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

General Information

Mayoral committee

Executive Mayor	J Sidell	
Speaker	RE Khumalo	
Chief Whip	EIT Shabangu	Term ended 9 November 2021
	GS Siwela	Elected 10 November 2021
Mayoral committee	MJ Mnisi	Term ended 9 November 2021
	M Chembeni-Sahi	
	MR Shongwe	
	PT Silowe	Elected 10 November 2021
	TR Manyisa	Term ended 9 November 2021
	LC Shakwane	Elected 10 November 2021
	M Nkuna	
	MJ Mavuso	
	S Mashigo-Sekgobela	
	TS Khoza	
	ET Mabuza	Elected 10 November 2021
Councillors	TS Khoza	Elected 10 November 2021
	KJ Macie	Resigned 30 November 2021
	RN Mphika	Elected 10 November 2021
	PP Chima	Elected 10 November 2021
	MJ Mnisi	Elected 10 November 2021
	CM Mokoni	Elected 10 November 2021
	TB Sibuyi	
	NM Maganga	Elected 10 November 2021
	JH Ligthelm	
	MMS Preddy	Elected 10 November 2021
	SR Schormann	Elected 10 November 2021
	SB Mgiba	Elected 10 November 2021
	SB Chauke	Elected 10 November 2021
	SA Thobela	Elected 10 November 2021
	ND Ndlovu	Elected 10 November 2021
	E Mathebula	Elected 10 November 2021
	M Van Der Westhuizen	Elected 10 November 2021
	CM Mohlala	Elected 10 November 2021
	S Couvaras	Elected 10 November 2021
	NC Khoza	
	NV Mathobela	
	TM Mthombo	Term ended 9 November 2021
	LP Ngomane	Elected 10 November 2021
	NR Nkomo	Elected 10 November 2021
	SB Nkuna	Elected 10 November 2021
	VT Nyambi	Elected 10 November 2021
	R Shabangu	Elected 10 November 2021
	EE Mabunda	Elected 10 November 2021
	SO Makhubela	Elected 10 November 2021
	IS Mashava	Elected 10 November 2021
	AM Mathebula	Elected 10 November 2021
	F Mbhandze	Elected 10 November 2021
	ML Monareng	Elected 10 November 2021

General Information

BN Ngobeni	Elected 10 November 2021
K Nukeri	Elected 10 November 2021
R Qhibi	
HE Sihlabela	Elected 10 November 2021
SL Sithole	Elected 10 November 2021
HP Thobakgale	Elected 10 November 2021
CK Chuene	Elected 10 November 2021
VS Gwebu	Elected 10 November 2021
TE Mahlalela	Elected 10 November 2021
HK Malomane	Elected 10 November 2021
SJ Manana	Elected 10 November 2021
DC Masilela	Elected 10 November 2021
ZA Mdhluli	Elected 10 November 2021
RB Mhlaba	Elected 10 November 2021
PCW Minnaar	
TE Ngomane	Elected 10 November 2021
LF Nkosi	Elected 10 November 2021
C Sebamba	Elected 10 November 2021
HX Sifunda	Elected 10 November 2021
GCB Anthony	Term ended 9 November 2021
TM Charles	Term ended 8 November 2021
KC Cheune	Resigned 2 September 2021
P Gubayi	Term ended 9 November 2021
MJ Hlophe	Term ended 9 November 2021
LE Khosa	Term ended 9 November 2021
DM Khoza	Term ended 9 November 2021
JJ Khoza	Term ended 8 November 2021
NL Lukhele	Term ended 9 November 2021
PC Luphoko	Term ended 9 November 2021
TG Mabuza	Term ended 8 November 2021
EM Madiba	Term ended 9 November 2021
M Mahlangu	Term ended 9 November 2021
V Malatjie	Term ended 9 November 2021
JB Mashaba	Term ended 9 November 2021
E Mashele	Term ended 9 November 2021
DL Masilela	Term ended 9 November 2021
TE Masilela	Term ended 9 November 2021
G Mathebula	Term ended 9 November 2021
M Mathebula	Term ended 9 November 2021
SP Mathonsi	Term ended 9 November 2021
L Matsie	Term ended 9 November 2021
LP Mbambo	Term ended 9 November 2021
M Mbewe	Term ended 9 November 2021
PP Mbowane	Term ended 9 November 2021
LS Mhaule	Term ended 9 November 2021
ET Mkhabela	Term ended 9 November 2021
ML Mkhabela	Term ended 9 November 2021
SL Mkhatshwa	Term ended 9 November 2021
GP Mkhombo	Term ended 9 November 2021
MN Mlambo	Term ended 9 November 2021

General Information

ML Mnisi	Term ended 9 November 2021
GN Mogiba	Term ended 9 November 2021
MJ Morema	
MG Moyana	Term ended 9 November 2021
AS Mthunywa	Term ended 9 November 2021
GP Raphiri	Term ended 9 November 2021
LC Shakwane	Term ended 9 November 2021
BC Shongwe	Term ended 9 November 2021
NP Thabane	Term ended 9 November 2021
NW Tivane	Term ended 9 November 2021
LT Vuma	Term ended 9 November 2021
KP Robertson	Elected 1 May 2022

Grading of local authority	5
Municipal demarcation code	DC32
Accounting Officer	Dr. NP Mahlalela
Chief Financial Officer	PO Mokoena
Registered office	8 Van Niekerk Street Mbombela Mpumalanga 1200
Postal address	P O Box 3333 Mbombela Mpumalanga 1200
Bankers	First National Bank Limited
Auditors	Auditor General South Africa
Attorneys	Mahumani Incorporated Attorneys Thenjiwe Nkosi Attorneys Matsane Attorneys MP Maseko Attorneys

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

Audited
By
2022 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

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 were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (Act 56 of 2003) and 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 places 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 external auditors are responsible for auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 7 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022.

Dr. NP Mahlalela
Accounting Officer

Acronyms

CFO	Chief Financial Officer
CPI	Consumer Price Index
COVID-19	Coronavirus
DBSA	Development Bank of Southern Africa
DMC	Disaster Management Centre
EPWP	Expanded Public Works Programme
EDM	Ehlanzeni District Municipality
FNB	First National Bank
GIS	Geographical Information System
GRAP	General Recognised Accounting Practice
IDP	Integrated Development Plan
IGRAP	Interpretation of Generally Recognised Accounting Practice
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards
IT	Information Technology
i.t.o	In terms of
LED	Local Economic Development
MFMA	Municipal Finance Management Act, 56 of 2003
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
PAYE	Pay As You Earn
RBIG	Regional Bulk Infrastructure Grant
RRAMS	Rural Roads Assets Management System
SALGA	South African Local Government Association
SARS	South African Revenue Services
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated
Assets			
Current Assets			
Inventories	5	12,869,285	9,306,318
Investments	7	79,665,477	84,586,702
Receivables from exchange transactions	4	45,433,972	49,894,980
Statutory receivables	6	6,451,013	11,612,645
Cash and cash equivalents	3	1,322,828	742,372
		145,742,575	**156,143,017**
Non-Current Assets			
Property, plant and equipment	8	189,100,399	194,788,633
Intangible assets	9	3,642,139	4,294,188
Investments	7	1,125,482	1,081,804
		193,868,020	**200,164,625**
Total Assets		**339,610,595**	**356,307,642**
Liabilities			
Current Liabilities			
Short-term portion of non-current liabilities	12	9,749,479	8,755,331
Finance lease obligation	13	499,299	182,329
Payables from exchange transactions	10	62,103,782	66,766,710
Provisions	11	14,279,616	12,998,409
		86,632,176	**88,702,779**
Non-Current Liabilities			
Non-current liabilities	12	96,977,491	106,727,517
Finance lease obligation	13	1,032,809	-
Provisions	11	32,616,891	29,098,237
		130,627,191	**135,825,754**
Total Liabilities		**217,259,367**	**224,528,533**
Net Assets		**122,351,228**	**131,779,109**
Accumulated surplus		122,351,228	131,779,109

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated
Revenue			
Revenue from exchange transactions			
Operational income	33	656,236	825,956
Rental of facilities and equipment	33	181,578	403,535
Interest received	31	7,210,176	6,854,208
Dividends received	33	153,132	137,544
Revenue from non-exchange transactions			
Government grants & subsidies	14	281,665,539	289,838,212
Fines & penalties	33	-	100,000
Donations in kind	33	-	29,550
Total revenue		**289,866,661**	**298,189,005**
Expenditure			
Employee related cost	15	(162,717,867)	(150,269,266)
Remuneration of councillors	16	(17,320,179)	(16,368,867)
Audit fees	22	(2,393,472)	(3,233,793)
Depreciation and amortisation	17	(11,325,943)	(11,052,042)
Provision for bad debts	4	(4,681,889)	(6,099,343)
Finance costs	18	(16,173,758)	(17,132,877)
Repairs and maintenance	19	(5,111,874)	(2,059,871)
Contracted services	20	(28,070,230)	(26,516,470)
Operational expenses	23	(35,970,539)	(33,125,029)
Total expenditure		**(283,765,751)**	**(265,857,558)**
Operating surplus		**6,100,910**	**32,331,447**
Grants and subsidies	21	(15,590,166)	(8,827,028)
(Loss) on disposal of assets		(44,002)	(256,969)
(Loss) /gain on fair value adjustment	7	(443,269)	174,364
Actuarial gain	11	751,000	1,035,000
(Deficit) /surplus for the year		**(9,225,527)**	**24,456,814**

