)

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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48. Change in estimate

Property, plant and equipment

The useful lives of all asset classes were adjusted during the 2021/2022 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 9. The effect of changing the remaining useful life of assets for the Municipality during 2021/2022 has decreased the depreciation charge for the current year by R 75 452.30. It is impracticable to estimate the effect of the changes on future periods.

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Unaudited Supplementary Information

DEVIATION REPORTS 2021 - 2022 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 2021													
NO DEVIATIONS FOR THE MONTH													
TOTAL R 0.00										TOTAL			R 0.00
AUGUST 2021													
1	000001	The service provider is of a conference by the Association of Certified Fraud Examiner	Internal Audit	Association of Certified Fraud Examiner (ACFE)	R 15,000.00	19/08/2021	The service provider is of a conference by the Association of Certified Fraud Examiner	If such goods or services are produced or available from a single provider only		32037	EF073060-0001	07/09/2021	R 15,000.00
TOTAL R 15,000.00										TOTAL			R 15,000.00
SEPTEMBER 2021													
NO DEVIATIONS FOR THE MONTH													
TOTAL R 0.00										TOTAL			R 0.00
OCTOBER 2021													
2	000002	The service provider covers the targeted audience and all local radio stations, procurement is done through it. This deviation as for the period of 36 months pending the signing of the SLA	Corporate Services	Mpumalanga NCRF Hub	Annual Rate	07/10/2021	The service provider covers the targeted audience and all local radio stations, procurement is done through it. This deviation as for the period of 36 months pending the signing of the SLA	If such goods or services are produced or available from a single provider only		32553 32600 32692 32717 32753 32782 32780 32863 32889 32983 33093 33115 33222	EF073234-0007 EF073237-0007 EF073266-0013 EF073262-0015 EF073290-0005 EF073290-0006 EF073291-0008 EF073291-0007 EF073324-0005 EF073331-0010 EF073364-0003 EF073364-0002 EF073389-0002	24/02/2022 01/03/2022 29/03/2022 24/03/2022 13/04/2022 13/04/2022 13/04/2022 13/04/2022 18/05/2022 24/05/2022 14/06/2022 14/06/2022 29/06/2022	R 672,150.00
3	000003	For Laptop repairs - PED Manager Mr. J Mangane. Solution can only be provided through strip and quote	ICT	Mustek Limited	R 1,472.00	18/10/2021	For Laptop repairs - PED Manager Mr. J Mangane. Solution can only be provided through strip and quote	Repairs and maintenance - on strip and quote. In any other exceptional cases where it is impractical or impossible to follow official procurement process		32233	EF073124-0006	03/11/2021	R 1,472.00
4	000004	This deviation request is in respect of roman figure (ii) of the deviation form. As the service is provided by Multichoice only	Corporate Services	Multichoice	R 32,700.48	27/10/2021	This deviation request is in respect of roman figure (ii) of the deviation form. As the service is provided by Multichoice only	If such goods or services are produced or available from a single provider only		32227 32228	EF073125-0001 EF073126-0001	05/11/2021 05/11/2021	R 32,700.48
TOTAL R 34,172.48										TOTAL			R 706,322.48
NOVEMBER 2021													
NO DEVIATIONS FOR THE MONTH													
TOTAL R0.00										TOTAL R0.00			
DECEMBER 2021													
NO DEVIATIONS FOR THE MONTH													
TOTAL R0.00										TOTAL R0.00			
JANUARY 2022													
5	000005	SALGA registration fee for the Executive Mayor, Chief Whip, Speaker and the Municipal Manager	Municipal Manager's Office	South African Local Government Association	R 8,000.00	06/01/2022	SALGA registration fee for the Executive Mayor, Chief Whip, Speaker and the Municipal Manager	If such goods or services are produced or available from a single provider only		32489	EF073203-0006	17/01/2022	R 8,000.00
6	000006	The Service Plan for the BMW X3 of the Executive Mayor does not cover brake pads. It only covers engine related services, and the vehicle is still on BMW warranty. It can only be repaired by BMW	Corporate Services	BMW eMalaheni	R 11,002.63	17/01/2022	The Service Plan for the BMW X3 of the Executive Mayor does not cover brake pads. It only covers engine related services, and the vehicle is still on BMW warranty. It can only be repaired by BMW	Repairs and maintenance - on strip and quote.		N/A	TO35660	18/01/2022	R 11,002.63
TOTAL R 19,002.63										TOTAL			R 19,002.63
FEBRUARY 2022													

* See Note

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Unaudited Supplementary Information

7	000007	The services are rendered by a single service provider. SAUGA offers the services and hosting the National Conference for Councillors	Executive Mayor and Councillor	South African Local Government Association	R 16,000.00	15/02/2022	The services are rendered by a single service provider. SAUGA offers the services and hosting the National Conference for Councillors	If such goods or services are produced or available from a single provider only	32601	EF073232-0008	17/02/2022	R 16,000.00
TOTAL					R0.00						TOTAL	R 16,000.00
MARCH 2022												
NO DEVIATIONS FOR THE MONTH												
TOTAL					R0.00						TOTAL	R 0.00
APRIL 2022												
8	000008	Synergy Business Event is the sole service provider for execution of Meetings Africa and Africa's Travel Indaba 2022	PEO	Synergy Business Events	R 155,139.60	20/04/2022	Synergy Business Event is the sole service provider for execution of Meetings Africa and Africa's Travel Indaba 2022	If such goods or services are produced or available from a single provider only	33165	EF73365-0001	15/06/2022	R 155,139.60
TOTAL					R0.00						TOTAL	R 155,139.60
MAY 2022												
NO DEVIATIONS FOR THE MONTH												
TOTAL					R 0.00						TOTAL	R 0.00
JUNE 2022												
NO DEVIATIONS FOR THE MONTH												
TOTAL					R 0.00						TOTAL	R 0.00
TOTAL FOR THE YEAR												
TOTAL												R911,464.71

* See Note

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Unaudited Supplementary Information

2021/ 22 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)	Type of prohibited expenditure	Status						
								UI	DP	CC	TR	P	WO	General comment
	2021/22 Opening Balance (Audited)			R	3,665,286.02									
	2022-06-30	2022-07-06			No show at the accommodation		Fruitless and Wasteful							
					8,344.78									
	Cumulative balance as at 30 June 2021			R	3,673,630.80									
	Amounts investigated and written off by Council.				2,943,097.00									
	Amounts recovered due to credit note from Vodacom			R	442,925.03									
	Amounts recovered				12,382.50									
	Closing balance as at 30 June 2022			R	275,226.27									

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

* See Note

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Unaudited 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 2022	DATA INPUTS AND RESULTS 2021
1. FINANCIAL POSITION						
A. Asset Management/Utilisation						
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports, IDP and AR	10% - 20%		
					Total Operating Expenditure	2% 416,653,891
					Taxation Expense	8% 449,948,065
					Total Capital Expenditure	9,900,927 30,935,451
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) x 100	Statement of Financial Position, Notes to the AFS and AR	0%		
					PPE, Investment Property and Intangible Impairment	8% 17,218,771
					PPE at carrying value	7% 15,592,211
					Investment at carrying value	190,506,474 198,286,447
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) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-Year Reports	8%		
					Total Repairs and Maintenance Expenditure	8% 15,723,029
					PPE at carrying value	203,875,100
					Investment Property at Carrying value	7% 212,804,252

* See Note

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Unaudited Supplementary Information

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%	Gross Debtors closing balance	10%
					223,602	58,558
					Gross Debtors opening balance	58,558
					58,558	57,937
					Bad debts written Off	
					197,594	100,000
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	0%
					-	#DIV/0!
					Consumer Debtors Current bad debt Provision	25,731
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	Gross debtors	366 days
					223,602	214 days
					Bad debts Provision	-
					Billed Revenue	197,594
						100,000
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	Cash and cash equivalents	7 Month
					231,352,120	8 Month
					Unspent Conditional Grants	285,745,899
					Overdraft	-2,631,686
					Short Term Investments	
					Total Annual Operational Expenditure	416,653,891
						449,948,065
2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1	Current Assets	7.75
					399,525,378	7.18
					Current Liabilities	51,547,520
						52,913,146
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 00	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%	Interest Paid	0%
					194,323	85,259
					Redemption	773,890
					Total Operating Expenditure	416,653,891
					Taxation Expense	449,948,065
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%	Total Debt	0%
					1,767,651	1%
					Total Operating Revenue	2,541,544
					431,628,377	414,078,518
					Operational Conditional Grants	29,434,712
						6,676,565