Audited By
2022 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	108,093,453	108,093,453
Adjustments		
Prior period adjustments - note 39	(765,779)	(765,779)
Balance at 01 July 2020 as restated	**107,327,674**	**107,327,674**
Changes in net assets		
Prior period adjustments	(5,379)	(5,379)
Net (losses) recognised directly in net assets	(5,379)	(5,379)
Surplus for the year	24,456,814	24,456,814
Total recognised income and expenses for the year	24,451,435	24,451,435
Total changes	24,451,435	24,451,435
Opening balance as previously reported	132,544,888	132,544,888
Adjustments		
Prior period adjustments - note 39	(765,779)	(765,779)
Balance at 01 July 2021 as restated	**131,779,109**	**131,779,109**
Changes in net assets		
Prior period adjustments - note 39	(202,354)	(202,354)
Net (losses) recognised directly in net assets	(202,354)	(202,354)
(Deficit) for the year	(9,225,527)	(9,225,527)
Total changes	(9,427,881)	(9,427,881)
Balance at 30 June 2022	**122,351,228**	**122,351,228**

Ehlanzeni 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			
SARS VAT refunds		14,761,634	3,283,319
Grants		281,665,539	289,838,212
Interest received		6,283,889	6,900,104
Dividends received		153,132	-
Implementing agency receipts		126,767,950	140,076,687
Other receipts		9,925,225	5,220,998
		439,557,369	445,319,320
Payments			
Employee costs		(181,357,598)	(183,595,128)
Suppliers		(106,605,630)	(94,475,972)
Finance costs		(12,632,758)	(13,507,668)
Implementing agency payments		(130,383,829)	(143,496,536)
		(430,979,815)	(435,075,304)
Net cash flows from operating activities	24	**8,577,554**	**10,244,016**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(4,246,250)	(3,702,469)
Proceeds from sale of property, plant and equipment		118,980	7,039
Purchase of intangible assets	9	(897,819)	(1,796,476)
Movement in investments		4,434,090	(1,948,166)
Net cash flows from investing activities		**(590,999)**	**(7,440,072)**
Cash flows from financing activities			
Repayment of long-term liabilities		(8,755,878)	(7,857,801)
Increase/(decrease) finance leases		1,349,779	(566,322)
Net cash flows from financing activities		**(7,406,099)**	**(8,424,123)**
Net increase/(decrease) in cash and cash equivalents		**580,456**	**(5,620,179)**
Cash and cash equivalents at the beginning of the year		742,372	6,362,551
Cash and cash equivalents at the end of the year	3	**1,322,828**	**742,372**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Original budget	Adjustments	Adjusted Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Operational income	1,917,942	(1,065,942)	**852,000**	656,236	**(195,764)**	
Rental of facilities and equipment	646,000	-	**646,000**	181,578	**(464,422)**	Note 38.1
Interest received	10,500,000	(1,900,000)	**8,600,000**	7,210,176	**(1,389,824)**	Note 38.2
Dividends received	164,000	-	**164,000**	153,132	**(10,868)**	
Total revenue from exchange transactions	**13,227,942**	**(2,965,942)**	**10,262,000**	**8,201,122**	**(2,060,878)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	281,335,000	200,000	**281,535,000**	281,665,539	**130,539**	
Total revenue	**294,562,942**	**(2,765,942)**	**291,797,000**	**289,866,661**	**(1,930,339)**	
Expenditure						
Employee related cost	(175,591,106)	12,470,728	**(163,120,378)**	(162,717,867)	**402,511**	
Remuneration of councillors	(16,726,366)	(601,626)	**(17,327,992)**	(17,320,179)	**7,813**	
Audit fees	(3,800,142)	1,406,090	**(2,394,052)**	(2,393,472)	**580**	
Depreciation and amortisation	(11,483,753)	(187,120)	**(11,670,873)**	(11,325,943)	**344,930**	
Provision for bad debts	-	(4,681,894)	**(4,681,894)**	(4,681,889)	**5**	
Finance costs	(13,678,648)	(2,496,443)	**(16,175,091)**	(16,173,758)	**1,333**	
Repairs and maintenance	(3,185,397)	(1,929,028)	**(5,114,425)**	(5,111,874)	**2,551**	
Contracted services	(21,838,214)	(6,816,776)	**(28,654,990)**	(28,070,230)	**584,760**	
Operational expenses	(32,483,818)	(3,655,275)	**(36,139,093)**	(35,970,539)	**168,554**	
Total expenditure	**(278,787,444)**	**(6,491,344)**	**(285,278,788)**	**(283,765,751)**	**1,513,037**	
Operating (deficit)	**15,775,498**	**(9,257,286)**	**6,518,212**	**6,100,910**	**(417,302)**	
Grants and subsidies	-	-	-	(15,590,166)	**(15,590,166)**	Note 38.3
Gain/ (loss) on disposal of assets	-	276,020	**276,020**	(44,002)	**(320,022)**	Note 38.4
(Loss) on fair value adjustment	-	(443,335)	**(443,335)**	(443,269)	**66**	
Actuarial gain	-	751,000	**751,000**	751,000	-	
	-	**583,685**	**583,685**	**(15,326,437)**	**(15,910,122)**	
(Deficit) for the year	**15,775,498**	**(8,673,601)**	**7,101,897**	**(9,225,527)**	**(16,327,424)**	Note 38.3

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Original budget	Adjustments	Adjusted Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	5,138,914	(4,975,566)	**163,348**	12,869,285	**12,705,937**	Note 38.5
Investments	-	-	-	79,665,477	**79,665,477**	Note 38.6
Receivables from exchange transactions	345,752	-	**345,752**	45,433,972	**45,088,220**	Note 38.7
Statutory receivables	4,302,359	-	**4,302,359**	6,451,013	**2,148,654**	Note 38.8
Cash and cash equivalents	84,422,786	(24,518,358)	**59,904,428**	1,322,828	**(58,581,600)**	Note 38.9
	94,209,811	**(29,493,924)**	**64,715,887**	**145,742,575**	**81,026,688**	
Non-Current Assets						
Property, plant and equipment	218,918,149	17,202,056	**236,120,205**	189,100,399	**(47,019,806)**	Note 38.10
Intangible assets	6,587,566	365,000	**6,952,566**	3,642,139	**(3,310,427)**	Note 38.10
Investments	4,729,350	-	**4,729,350**	1,125,482	**(3,603,868)**	Note 38.6
	230,235,065	**17,567,056**	**247,802,121**	**193,868,020**	**(53,934,101)**	
Total Assets	**324,444,876**	**(11,926,868)**	**312,518,008**	**339,610,595**	**27,092,587**	
Liabilities						
Current Liabilities						
Short-term portion of non-current liabilities	7,906,586	-	**7,906,586**	9,749,479	**1,842,893**	Note 38.11
Finance lease obligation	-	-	-	499,299	**499,299**	Note 38.12
Payables from exchange transactions	16,365,979	-	**16,365,979**	62,103,782	**45,737,803**	Note 38.16
Provisions	9,178,683	-	**9,178,683**	14,279,616	**5,100,933**	Note 38.13
	33,451,248	**-**	**33,451,248**	**86,632,176**	**53,180,928**	
Non-Current Liabilities						
Non-current liabilities	100,369,248	-	**100,369,248**	96,977,491	**(3,391,757)**	
Finance lease obligation	-	-	-	1,032,809	**1,032,809**	Note 38.12
Provisions	31,434,088	-	**31,434,088**	32,616,891	**1,182,803**	Note 38.13
	131,803,336	**-**	**131,803,336**	**130,627,191**	**(1,176,145)**	
Total Liabilities	**165,254,584**	**-**	**165,254,584**	**217,259,367**	**52,004,783**	
Net Assets	**159,190,292**	**(11,926,868)**	**147,263,424**	**122,351,228**	**(24,912,196)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	159,190,292	(11,926,868)	**147,263,424**	122,351,228	**(24,912,196)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Original budget	Adjustments	Adjusted Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	281,335,000	280,590	**281,615,590**	281,665,539	**49,949**	
Interest income	10,500,000	(1,900,000)	**8,600,000**	6,283,889	**(2,316,111)**	Note 38.2
Dividends received	164,000	-	**164,000**	153,132	**(10,868)**	
Other receipts	2,564,000	(865,942)	**1,698,058**	24,686,859	**22,988,801**	Note 38.15
Implementing agency receipts	-	-	-	126,767,950	**126,767,950**	Note 38.14
	294,563,000	**(2,485,352)**	**292,077,648**	**439,557,369**	**147,479,721**	
Payments						
Employee related costs	(190,003,805)	-	**(190,003,805)**	(181,357,598)	**8,646,207**	
Suppliers	(78,074,418)	(22,453,506)	**(100,527,924)**	(106,605,630)	**(6,077,706)**	
Finance costs	(13,678,648)	700,500	**(12,978,148)**	(12,632,758)	**345,390**	
Implementing agency payments	-	-	-	(130,383,829)	**(130,383,829)**	Note 38.14
	(281,756,871)	**(21,753,006)**	**(303,509,877)**	**(430,979,815)**	**(127,469,938)**	
Net cash flows from operating activities	**12,806,129**	**(24,238,358)**	**(11,432,229)**	**8,577,554**	**20,009,783**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(6,150,000)	(280,000)	**(6,430,000)**	(5,144,069)	**1,285,931**	Note 38.10
Investment withdrawal	-	-	-	4,434,090	**4,434,090**	Note 38.6
Proceeds from sale of assets	-	-	-	118,980	**118,980**	
Net cash flows from investing activities	**(6,150,000)**	**(280,000)**	**(6,430,000)**	**(590,999)**	**5,839,001**	
Cash flows from financing activities						
Repayment of borrowings	(7,717,257)	-	**(7,717,257)**	(8,755,878)	**(1,038,621)**	Note 38.11
Increase/(decrease) in finance leases	-	-	-	1,349,779	**1,349,779**	Note 38.12
Net cash flows from financing activities	**(7,717,257)**	**-**	**(7,717,257)**	**(7,406,099)**	**311,158**	
Net increase/(decrease) in cash and cash equivalents	(1,061,128)	(24,518,358)	**(25,579,486)**	580,456	**26,159,942**	Note 38.9
Cash and cash equivalents at the beginning of the year	85,483,972	-	**85,483,972**	742,372	**(84,741,600)**	Note 38.9
Cash and cash equivalents at the end of the year	**84,422,844**	**(24,518,358)**	**59,904,486**	**1,322,828**	**(58,581,658)**	