* See Note

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Unaudited Supplementary Information

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%		#DIV/0!	#DIV/0!
					Cash and cash Equivalents	231,352,120	285,745,899
					Bank Overdraft		
					Short Term Investment	-	-
					Long Term Investment	67,748,712	63,308,712
					Unspent Grants		
					Net Assets	594,034,220	579,032,128
					Share Premium		
					Share Capital		
					Revaluation Reserve		
					Fair Value Adjustment Reserve		
Accumulated Surplus	594,034,220	579,032,128					
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%		7%	-5%
					Total Operating Revenue	431,628,377	414,078,518
					Depreciation - Revalued Portion <i>(Only populate if depreciation line item in the Statement of Financial</i>	17,218,771	15,592,211
					Total Operating Expenditure	416,653,891	449,948,065
					Taxation Expense		

* See Note

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Unaudited Supplementary Information

C. Revenue Management						
2	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue) / previous period's Total Revenue) x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= CPI		
					CPI	4%
					Total Revenue (Previous)	409,709,699
					Total Revenue (Current)	414,078,518
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) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-Year reports and AR	= CPI		
					CPI	4%
					Total Revenue Excl.Capital (Previous)	407,976,514
					Total Revenue Excl.Capital (Current)	411,880,518

* See Note

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Unaudited 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		38 days
					Trade Creditors	21,452,221
					Contracted Services	33,845,702
					Repairs and Maintenance	15,723,029
					General expenses	148,925,878
					Bulk Purchases	
					Capital Credit Purchases (Capital Credit Purchases refers to additions of Investment Property)	9,900,927
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%
					Irregular, Fruitless and Wasteful and Unauthorised Expenditure	8,344
					Total Operating Expenditure	416,653,891
					Taxation Expense	
3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	25% - 40%		47%
					Employee/personnel related cost	180,886,362
					Councillors Remuneration	15,087,417
					Total Operating Expenditure	416,653,891
					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%		12%
					Contracted Services	49,568,731
					Total Operating Expenditure	416,653,891
					Taxation Expense	

* See Note

Nkangala District Municipality

Annual Financial Statements for the year ended 30 June 2022

Unaudited 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	9,900,927	30,935,451
					Borrowings		
					Total Capital Expenditure	9,900,927	30,935,451
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	9,900,927	30,935,451
					Total Capital Expenditure	9,900,927	30,935,451
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		6%	6%
					Total Revenue	431,628,377	414,078,518
					Government grant and subsidies	407,981,712	391,374,265
					Public contributions and Donations	-	-
					Capital Grants	2,228,000	12,197,700
8. 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%		30%	70%
					Actual Capital Expenditure	9,900,927	30,935,451
					Budget Capital Expenditure	32,869,400	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%		74%	84%
					Actual Operating Expenditure	416,653,891	449,948,065
					Budget Operating Expenditure	564,404,774	535,299,000
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%		94%	97%
					Actual Operating Revenue	429,400,377	414,078,518
					Budget Operating Revenue	455,652,050	425,225,000

* See Note

Nkangala District Municipality
Unaudited Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2022