The original budget was mainly adjusted during the year to appropriate unforeseen and unavoidable expenditure, roll-over of unspent funds from prior financial year, in addition to re-allocate and shift savings between line items and votes. Furthermore, the budget was adjusted to align certain line items and transactions to the reporting requirements of GRAP standards.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board as well as the Municipal Finance Management Act 56 of 2003. The annual financial statements meets the requirements of the Municipal Regulations on a Standard Chart of Accounts (mSCOA).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand. All values have been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.1 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 /Investments and/or other financial assets

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

The impairment for trade receivables, investments and other financial assets 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

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. 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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates, inflation and interest.

Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The recoverable service amounts of non-cash-generating assets have been determined based on the higher of value in use calculations and fair values less costs to sell.

In determining the value in use of assets, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

1.1 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 11 - Provisions.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges. This estimate is based on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

Effective interest rate

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

Allowance for doubtful debts

The computation of the amount to be provided for the debtors or receivable impairment will be performed on the basis of the individual or category of customers credit risk profile in addition, also taking into account any payments arrangement or confirmation made by the customers or debtors as at reporting and/or authorisation date. A credit risk assessment and profiling will be conducted on the basis of the service and other charges billed during the financial year and prior financial years. The payment history and the previous amounts billed of the customer or debtors during the financial year and also prior financial years since inception of the service agreement shall be taken into consideration in line with the collection rate formula recommended on MFMA Circular 71.

This credit risk assessment determines the ability of the customer to pay for the future amount due as at the reporting date and it is expressed as a percentage of the aggregate amount payment versus the aggregate amount billed by the customer and also into account any bad debts written off.

In case of a debtor being a councillor or employee who is still in the employment of the municipality, no provision for debtors or receivable impairment will be made as the conduct of code in terms of Municipal Systems Act, 32 of 2000 will be applied in collecting the undisputed debt owed by either the councillor or employee in the employment of the municipality. Furthermore, in case of a Councillor or Employee no longer in the employment of the municipality a full provision of the debt owed will be made.

1.2 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 or fair value of the item can be measured reliably.

Initial recognition

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.

1.2 Property, plant and equipment (continued)

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Derecognition

Property, plant and equipment is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of Property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Depreciation and impairment

The residual value, and the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

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 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 tests property, plant and equipment with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Land	Indefinite

Accounting Policies

1.2 Property, plant and equipment (continued)

Buildings	50 years
Plant and machinery	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	5 - 20 years
Office equipment	3 - 10 years
Air conditioners	15 - 30 years

1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identified as an intangible asset when it:
- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

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.

Accounting Policies

1.3 Intangible assets (continued)

Initial recognition

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset 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.

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

Item	Useful life
Computer software	3 - 10 years

Accounting Policies

1.4 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate. Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the municipality applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation;
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is

1.4 Statutory receivables (continued)

recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.5 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.

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

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Accounting Policies

1.5 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability other than those subsequently measured at fair value 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 municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality 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.

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality 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.

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with the terms used in the public sector, either through established practices or legislation.

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.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced 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 by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

1.5 Financial instruments (continued)

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- 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 entity :
  - derecognises the asset; and
  - recognises 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.

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 municipality 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).

1.6 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 municipality assesses the classification of each element separately.

Accounting Policies

1.6 Leases (continued)

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 - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Rental income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis

1.7 Inventories

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

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

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

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

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

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

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

Accounting Policies

1.7 Inventories (continued)

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

Work in progress is recognised at cost and not depreciated. It includes all costs incurred in bringing the ultimate assets to their condition and location as intended by management.

Work in progress will be transferred to property, plant and equipment when the assets are available for use.

Work in progress relating to projects on behalf of other entities will be transferred to the specific entity when the assets are available for use.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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).

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

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 municipality also test 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.

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

If the recoverable 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.

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.

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.

Accounting Policies

1.9 Employee benefits

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;
- 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 municipality during a reporting period, the municipality recognise 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 recognise 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 measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise 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 municipality has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Accounting Policies

1.9 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 municipality recognise 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 municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality 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 municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality 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 municipality recognise 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 municipality 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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality'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 municipality measure 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.

Accounting Policies

1.9 Employee benefits (continued)

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

The municipality 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 municipality 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 municipality 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 municipality 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 municipality 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).

Accounting Policies

1.9 Employee benefits (continued)

Other post retirement obligations

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

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

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

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

The 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 shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

Accounting Policies

1.10 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when a municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Contingencies are disclosed in note 27.

1.11 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, commission 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.

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Interest and dividends

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

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an 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.

Recognition

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

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

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

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

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

1.12 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines & penalties

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are recognised as assets and the related revenue recognised when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.13 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

The definition of expense encompasses all cost that arise from the ordinary activities of the municipality, recognised, and classified by type on the statement of financial performance.

Losses also are regarded as expense as long the nature and extent of the losses meet definition of expenses even if may, may not, arise in the course of the ordinary activities of the municipality. When losses are recognised in the statement of financial performance, they would be displayed separately because knowledge of them is useful for the purpose of making economic decisions.

Expense is classified based on either their nature or their function as per the provisions in GRAP 1. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

1.14 Accounting for adjustment to revenue

Accounting for adjustment to revenue that correct an error or a prior period error

1.14 Accounting for adjustment to revenue (continued)

Where an evidence exists during a reporting period that the municipality did not follow proper due processes in terms of the applicable legislative and regulatory, and/or its policies and by-laws framework on the revenue charged and recognised in the current of prior period, the correction of such an error shall be made once all internal due processes have been complied with, including where applicable Council approval of such a correction of the error.

The error discovered within the reporting period which relates to that period shall be corrected before the financial statements are authorised for issue and the principles in GRAP3 shall be applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for the adjustment to revenue as a change in accounting estimate

Where an evidence exists during a reporting period that new information becomes known and it can be proven that the municipality would not reasonably have prior knowledge of this new information when the revenue was charged, the adjustment to revenue is treated as a change in an accounting estimate in line with the principles in GRAP3.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number and 1.8. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 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 adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses 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.

1.17 Comparative information

Whenever it is appropriate, the GRAP 1 provision would be applied to reclassify comparative information to enhance inter-period comparability of financial information. This reclassification is done to assist users in making and evaluating decisions, especially to allow the performance of financial trends analysis and assessment for predictable purposes.

The rational and details for this additional comparative information reclassification other than what is a requirement of GRAP 3 provisions would be separately stated on a disclosure note to the annual financial statements.

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality'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.

1.21 Presentation of currency

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

Accounting Policies

1.22 Segment Information

A segment is an activity of the municipality:

- 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.

1.23 Changes in accounting policy, accounting estimates and correction of error

Changes in accounting policies are applied retrospecitvely in accordance with the requirements of Generally Recognised Accounting Practise (GRAP) 3, except to the extent that it is impractical to detertmine the period specific of the cumulative effect of the change in accounting policy. In such instances the municipality shall restate the opening balances of assets, liabilitics and net assets for the earliest period for which the restrospective restatement is practical.

Changes in accounting estimates are applied prospectively in accordance with the requirements of Generally Recognised Accounting Practise (GRAP) 3. The detailed information of the change in accounting estimates is disclosed in the notes to the annual financial statements.

Correction of errors is applied retrospecitvely in the period to which the error has occurred in accordance with the requirements of Generally Recognised Accounting Practise (GRAP) 3, except to the extent that it is impractical to detertmine the period specific of the cumulative effect of the change in accounting policy. In such instances the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the restrospective restatement is practical.

1.24 Value Added Tax

The municipality accounts for VAT on the payment basis.

1.25 Accounting by principals and agents

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether the municipality is the principal or the agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is the agent or the principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as the principal or the agent.

Assessing which entity benefits from the transactions with third parties

The municipality is the agent when, in relation to transactions with third parties, all three of the following criteria are present:

- it does not have the power to determine the significant terms and conditions of the transaction;
- it does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit; and
- it is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

The municipality, as the agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.26 Budget information

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

The approved budget covers the fiscal period from 1 July 2021 to 30 June 2022.

Management will provide explanations of variances between actual and budgeted amounts of more than 10% based on material significant judgment assertion, refer to note 38.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Accounting Policies

1.27 Related parties (continued)

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 considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 Going concern assumption

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

1.29 Capital commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that:
(a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making;
(b) using fair value in certain instances was inappropriate; and
(c) some of the existing accounting requirements were seen as too rules based.

As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued the IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to the IFRS Standard on Financial Instruments: Presentation (IAS 32) and the IFRS Standard on Financial Instruments: Disclosures (IFRS 7). The IPSASB issued revised IPSASs in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- financial guarantee contracts issued;
- loan commitments issued;
- classification of financial assets;
- amortised cost of financial assets;
- impairment of financial assets; and
- disclosures.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

Guideline on Accounting for Landfill Sites

The Constitution of the Republic of South Africa, gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Guideline on the Application of Materiality to Financial Statements
The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The impact of this standard is currently being assessed.

GRAP 25: (Amended) Employee Benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The ASB made amendments to GRAP25 in 2021 to align with IPSAS39 and IFRIC14.

The mosst significant changes to the Standard affect

- Post-employement benefit disclosures
- Changes to components of defined benefit plans
- Defined benefit disclosures
- Guidence on application of Standard

This Standard supersedes the Standard of GRAP on Employee Benefits issued in 2009.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The impact of this standard is currently being assessed.

IGRAP 21: Effect of past decisions on materiality

This interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

The effective date of the standard is for years beginning on or after 01 April 2023.

The municipality expects to adopt the standard for the first time in the 2023/2024 annual financial statements.

The expected impact of the standard is currently being assessed.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	4,000	4,000
Bank balances	1,318,828	738,372
	1,322,828	**742,372**

The municipality had the following bank accounts

Account number / description	**Bank statement balances** 30 June 2022	30 June 2021	30 June 2020
FNB Nelspruit Cheque account - 62 113 491 419 (Primary bank account)	1,141,615	563,638	6,242,944
FNB Nelspruit Cheque account - 62 737 784 109	391	-	-
FNB Nelspruit Cheque account - 62 852 994 592	176,822	174,734	115,607
Total	**1,318,828**	**738,372**	**6,358,551**

4. Receivables from exchange transactions

	2022	2021
Trade and other receivables	10,946,020	4,195,036
Implementing agent receivables (Refer to note 40)	32,324,326	43,955,502
Prepayments	2,163,626	1,744,442
	45,433,972	**49,894,980**

Trade and other receivables

2022	**Gross balance**	**Allowance for debt impairment**	**Total**
Trade and other receivables	22,189,802	(11,243,782)	10,946,020

2021	**Gross balance**	**Allowance for debt impairment**	**Total**
Trade and other receivables	10,756,929	(6,561,893)	4,195,036

Trade and other receivables: Ageing

	2022	2021
Current	5,300,161	4,614
30+ days	-	104,665
60+ days	773,918	-
90+ days	1,844,357	1,057,065
120+ days	2,515,458	2,705,342
365+ days	512,126	323,350

Trade and other receivables impaired

	2022	2021
Current	(539,209)	(27,355)
30+ days	-	(61,560)
60+ days	-	(499,170)
120+ days	(2,264,415)	-
365+ days	(8,440,158)	(5,973,808)

Figures in Rand	2022	2021

4. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

	2022	2021
Opening balance	(6,561,893)	(462,550)
Provision for impairment	(4,681,889)	(6,099,343)
	(11,243,782)	**(6,561,893)**

The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above. The municipality does not hold any collateral as security.

The fair value of trade and other receivables approximates their carrying amounts.

5. Inventories

	2022	2021
Work in progress	12,161,984	8,463,385
Consumable stores	263,163	167,070
COVID-19 supplies	444,138	675,863
	12,869,285	**9,306,318**

Consumables	2022	2021
Opening balance	167,070	303,950
Additions	1,243,246	783,099
Issued	(1,142,583)	(907,018)
Inventory adjustment	(4,570)	(12,961)
Closing balance	**263,163**	**167,070**

Consumables comprise of office stationery.

COVID-19 supplies	2022	2021
Opening balance	675,863	905,819
Additions	959,175	1,663,932
Issued	(1,190,900)	(1,893,888)
Closing balance	**444,138**	**675,863**

COVID-19 supplies comprises of hand sanitizers and personal protective equipment.

Reconciliation of work in progress 2022

	Opening balance	Additions	Transfers	Closing balance
Work in progress - projects for local municipalities	8,463,385	19,288,765	(15,590,166)	12,161,984

Reconciliation of work in progress 2021

	Opening balance	Additions	Transfers	Closing balance
Work in progress - projects for local municipalities	3,929,146	12,846,621	(8,312,382)	8,463,385

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

6. Statutory receivables

	2022	2021
VAT refundable	6,451,013	11,600,570
Municipal health certificates	-	12,075
	6,451,013	**11,612,645**

Statutory receivables reconciliation

2022

	Gross balance	Allowance for debt impairment	Total
VAT receivable	6,451,013	-	6,451,013

2021

	Gross balance	Allowance for debt impairment	Total
VAT receivable	11,600,570	-	11,600,570
Municipal health certificates	12,075	-	12,075

Statutory receivables: Ageing

	2022	2021
Current	6,451,013	11,612,645

The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above. The municipality does not hold any collateral as security.

The fair value of statutory receivables approximates their carrying amounts.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Investments

	2022	2021
Short term investments		
Standard Bank fixed deposit	10,045,792	-
First National Bank fixed deposit	5,246,838	535,386
Nedbank fixed deposit	40,671,233	40,066,740
ABSA Bank fixed deposit	20,671,634	40,467,461
Sanlam investment	3,029,980	3,517,115
	79,665,477	**84,586,702**
Long term investments		
Momentum investment	1,125,482	1,081,804
	1,125,482	**1,081,804**

Reconciliation of Momentum investment

	2022	2021
Opening balance	1,081,804	1,046,703
Fair value adjustment	43,866	35,101
Charges	(188)	-
Closing balance	**1,125,482**	**1,081,804**

Momentum investment is an investo endowment fund with an inception date of 29 February 2008 and continuation date of 1 March 2026. In addition, this investment portfolio does not expose the municipality to any investment fluctuation risks such as the market and interest rate risks as the annualised investment portfolio rate of return is very stable and has been growing steadily.

Reconciliation of Sanlam Shares

	2022	2021
Opening balance	3,517,115	3,377,851
Fair value adjustment	(487,135)	139,264
Closing balance	**3,029,980**	**3,517,115**

Sanlam listed investments are disclosed at current market value of shares at reporting date (57310) shares at R52,87 per share). The municipality's risk is that the share price of listed investments might devalue significantly during the period under review and result in a substantial loss of the investment. The share price risk is managed by only investing in reputable listed entities with a good track record. The Sanlam listed investment was classified as short term after Council took a decision during the financial year to dispose of the shares.

There is a limited general cession on the ABSA fixed deposit account (Account 20-6059-5378) for R120,000.