	2022/2021								2021/2020						
	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	400 771 050	150 000	400 921 050	-		400 921 050	399 803 426		(1 117 624)	100 %	100 %				395 341 623
Executive and council	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Finance and administration	400 771 050	150 000	400 921 050	-		400 921 050	399 803 426		(1 117 624)	100 %	100 %				395 341 623
Internal audit	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	660 000	-	660 000	-		660 000	875 282		215 282	133 %	133 %				804 368
Community and social services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	160 000	-	160 000	-		160 000	46 099		(113 901)	29 %	29 %				74 650
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	500 000	-	500 000	-		500 000	829 183		329 183	166 %	166 %				729 718
Economic and environmental services	110 449 000	(54 150 000)	56 299 000	-		56 299 000	30 949 668		(25 349 332)	55 %	28 %				17 932 526
Planning and development	109 779 000	(54 000 000)	55 779 000	-		55 779 000	30 658 364		(25 120 636)	55 %	28 %				17 874 265
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	670 000	(150 000)	520 000	-		520 000	291 304		(228 696)	56 %	43 %				58 261
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	511 880 050	(54 000 000)	457 880 050	-		457 880 050	431 628 376		(26 251 674)	94 %	84 %				414 078 517

Nkangala District Municipality
Unaudited Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2022

	2022/2021								2021/2020						
	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	212 066 810	(16 487 830)	195 578 980	-	-	195 578 980	172 074 896	-	(23 504 084)	88 %	81 %	-	-	-	163 428 283
Executive and council	37 304 030	(1 109 685)	36 194 345	-	(182 900)	36 011 445	32 330 802	-	(3 680 643)	90 %	87 %	-	-	-	28 627 686
Finance and administration	164 982 990	(15 181 785)	149 801 205	-	447 602	150 248 807	131 427 594	-	(18 821 213)	87 %	80 %	-	-	-	125 372 593
Internal audit	9 779 790	(196 360)	9 583 430	-	(1 900)	9 581 530	8 316 500	-	(1 265 030)	87 %	85 %	-	-	-	9 428 004
Community and public safety	124 762 800	14 368 834	139 131 634	-	(73 199)	139 058 435	124 093 684	-	(14 964 751)	89 %	99 %	-	-	-	116 032 044
Community and social services	32 844 560	6 928 579	39 773 139	-	(5 700)	39 767 439	32 295 744	-	(7 471 695)	81 %	98 %	-	-	-	30 378 382
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	55 874 010	4 826 915	60 700 925	-	(279 999)	60 420 926	56 322 926	-	(4 098 000)	93 %	101 %	-	-	-	50 755 995
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	36 044 230	2 613 340	38 657 570	-	212 500	38 870 070	35 475 014	-	(3 395 056)	91 %	98 %	-	-	-	34 897 667
Economic and environmental services	257 465 720	(28 100 053)	229 365 667	-	(271 719)	229 093 948	120 240 941	-	(108 853 007)	52 %	47 %	-	-	-	169 553 131
Planning and development	252 390 400	(27 241 683)	225 148 717	-	(259 199)	224 889 518	116 792 697	-	(108 096 821)	52 %	46 %	-	-	-	166 251 069
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	5 075 320	(858 370)	4 216 950	-	(12 520)	4 204 430	3 448 244	-	(756 186)	82 %	68 %	-	-	-	3 302 062
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	609 610	(199 000)	410 610	-	-	410 610	371 687	-	(38 923)	91 %	61 %	-	-	-	-
Other	609 610	(199 000)	410 610	-	-	410 610	371 687	-	(38 923)	91 %	61 %	-	-	-	238 442
Total Expenditure - Functional	594 904 940	(30 418 049)	564 486 891	-	(82 116)	564 404 775	416 781 208	-	(147 623 567)	74 %	70 %	-	-	-	449 251 900
Surplus/(Deficit) for the year	(83 024 890)	(23 581 951)	(106 606 841)	-		(106 524 725)	14 847 168		121 371 893	(14)%	(18)%				(35 173 383)

Nkangala District Municipality
Unaudited Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2022