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Figures in Rand	2022	2021

8. Property, plant and equipment

	2022			2021		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	8,103,054	-	8,103,054	8,103,054	-	8,103,054
Buildings	234,923,729	(66,567,307)	168,356,422	234,923,728	(61,001,775)	173,921,953
Furniture and fixtures	12,857,159	(11,105,695)	1,751,464	12,574,314	(10,742,497)	1,831,817
Motor vehicles	7,504,009	(5,943,534)	1,560,475	7,691,312	(5,493,402)	2,197,910
Office equipment	35,818,503	(26,744,645)	9,073,858	33,809,422	(25,366,748)	8,442,674
Plant and equipment	828,011	(572,885)	255,126	780,163	(488,938)	291,225
Total	**300,034,465**	**(110,934,066)**	**189,100,399**	**297,881,993**	**(103,093,360)**	**194,788,633**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	8,103,054	-	-	-	-	8,103,054
Buildings	173,921,953	-	-	-	(5,565,531)	168,356,422
Furniture and fixtures	1,831,817	314,280	(1,303)	-	(393,330)	1,751,464
Motor vehicles	2,197,910	-	(57,492)	-	(579,943)	1,560,475
Office equipment	8,442,674	3,883,672	(87,293)	(4,580)	(3,160,615)	9,073,858
Plant and equipment	291,225	48,298	(86)	4,580	(88,891)	255,126
	194,788,633	**4,246,250**	**(146,174)**	**-**	**(9,788,310)**	**189,100,399**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	8,103,054	-	-	-	-	8,103,054
Buildings	179,488,338	-	-	-	(5,566,385)	173,921,953
Furniture and fixtures	2,272,026	264,026	(6,147)	85	(698,173)	1,831,817
Motor vehicles	1,926,621	869,288	-	-	(597,999)	2,197,910
Office equipment	9,099,367	2,523,185	(124,828)	(85)	(3,054,965)	8,442,674
Plant and equipment	328,745	45,970	-	-	(83,490)	291,225
	201,218,151	**3,702,469**	**(130,975)**	**-**	**(10,001,012)**	**194,788,633**

Pledged as security

Carrying value of assets pledged as security for the DBSA loan (Refer to note 12):

	2022	2021
Land and buildings	174,311,967	179,845,783

Assets subject to finance lease (Net carrying amount)

	2022	2021
Office equipment	1,525,844	161,193

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Intangible assets

	2022			2021		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	17,644,251	(14,002,112)	3,642,139	16,803,773	(12,509,585)	4,294,188

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	4,294,188	897,819	(12,235)	(1,537,633)	3,642,139

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	3,684,570	1,796,476	(135,828)	(1,051,030)	4,294,188

10. Payables from exchange transactions

	2022	2021
Trade payables	13,671,304	8,619,236
Retentions	34,654,238	33,763,035
Other creditors	5,672,403	5,672,403
Implementing agent payables (Refer to note 40)	8,105,837	18,712,036
	62,103,782	**66,766,710**

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Figures in Rand	2022	2021

11. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings provision	765,779	-	-	765,779
Provision for long service awards	11,476,237	1,233,000	(1,817,346)	10,891,891
Leave provision	8,334,705	1,953,601	(734,887)	9,553,419
Post retirement benefits	19,491,000	4,064,000	(404,000)	23,151,000
Provision for performance bonuses	2,028,925	4,885,755	(4,380,262)	2,534,418
	42,096,646	**12,136,356**	**(7,336,495)**	**46,896,507**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings provision	-	765,779	-	765,779
Provision for long service awards	10,492,652	1,789,000	(805,415)	11,476,237
Leave provision	7,773,856	806,303	(245,454)	8,334,705
Post retirement benefits	16,829,000	2,662,000	-	19,491,000
Provision for performance bonuses	3,428,592	1,045,000	(2,444,667)	2,028,925
	38,524,100	**7,068,082**	**(3,495,536)**	**42,096,646**

	2022	2021
Non-current liabilities	32,616,891	29,098,237
Current liabilities	14,279,616	12,998,409
	46,896,507	**42,096,646**

Leave provision

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Provision for performance bonuses

Performance bonuses are being paid to Municipal Manager, managers and municipal staff after an evaluation of performance by the council.

Performance bonuses are awarded to permanent employees and fixed term contract employees subject to certain conditions being met.

Legal proceedings provisions

The Joint Municipal Pension Fund is suing the municipality for contributions on pension fund of a former employee of the Municipality and was their member but left in 2007 after he volunteered to retire following the transfer of the ambulance services from the municipality to the Department of Health.

Judgement issued in favour of the JMPF, that the Municipality is liable based on a clause in the rules of the fund. Final amount due to be calculated by actuaries. Provision made for original claimed amount of R 765,779.

Post retirement benefits

Figures in Rand	2022	2021

11. Provisions (continued)

Opening balance of defined benefits	19,491,000	16,829,000
Interest cost	2,430,000	2,512,000
Current service cost	1,261,000	1,136,000
Benefits paid	(404,000)	(385,000)
Actuarial loss/(gain)	373,000	(601,000)
	23,151,000	**19,491,000**

Net expense recognised in Statement of Financial Performance

Interest cost	2,430,000	2,512,000
Current service cost	1,261,000	1,136,000
Actuarial loss/(gain)	373,000	(601,000)
	4,064,000	**3,047,000**

Long service awards

Opening balance of long service awards	11,476,237	10,492,652
Interest cost	1,111,000	1,058,000
Current service cost	1,246,000	1,165,000
Benefits paid	(1,817,346)	(805,415)
Actuarial (gain)	(1,124,000)	(434,000)
	10,891,891	**11,476,237**

Net expense recognised in Statement of Financial Performance

Interest cost	1,111,000	1,058,000
Current service cost	1,246,000	1,165,000
Actuarial (gain)	(1,124,000)	(434,000)
	1,233,000	**1,789,000**

Post retirement benefit

The municipality operates an accredited medical aid scheme. Employees who are not on a fixed contract participate in the post retirement medical assistance plan.

The post retirement assistance plan consisting of KeyHealth Medical Scheme (Keyhealth), LA Health Medical Scheme (LA Health) , Bonitas Medical Aid Fund (Bonitas), Hosmed Medical Scheme (Hosmed) and SAMWU National Medical Scheme (SAMWUMED). The members are entitled to a 60% retirement subsidy of the total contribution subject to a maximum of R 5,007 per month as from 1 July 2022.

These funds are subject to actuarial valuations. The last valuation was performed by an independent actuarial firm, Alexander Forbes, on 30 June 2022.

Long service awards

The municipality rewards it's employees who are in service for an unbroken period of 5 years and longer. Employees are entitled/awarded leave days equivalent to number of years served eg. 10 years of service, one gets 10 days of leave, which can either be taken as leave or to be paid out in cash.

The awards were subjected to actuarial valuation by an independent actuarial firm, Alexander Forbes, on 30 June 2022.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

11. Provisions (continued)

Calculation of actuarial gains & losses

The following key assumptions were used at reporting date:

	2022	2021
Post retirement benefits		
Discount rate	13.00%	12.60%
CPI Inflation	8.00%	7.30%
Rand Cap Inflation	4.90%	8.00%
Health Care Cost Inflation	9.50%	9.30%
Salary Inflation	4.90%	4.00%
Expected retirement age	65 years	65 years
Continuation members	10	8
In-service members	144	145
Long service awards		
Discount rate	11.50%	9.40%
Inflation rate	6.90%	5.00%
Salary Inflation	7.90%	6.25%
Members	178	189

12. Non-current liabilities

	2022	2021
At amortised cost		
DBSA loan	106,726,970	115,482,848

The municipality has one loan at DBSA during the period. Details of the loan are as follows:

DBSA - 61000886
Maturity date: 31/12/2029
Interest calculated at
11.12%

	2022	2021
Non-current liabilities		
At amortised cost	96,977,491	106,727,517
Current liabilities		
At amortised cost	9,749,479	8,755,331

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
13. Finance lease obligation		
Minimum lease payments due		
- within one year	634,591	188,774
- in second to fifth year inclusive	1,163,418	-
	1,798,009	188,774
less: future finance charges	(265,901)	(6,445)
Present value of minimum lease payments	**1,532,108**	**182,329**
Present value of minimum lease payments due		
- within one year	499,299	182,329
- in second to fifth year inclusive	1,032,809	-
	1,532,108	**182,329**
Non-current liabilities	1,032,809	-
Current liabilities	499,299	182,329
	1,532,108	**182,329**

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The finance lease is for copiers with a lease term of three years and the average effecitve borrowing rate is 8.5%.

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Figures in Rand	2022	2021

14. Government grants and subsidies

Government grant - Equitable Share	274,698,000	282,572,000
Government grant - Finance Management Grant	1,000,000	1,000,000
Government grant - Sector Education and Training Authority	330,539	201,212
Government grant - Department Roads & Transport	2,403,000	2,371,000
Government grant - Expanded Public Works Program Incentive	3,234,000	3,694,000
	281,665,539	**289,838,212**

National Treasury Finance Management Grant

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

The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

National Department of Roads & Transport

Current-year receipts	2,403,000	2,371,000
Conditions met - transferred to revenue	(2,403,000)	(2,371,000)
	-	-

The purpose of this grant is to assist rural district municipalities to set up rural RAMS, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa.

Sector Education and Training Authority

Current-year receipts	330,539	201,212
Conditions met - transferred to revenue	(330,539)	(201,212)
	-	-

The purpose of the funds is for skills and capacity building within the municipality.

Expanded Public Works Program Incentive

Balance unspent at beginning of year	-	-
Current-year receipts	3,234,000	3,694,000
Conditions met - transferred to revenue	(3,234,000)	(3,694,000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Government grants and subsidies (continued)

The purpose of this grant is to incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines:

- road maintenance and maintenance of buildings
- low traffic volume roads and rural roads
- other economic and social infrastructure
- tourism and cultural industries
- sustainable land based livelihoods
- waste management
- parks and beautification
- social services programs
- health services programs

community safety programs
basic services infrastructure

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Figures in Rand	2022	2021

15. Employee related costs

Basic salaries	100,273,988	92,180,289
Annual bonus	6,365,949	6,111,344
Medical aid - employer contributions	6,892,434	6,693,451
UIF	454,029	391,661
SDL	1,187,883	988,651
Leave pay provision contribution	1,953,601	806,303
Post-employment benefits - pension - defined contribution plan	16,976,907	16,541,050
Travel allowances	23,580,343	22,924,454
Overtime payments	500,493	243,600
Acting allowances	902,970	688,361
Housing benefits and allowances	761,307	746,768
Bargaining council	25,338	24,120
COVID-19 emergency work allowances	2,842,625	1,929,214
	162,717,867	**150,269,266**

Remuneration of Municipal Manager - FS Siboza (Resigned 31/01/2022)

Annual Remuneration	710,577	1,217,816
Car Allowance	196,000	336,000
Performance Bonuses	124,085	-
Contributions to UIF, Medical and Pension Funds	127,668	218,859
Leave pay	167,116	-
	1,325,446	**1,772,675**

Remuneration of Municipal Manager - NP Mahlalela (Appointed 01/05/2022)

Annual Remuneration	180,075	-
Car Allowance	56,000	-
Contributions to UIF, Medical and Pension Funds	47,020	-
	283,095	**-**

Remuneration of Chief Financial Officer - PO Mokoena

Annual Remuneration	859,173	865,430
Car Allowance	300,000	300,000
Performance Bonuses	198,603	-
Contributions to UIF, Medical and Pension Funds	83,255	76,857
	1,441,031	**1,242,287**

General Manager: Corporate services - RS Makwakwa

Annual Remuneration	776,540	778,250
Car Allowance	240,000	240,000
Performance Bonuses	86,889	-
Contributions to UIF, Medical and Pension Funds	225,953	224,102
Other allowances	-	19,129
	1,329,382	**1,261,481**

Figures in Rand	2022	2021

15. Employee related costs (continued)

General Manager: LED & Tourism - NP Mahlalela (Resigned 30/04/2022)

	2022	2021
Annual Remuneration	731,521	878,731
Car Allowance	280,000	336,000
Performance Bonuses	101,439	-
Contributions to UIF, Medical and Pension Funds	197,194	235,365
Acting allowances	43,474	14,234
Leave Pay	78,150	-
	1,431,778	**1,464,330**

Acting General Manager: LED & Tourism - ML Nkosi (Appointed 01/05/2022)

	2022	2021
Annual Remuneration	126,815	-
Car Allowance	44,723	-
Contributions to UIF, Medical and Pension Funds	37,445	-
Acting allowances	15,979	-
	224,962	**-**

General Manager: Technical services - ND Malokela

	2022	2021
Annual Remuneration	806,588	807,928
Car Allowance	240,000	240,000
Performance Bonuses	86,889	-
Contributions to UIF, Medical and Pension Funds	195,919	194,438
Acting Allowances	64,716	19,129
	1,394,112	**1,261,495**

General Manager: Municipal Health & Environment- ST Shabangu

	2022	2021
Annual Remuneration	814,359	825,677
Car Allowance	240,000	240,000
Performance Bonuses	86,889	-
Contributions to UIF, Medical and Pension Funds	187,821	186,362
	1,329,069	**1,252,039**

General Manager: Public Safety & Disaster Management - HTM Nkosi (Resigned 31/01/2022)

	2022	2021
Annual Remuneration	431,293	737,709
Car Allowance	175,000	300,000
Performance Bonuses	86,889	-
Contributions to UIF, Medical and Pension Funds	111,581	202,094
Acting Allowance	10,627	-
Leave Pay	82,413	-
	897,803	**1,239,803**

Figures in Rand	2022	2021

15. Employee related costs (continued)

Acting General Manager: Strategic Planning - SJ Tibane (Appointed 1 May 2022)

Annual Remuneration	190,222	-
Car Allowance	44,723	-
Contributions to UIF, Medical and Pension Funds	33,952	-
Acting Allowance	15,979	-
	284,876	**-**

Salaries, allowances and benefits of Councillors as disclosed in note 16 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 Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act.

Remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

16. Remuneration of councillors

Executive Mayor	1,087,851	1,087,797
Speaker	883,017	878,397
Councillors	8,720,595	8,075,324
Councillors' pension contribution	990,617	944,729
Chief Whip	829,633	826,047
Councillors other allowances	4,673,040	4,451,907
SDL	135,426	104,666
	17,320,179	**16,368,867**

In-kind benefits

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

The Executive Mayor and Speaker have the use of a council owned vehicles for official duties.

The Executive Mayor has a full-time bodyguard, a full-time driver, at the cost of the council. The Speaker has a full-time driver at the cost of the council.

Executive Mayor - Cllr J Sidell

Annual Remuneration	732,242	679,609
Car Allowance	261,721	261,749
Contributions to UIF, Medical and Pension Funds	93,888	146,439
	1,087,851	**1,087,797**

Speaker - Cllr RE Khumalo

Annual Remuneration	545,948	543,043
Car Allowance	210,077	209,399
Contributions to UIF, Medical and Pension Funds	126,992	125,955
	883,017	**878,397**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Remuneration of councillors (continued)

Chief Whip - Cllr ET Shabangu (Until 9/11/2021)

Annual Remuneration	206,680	567,117
Car Allowance	72,386	196,312
Contributions to UIF, Medical and Pension Funds	25,091	62,618
	304,157	**826,047**

Chief Whip - Cllr GS Siwela (From 25/11/2021)

Annual Remuneration	338,359	-
Car Allowance	124,781	-
Contributions to UIF, Medical and Pension Funds	62,337	-
	525,477	**-**

MMC Environmental Health - Cllr MR Shongwe

Annual Remuneration	541,254	548,719
Car Allowance	195,245	196,312
Contributions to UIF, Medical and Pension Funds	87,059	81,016
	823,558	**826,047**

MMC LED & Tourism - Cllr MJ Morema (Until 9/11/2021)

Annual Remuneration	189,896	516,093
Car Allowance	72,386	196,312
Contributions to UIF, Medical and Pension Funds	41,875	113,954
	304,157	**826,359**

MMC LED & Tourism - Cllr PT Selowe (From 01/12/2021)

Annual Remuneration	316,494	-
Car Allowance	122,859	-
Contributions to UIF, Medical and Pension Funds	80,049	-
	519,402	**-**

MMC Technical - Cllr M Nkuna

Annual Remuneration	554,422	552,917
Car Allowance	195,245	196,312
Contributions to UIF, Medical and Pension Funds	73,891	76,818
	823,558	**826,047**

MMC Social Services - Cllr S Mashigo-Sekgobela

Notes to the Annual Financial Statements

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16. Remuneration of councillors (continued)

Annual Remuneration	524,498	525,346
Car Allowance	195,245	196,312
Contributions to UIF, Medical and Pension Funds	103,815	104,726
	823,558	**826,384**

MMC Corporate Services - Cllr MJ Mavuso

Annual Remuneration	602,703	605,735
Car Allowance	195,245	196,312
Contributions to UIF, Medical and Pension Funds	24,000	24,000
Acting allowance	-	18,787
	821,948	**844,834**

MMC Finance - Cllr MJ Mnisi (Until 9/11/2021)

Annual Remuneration	201,165	552,917
Car Allowance	72,386	196,312
Contributions to UIF, Medical and Pension Funds	30,606	76,818
	304,157	**826,047**

MMC Finance - Cllr M Chembeni-Sahi (From 01/12/2021)

Annual Remuneration	348,258	-
Car Allowance	122,859	-
Contributions to UIF, Medical and Pension Funds	48,285	-
	519,402	**-**

MMC Disaster Management - Cllr TR Manyisa (Until 9/11/2021)

Annual Remuneration	189,157	514,468
Car Allowance	72,386	196,312
Contributions to UIF, Medical and Pension Funds	42,614	115,607
	304,157	**826,387**

MMC Disaster Management - Cllr LC Shakwane (From 01/12/2021)

Annual Remuneration	325,812	-
Car Allowance	122,859	-
Contributions to UIF, Medical and Pension Funds	70,731	-
	519,402	**-**

MMC Strategic Planning - Cllr ET Mabuza (From 01/12/2021)