2022/2021											2021/2020			
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	400 771 050	150 000	400 921 050	-	400 921 050	399 803 426		(1 117 624)	100 %	100 %				395 341 624
Vote3- Corporate Services	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Vote4- Community Development Services	1 330 000	(150 000)	1 180 000	-	1 180 000	1 162 239		(17 761)	98 %	87 %				862 629
Vote5- Planning and Economic Development	2 551 000	-	2 551 000	-	2 551 000	2 551 000		-	100 %	100 %				1 977 000
Vote6- Technical Services	107 228 000	(54 000 000)	53 228 000	-	53 228 000	28 111 712		(25 116 288)	53 %	26 %				15 897 265
-	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-
-	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue by Vote	511 880 050	(54 000 000)	457 880 050	-	457 880 050	431 628 377		(26 251 673)	94 %	84 %				414 078 518
Expenditure by Vote to be appropriated														
Vote1- Municipal Manager	106 532 000	(10 517 760)	96 014 240	-	569 274	96 583 514	-	(14 034 884)	85 %	77 %	-	-	-	81 805 628
Vote2- Finance Services	34 328 340	216 935	34 545 275	-	(210 598)	34 334 677	-	(4 995 008)	85 %	85 %	-	-	-	29 288 352
Vote3- Corporate Services	80 579 250	(5 498 150)	75 081 100	-	132 846	75 213 946	-	(5 768 089)	92 %	86 %	-	-	-	62 183 570
Vote4- Community Development Services	121 797 290	13 629 774	135 427 064	-	63 161	135 490 225	-	(14 808 452)	89 %	99 %	-	-	-	112 639 098
Vote5- Planning and Economic Development	37 671 150	4 752 410	42 423 560	-	355 176	42 778 736	-	(11 433 101)	73 %	83 %	-	-	-	34 242 983
Vote6- Technical Services	213 996 910	(33 001 258)	180 995 652	-	(991 975)	180 003 677	-	(96 584 032)	46 %	39 %	-	-	-	129 092 259
-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	594 904 940	(30 418 049)	564 486 891	-	(82 116)	564 404 775	-	(147 623 566)	74 %	70 %	-	-	-	449 251 890
Surplus/(Deficit) for the year	(83 024 890)	(23 581 951)	(106 606 841)	-	(106 524 725)	14 847 168		121 371 893	(14)%	(18)%				(35 173 372)

Nkangala District Municipality
Unaudited Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2022

	2022/2021							2021/2020							
	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	50 000	-	50 000	-		50 000	-		(50 000)	- %	- %				-
Interest earned - external investments	20 655 000	-	20 655 000	-		20 655 000	19 634 066		(1 020 934)	95 %	95 %				20 675 329
Interest earned - outstanding debtors	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	780 000	(150 000)	630 000	-		630 000	130 052		(499 948)	21 %	17 %				1 839 812
Licences and permits	900 000	-	900 000	-		900 000	1 108 190		208 190	123 %	123 %				794 121
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies	487 098 000	(54 000 000)	433 098 000	-		433 098 000	407 981 712		(25 116 288)	94 %	84 %				379 176 565
Operational revenue	169 050	150 000	319 050	-		319 050	546 357		227 307	171 %	323 %				590 965
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	509 652 050	(54 000 000)	455 652 050	-		455 652 050	429 400 377		(26 251 673)	94 %	84 %				403 076 792

Nkangala District Municipality
Unaudited Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2022