Annual Remuneration	348,258	-
Car Allowance	122,859	-
Contributions to UIF, Medical and Pension Funds	48,285	-
	519,402	**-**

Figures in Rand	2022	2021

17. Depreciation and amortisation

Property, plant and equipment	9,788,310	10,001,012
Intangible assets	1,537,633	1,051,030
	11,325,943	**11,052,042**

18. Finance costs

Interest - actuarial valuations and other	3,541,041	3,570,092
Interest - finance leases	23,127	55,118
Interest - Development Bank of Southern Africa	12,609,590	13,507,667
	16,173,758	**17,132,877**

19. Repairs and maintenance

Buildings	4,391,752	1,444,135
Motor vehicles	720,122	534,204
Furniture and fittings	-	70,660
Plant and equipment	-	10,872
	5,111,874	**2,059,871**

20. Contracted services

Outsourced services		
Occupational health and safety	1,481	109,222
Organisational	174,951	13,968
Commissions and committees	-	5,100
Research and advisory	7,478,315	1,849,657
Catering services	2,448,113	995,336
Cleaning services	172,150	471,014
Personnel and labour	655,050	1,712,686
Security services	1,148,271	1,416,090
Consultants and professional services		
Audit committee	501,812	375,015
Business and financial management	6,641,151	9,037,193
Organisational	97,236	742,772
Ocupational health and safety	-	476,714
Legal cost and litigation	928,194	363,832
Contractors		
Aerial surveillance	993,207	869,801
Event promoters	168,615	294,218
Computer license fees	5,899,115	5,081,053
Removal of waste	762,569	2,702,799
	28,070,230	**26,516,470**

Notes to the Annual Financial Statements

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21. Grants and subsidies

Other subsidies		
Department of Roads & Transport	1,985,086	1,958,642
COVID-19 relief	-	1,931,520
Thaba Chweu Local Municipality	4,963,432	800,051
Nkomazi Local Municipality	5,174,777	-
Bushbuckridge Local Municipality	1,464,688	3,622,169
City of Mbombela Local Municipality	2,002,183	-
Other organs of state	-	514,646
	15,590,166	**8,827,028**

22. Auditors' remuneration

Audit fees	2,393,472	3,233,793

23. Operational expenses

Bank charges	29,569	28,354
Bursaries	461,275	747,141
Community outreach	1,861,275	1,498,314
Conferences and seminars	9,900	60,497
Consulting and professional fees	1,662,113	1,542,032
Commission paid to third parties	12,000	12,000
Disaster management cost - centre	57,800	175,224
Disaster management operational cost	1,790,921	1,713,800
Electricity, water and rates	9,196,665	7,652,133
Entertainment	580,699	238,054
Fuel and oil	1,175,858	637,519
GIS operational costs	70,738	1,304
COVID-19 related expenses	3,009,280	7,150,077
IDP review	31,377	-
Insurance	729,656	631,635
Marketing	1,217,815	879,462
Municipal health operational cost	69,228	100,049
Other expenses	1,218,360	359,012
Programs and campaigns	2,097,550	1,386,004
Postage and courier	9,102	3,647
Printing and stationery	1,758,564	1,301,805
Protective clothing	306,660	59,000
Telephone and fax	2,460,507	2,097,345
Tourism development	267,749	148,239
Training	368,920	882,936
Travelling and subsistance	5,516,958	3,819,446
	35,970,539	**33,125,029**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. Cash generated from operations

(Deficit) surplus	(9,225,527)	24,456,814
Adjustments for:		
Depreciation and amortisation	11,325,943	11,052,042
Actuarial (gain)	(751,000)	(1,035,000)
Loss/(Gain) on fair value adjustments	443,269	(174,364)
Loss on disposal of assets	44,002	256,969
Finance costs - finance leases	23,127	55,118
Provision for bad debts	4,681,889	6,099,343
Movements in provisions	5,550,861	3,841,767
Other non-cash items	(229,864)	(2,585)
Changes in working capital:		
Inventories	(3,562,967)	(4,167,403)
Receivables from exchange transactions	(220,881)	(27,896,941)
Payables from exchange transactions	(4,662,930)	3,011,860
Statutory receivables	5,161,632	(5,253,604)
	8,577,554	**10,244,016**

Figures in Rand	2022	2021

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25. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	43,270,346	43,270,346
Cash and cash equivalents	-	1,322,828	1,322,828
Investments	4,155,462	76,635,497	80,790,959
	4,155,462	**121,228,671**	**125,384,133**

Financial liabilities

	At amortised cost	Total
Non-current liabilities	106,726,970	106,726,970
Payables from exchange transactions	62,103,782	62,103,782
Finance lease liability	1,532,108	1,532,108
	170,362,860	**170,362,860**

2021

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	48,150,538	48,150,538
Cash and cash equivalents	-	742,372	742,372
Investments	4,598,919	81,069,587	85,668,506
	4,598,919	**129,962,497**	**134,561,416**

Financial liabilities

	At amortised cost	Total
Non-current liabilities	115,482,848	115,482,848
Payables from exchange transactions	66,766,710	66,766,710
Finance lease liability	182,329	182,329
	182,431,887	**182,431,887**

26. Commitments

Authorised expenditure

Already contracted for but not provided for

	2022	2021
• Property, plant and equipment	12,743,984	10,872,871

27. Contingencies

Contingent liabilities

1. Antoinette Kolesky and other

The Plaintiffs are the registered owners of the Remaining Extent of Portion 9 of the Farm Draaikraal 48 ("herein after referred to as "the Property"), situated at Thaba Chweu Local Municipality within the jurisdiction of Ehlanzeni District Municipality.

The Plaintiffs instituted the action proceedings, following developments that were executed within the property without their consent, and further establishing a Human Settlement for the unlawful occupiers to move in to the property.

On or about the 14th February 2018, the Plaintiffs' Attorneys of Record, addressed a letter to the Thaba Chweu Local Municipality, providing several options to resolve the illegal occupation, including but not limited to, that the Thaba Chweu acquire or expropriate the Plaintiffs' Property at a market value, that the unlawful settlement occurred on the Plaintiffs' Property be ignored when determining the market value of the Property for purposes of any expropriation or acquisition of the Property by the defendants.

The matter could not be resolved at that time, and Thaba Chweu approached the Department of Human Settlements in Mpumalanga requesting assistance with buying the Property from the Plaintiff's. The Defendants, after being served with Summons, held a meeting on the 24th of May 2019 to discuss a way forward in this matter, and a unanimous decision was taken not to proceed defending the matter.

The Parties intends to settle the matter and a draft deed of settlement has been prepared by the State Attorney on behalf of the defendants and sent to plaintiffs for consideration of the terms entailed. Department of Human Settlement appointed a Property Valuer to do valuations.

2. D Sihlangu

This is an unfair discrimination dispute referred to the Labour Court by the applicant in terms Rule 6 of the Labour Court Rules, against EDM. Applicant wants his post to be adjusted from post level 8 to post level 5 to be in line with other Coordinators. The amount claimed cannot be reliably estimated however legal fees paid to date exceeds R 160,297 with an additional estimated legal fees of R139,702.

Matter is defended by the municpality as the court issued directive for parties to hold pre-trial conference in February 2022.

3. L Sithole

This is an unfair discrimination dispute referred to the Labour Court by the applicant in terms Rule 6 of the Labour Court Rules, against EDM. Applicant wants his post to be adjusted from post level 8 to post level 5 to be in line with other Coordinators. The amount claimed cannot be reliably estimated however legal fees paid to date exceeds R 107,633 with an additional estimated legal fees of R200,000.

4. Graskop Pale

Graskop Pale CC issued summons against Thaba Chweu Local Municipality and Ehlanzeni District Municipality as 1st and 2nd defendants for R3 million, following a wild, uncontrollable fire that started in one of the properties around Thaba Chweu and caused severe damages to various plantations and properties, including the farm belonging to Plaintiff.

Municipality appointed an Attorney to defend the matter. A notice to defend, as well as a plea were filed. The legal fees paid to date exceeds R 189,630 with an additional estimated legal fees of R400,000.

5. Mpumalanga Copiers

27. (continued)

Mpumalanga Copiers issued summons against Oagile Thuto and Ehlanzeni District Municipality as 1st and 2nd defendants respectively for R354,290, claiming payment for rental of copier machines and supplies.

Municipality paid all monies due to the service provider and is of the view that it should not have been involved in this dispute and cited as a party to these proceedings.

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28. Unauthorised, Irregular, Fruitless and wasteful expenditure
28.1 Unauthorised expenditure

Opening balance	-	186,345
Add: Incurred during the year	-	-
Less: Amounts written off	-	(186,345)
Less: Amounts recovered	-	-
	-	-

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28.2 Irregular expenditure

Opening balance	2,000	2,000
Add: Irregular Expenditure - current year	690,694	666,528
Less: Amounts written off	-	(666,528)
Less: Amounts not recoverable (not condoned)	-	-
	692,694	**2,000**

Incidents:

(a) Non-compliance with local content and production declaration on awarded bid number EDM/36/2020-21 for an amount of R690 694.