	2022/2021								2021/2020						
	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 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
Expenditure By Type															
Employee related costs	191 795 580	4 722 940	196 518 520	-	338 737	196 857 257	180 886 356	-	(15 970 901)	92 %	94 %	-	-	-	171 118 754
Remuneration of councillors	17 033 260	-	17 033 260	-	-	17 033 260	15 087 417	-	(1 945 843)	89 %	89 %	-	-	-	14 675 747
Bad debts	-	26 000	26 000		-	26 000	25 731	-	(269)	99 %	DIV/0 %	-	-	-	197 711
Depreciation & asset impairment	17 791 920	-	17 791 920	-	-	17 791 920	17 235 113	-	(556 807)	97 %	97 %	-	-	-	15 577 050
Interest expense	158 620	20 000	178 620	-	109 550	288 170	194 325	-	(93 845)	67 %	123 %	-	-	-	85 259
Operating leases	1 378 000	179 000	1 557 000	-	2 863 425	4 420 425	3 453 061	-	(967 364)	78 %	251 %	-	-	-	2 366 763
Inventory consumed	6 340 600	220 000	6 560 600	-	(996 884)	5 563 716	3 766 003	-	(1 797 713)	68 %	59 %	-	-	-	4 660 616
Contracted services	72 256 720	(10 834 100)	61 422 620	-	(2 450 328)	58 972 292	49 568 728	-	(9 403 564)	84 %	69 %	-	-	-	49 801 012
Transfers and subsidies	230 945 410	(23 899 354)	207 046 056	-	79 000	207 125 056	103 522 371	-	(103 602 685)	50 %	45 %	-	-	-	153 255 731
Operational costs	57 204 830	(826 535)	56 378 295	-	(51 616)	56 326 679	41 548 788	-	(14 777 891)	74 %	73 %	-	-	-	37 048 439
Gain/Losses	-	-	-	-	-	-	1 493 316	-	1 493 316	DIV/0 %	DIV/0 %	-	-	-	464 949
Total Expenditure	594 904 940	(30 392 049)	564 512 891	-	(108 116)	564 404 775	416 781 209	-	(147 623 566)	74 %	70 %	-	-	-	449 252 031
Surplus/(Deficit)	(85 252 890)	(23 607 951)	(108 860 841)	-	108 116	(108 752 725)	12 619 168		121 371 893	(12)%	(15)%				(46 175 239)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	2 228 000	-	2 228 000	-		2 228 000	2 228 000		-	100 %	100 %				2 198 000
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies - operational	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	(83 024 890)	(23 607 951)	(106 632 841)	-		(106 632 841)	14 847 168		121 480 009	(14)%	(18)%				(43 977 239)
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	(83 024 890)	(23 607 951)	(106 632 841)	-		(106 632 841)	14 847 168		121 480 009	(14)%	(18)%				(43 977 239)
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	(83 024 890)	(23 607 951)	(106 632 841)	-		(106 632 841)	14 847 168		121 480 009	(14)%	(18)%				(43 977 239)
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	(83 024 890)	(23 607 951)	(106 632 841)	-		(106 632 841)	14 847 168		121 480 009	(14)%	(18)%				(43 977 239)

Nkangala District Municipality
Unaudited Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended 30 June 2022

	2022/2021									2021/2020					
	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	10 470 000	(500 000)	9 970 000	-	(106 000)	9 864 000	5 168 359	-	(4 695 641)	52 %	49 %	-	-	-	6 975 203
Vote2- Finance Services	1 050 000	(1 020 000)	30 000	-	27 400	57 400	47 120	4 668 664	(10 280)	82 %	4 %	-	-	-	37 501
Vote3- Corporate Services	4 000 000	200 000	4 200 000	-	78 600	4 278 600	99 029	-	(4 179 571)	2 %	2 %	-	-	-	612 329
Vote4- Social Services	19 650 000	(1 220 600)	18 429 400	-	-	18 429 400	4 579 841	-	(13 849 559)	25 %	23 %	-	-	-	7 182 170
Vote5- Planning and Economic Development	240 000	-	240 000	-	-	240 000	6 576	-	(233 424)	3 %	3 %	-	-	-	-
Vote6- Technical Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	35 410 000	(2 540 600)	32 869 400	-	-	32 869 400	9 900 925	4 668 664	(22 968 475)	30 %	28 %	-	-	-	-
Total Capital Expenditure - Vote	35 410 000	(2 540 600)	32 869 400	-	-	32 869 400	9 900 925	4 668 664	(22 968 475)	30 %	28 %	-	-	-	-

Nkangala District Municipality
Unaudited Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended 30 June 2022

2022/2021															2021/2020				
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	15 520 000	(1 320 000)	14 200 000	-	-	14 200 000	5 314 508	-	(8 885 492)	37 %	34 %	-	-	-	7 625 033				
Executive and council	850 000	-	850 000	-	(106 000)	744 000	645 844	-	(98 156)	87 %	76 %	-	-	-	598 660				
Finance and administration	14 670 000	(1 320 000)	13 350 000	-	106 000	13 456 000	4 668 664	-	(8 787 336)	35 %	32 %	-	-	-	7 026 373				
Internal audit	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-				
Community and public safety	19 650 000	(1 220 600)	18 429 400	-	-	18 429 400	4 579 841	-	(13 849 559)	25 %	23 %	-	-	-	7 182 170				
Community and social services	2 000 000	(1 750 000)	250 000	-	-	250 000	-	-	(250 000)	- %	- %	-	-	-	43 655				
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-				
Public safety	17 000 000	400 000	17 400 000	-	-	17 400 000	4 450 441	-	(12 949 559)	26 %	26 %	-	-	-	6 142 251				
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-				
Health	650 000	129 400	779 400	-	-	779 400	129 400	-	(650 000)	17 %	20 %	-	-	-	996 264				
Economic and environmental services	240 000	-	240 000	-	-	240 000	6 576	-	(233 424)	3 %	3 %	-	-	-	272 500				
Planning and development	240 000	-	240 000	-	-	240 000	6 576	-	(233 424)	3 %	3 %	-	-	-	272 500				
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	35 410 000	(2 540 600)	32 869 400	-	-	32 869 400	9 900 925	-	(22 968 475)	30 %	28 %	-	-	-	15 079 703				
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	35 410 000	(2 540 000)	32 870 000	-		32 870 000	9 900 925		(22 969 075)	30 %	28 %				15 079 703				
Total Capital Funding	35 410 000	(2 540 000)	32 870 000	-		32 870 000	9 900 925		(22 969 075)	30 %	28 %				15 079 703				

Nkangala District Municipality
Unaudited Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2022

	2022/2021						2021		
	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	1 899 050	150 000	2 049 050	2 049 050	1 141 968	(907 082)	56 %	60 %	2 029 054
Government - operating	487 098 000	(54 000 000)	433 098 000	433 098 000	401 901 636	(31 196 364)	93 %	83 %	379 176 565
Government - capital	2 228 000	-	2 228 000	2 228 000	2 228 000	-	100 %	100 %	2 198 000
Interest	20 655 000	-	20 655 000	20 655 000	19 634 066	(1 020 934)	95 %	95 %	20 675 199
VAT	-	-	-	-	(14 036 344)	(14 036 344)	DIV/0 %	DIV/0 %	20 866 468
Payments									
Suppliers and employees	(346 008 990)	6 727 241	(339 281 749)	(339 281 749)	(360 759 875)	(21 478 126)	106 %	104 %	(279 530 835)
Finance charges	(158 620)	(129 550)	(288 170)	(288 170)	(194 323)	93 847	67 %	123 %	(85 258)
Transfers and Grants	(230 945 410)	23 820 354	(207 125 056)	(207 125 056)	(103 522 371)	103 602 685	50 %	45 %	(153 255 731)
Net cash flow from/used operating activities	(65 232 970)	(23 431 955)	(88 664 925)	(88 664 925)	(53 607 243)	35 057 682	60 %	82 %	(7 926 538)
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	(118 882)	118 882	-	-	272 524	272 524	DIV/0 %	(229)%	148 266
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	(4 440 000)	-	(4 440 000)	(4 440 000)	(4 440 000)	-	100 %	100 %	4 009 535
Payments									
Capital assets	(35 410 000)	2 540 600	(32 869 400)	(32 869 400)	(9 900 925)	22 968 475	30 %	28 %	(15 079 704)
Net cash flow from/used investing activities	(39 968 882)	2 659 482	(37 309 400)	(37 309 400)	(14 068 401)	23 240 999	38 %	35 %	(10 921 903)
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Finance/Operating lease payments	-	-	-	-	(869 730)	(869 730)	DIV/0 %	DIV/0 %	(2 013 274)
Net cash flow from/used financing activities	-	-	-	-	(869 730)	(869 730)	DIV/0 %	DIV/0 %	(2 013 274)
Net increase/(decrease) in cash held	(105 201 852)	(20 772 473)	(125 974 325)	(125 974 325)	(68 545 374)	57 428 951	54 %	65 %	(20 861 715)
Cash/cash equivalents at the year begin:									334 007 627
Cash/cash equivalents at the year end:	(105 201 852)	(20 772 473)	(125 974 325)	(125 974 325)	(68 545 374)	57 428 951	54 %	65 %	