Remedial actions:

(a) The irregular expenditure of R690 690 was discovered by Auditor-General during the audit process.
(b) This irregular expenditure will be reported to Council in January 2023 for investigations to be undertaken.

28.3 Fruitless and wasteful expenditure

Opening balance	24,341	24,342
Add: Incurred during the year	13,474	50,118
Less: Amounts recovered	(12,750)	(20,955)
Less: Written off by Council	(13)	(29,164)
	25,052	**24,341**

Incidents:

(a) Interest charges of R13,13 was incurred during the year due to late payments to a supplier (Telkom) as a result of delays in receiving of invoices.
(b) Traffic fines payments including administrative fee amounting to R13 460,88.

Remedial actions:

(a) The traffic fines amounting to R12 750,00 have been recovered from municipal employees.
(b) The interest charges of R13,13 has been written off as per Council Resolution A96 of 27 July 2022.

29. Risk management

Financial risk management

Exposure to interest rate, liquidity and credit risks arises in the normal course of the Municipality's operations. The municipality has established a risk management committee, which is responsible for developing and monitoring the municipality's risk management policies. The risk management policies are established to identify and analyse the risks faced by the municipality, to set up risk limits and controls and to monitor risks and adherence to limits. Risk management policies are to be reviewed regularly to reflect changes in the municipality's activities.

Liquidity risk

Ehlanzeni District Municipality manages its liquidity risks by effectively managing its working capital, capital expenditure and external borrowings. Revolving credit facilities in the form of an R20,000,000 bank overdraft has been negotiated with the main banker and provisionally approved. The overdraft facility will cater for any unexpected temporary shortfall in operating funds.

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.

At 30 June 2022	Less than 1 year	Between 1 and 5 years	Over 5 years
Long term liabilities	9,749,479	51,467,582	45,509,909
Payables from exchange transactions	62,103,782	-	-
Finance leases	499,299	1,032,809	-

At 30 June 2021	Less than 1 year	Between 1 and 5 years	Over 5 years
Long term liabilities	8,755,331	46,182,788	60,544,729
Payables from exchange transactions	66,766,710	-	-
Finance leases	182,329	-	-

Credit risk

Ehlanzeni District Municipality manages its credit risk in its borrowing and investing activities by dealing with the A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with the approved cash and investment policy as was approved by council.

Management evaluated credit risk relating to receivables from exchange transactions on an ongoing basis. If receivables from exchange transactions are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivables, taking into account its financial position, past experience and other factors.

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

Financial instrument	2022	2021
Cash and cash equivalents	1,322,828	742,372
Non-current investments	1,125,482	1,081,804
Current investments	79,665,477	84,586,702
Receivables from exchange transactions	43,270,346	48,150,538

Market risk

Interest rate risk

Ehlanzeni District Municipality is not exposed to any interest rate risks on its financial liabilities. As at the end of the financial year, 30 June 2022, Ehlanzeni District Municipality had only one fixed interest bearing loan with the Development Bank of Southern Africa (DBSA) as reflected in APPENDIX A. It should be noted that the interest in this loan is fixed until maturity. Similarly, with financial assets, Ehlanzeni District Municipality invests its surplus funds not immediately required in a fixed interest rate deposit with the A+ rated banks for fixed terms not exceeding one year.

Figures in Rand	2022	2021

30. Related parties

Relationships

Close family member of key management	None
Members of key management & Councillors	See note 15 and 16.

31. Interest received

	2022	2021
Interest revenue		
Current bank account	63,358	52,413
External investment	6,602,342	6,743,207
Interest on debtors	544,476	58,588
	7,210,176	**6,854,208**

32. Change in accounting estimate

Property, plant and equipment and Intangible assets

The estimated useful life of assets in certain classes of Property, Plant and Equipment and Intangible Assets were assessed during the current financial year. In the current financial year management have extended their estimated useful lives at an avarage of between 3 and 5 years. The effect of this revision has decreased the depreciation and amortisation charges for the current period and increased for future periods by R 932 109.

The impact on Intangible assets due to the extension of their useful lives is R 49 145. Refer to note 9.

The impact on Property, plant and equipment due to the extension of their useful lives is R 882 964. Refer to note 8.

33. Revenue

	2022	2021
Operational income	656,236	825,956
Rental of facilities and equipment	181,578	403,535
Interest received	7,210,176	6,854,208
Dividends received	153,132	137,544
Government grants & subsidies	281,665,539	289,838,212
Fines & penalties	-	100,000
Donations in kind	-	29,550
	289,866,661	**298,189,005**

	2022	2021
The amount included in revenue arising from exchanges of goods or services is as follows:		
Operational income	656,236	825,956
Rental of facilities and equipment	181,578	403,535
Interest received	7,210,176	6,854,208
Dividends received	153,132	137,544
	8,201,122	**8,221,243**

	2022	2021
The amount included in revenue arising from non-exchange transactions is as follows:		
Government grants & subsidies	281,665,539	289,838,212
Fines & penalties	-	100,000
Donations in kind	-	29,550
	281,665,539	**289,967,762**

Figures in Rand	2022	2021

34. Comparative information

(a) The decision to reclassify air quality control contravention penalty receivable from receivables from exchange transactions to statutory receivables was to conform with GRAP 108 as it is the legislative mandate of the district municipality to enforce the environmental health legislative framework through municipal by-laws.

The effects of the reclassification are as follows:

Statement of financial position		
Receivables from exchange transactions	-	(12,075)
Statutory receivables	-	12,075

(b) The following expenditure items or transactions had been in the prior year classified under operational expenditure however, upon proper analysis and assessment of the nature of these expenditures and guided by the Municipal Standard Chart of Accounts framework, management has taken a decision to reclassify these expenditure items or transactions to contracted services on the statement of financial performance.

The effects of the reclassification are as follows:

Statement of Financial Performance		
Contracted Services (Outsourced services - Occupational health and safety)	-	109,222
Contracted Services (Outsourced services - Organisational)	-	13,968
Contracted Services (Outsourced services - Commissions and committees)	-	5,100
Contracted Services (Outsourced services - Research and advisory)	-	1,849,657
Contracted Services (Outsourced services - Catering services)	-	995,336
Contracted Services (Outsourced services - Cleaning services)	-	471,014
Contracted Services (Outsourced services - Personnel and labour)	-	1,712,686
Contracted Services (Consultants and professional services - Audit Committee)	-	375,015
Contracted Services (Consultants and professional services - Business and financial management)	-	9,037,193
Contracted Services (Consultants and professional services - Organisational)	-	742,772
Contracted Services (Consultants and professional services - Occupational health and safety)	-	476,714
Contracted Services (Consultants and professional services - Legal cost and litigation)	-	363,832
Contracted Services (Contractors - Aerial surveillance)	-	869,801
Contracted Services (Contractors - Event promoters)	-	294,218
Contracted Services (Contractors - Computer license fees)	-	5,081,053
Contracted Services (Contractors - Removal of waste)	-	2,702,799
Operational expenses - Audit committee	-	(375,015)
Operational expenses - Community outreach	-	(1,299,342)
Operational expenses - Consulting and professional fees	-	(9,051,162)
Operational expenses - Disaster management cost-centre	-	(899,236)
Operational expenses - Entertainment	-	(2,131)
Operational expenses - GIS operational costs	-	(172,952)
Operational expenses - COVID-19 related expenses	-	(5,621,741)
Operational expenses - IDP review	-	(65,906)
Operational expenses - IT expenses	-	(5,135,183)
Operational expenses - Legal fees	-	(363,832)
Operational expenses - Municipal health operational cost	-	(34,540)
Operational expenses - Other expenditure	-	(937,017)
Operational expenses - Programs and campaigns	-	(465,065)
Operational expenses - Tourism development	-	(605,238)
Operational expenses - Training	-	(72,020)

(c) Correction of prepayments and statutory receivables amounting to R1,756,517 which had been in the prior year classified and disclosed as financial instruments on note 25.

(d) Disclosure notes 28.2 and 28.3 on irregular, and fruitless and wasteful expenditure prior period information has been updated to reflect the correct aggregate amounts as per the council resolutions.

Notes to the Annual Financial Statements

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35. Events after the reporting date

A provision for a liability of R765 779 was made following a judgement of an Appeal Division of a High Court. This liability was recognised on a basis of summons issued by the Joint Municipal Pension Fund as the High Court on its judgment on 17 November 2021 indicated that the actual amount of the claim needs to be determined by actuaries to be appointed by the claimant. As at the reporting datethe actuarial process has not been finalised and this event has a potential of material adjustment of this amount of R765 779.

36. Additional disclosure in terms of Municipal Finance Management Act

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Contributions to organised local government

SALGA Membership fee	1,656,025	1,484,383

PAYE, UIF and SDL

Amount paid - current year	35,082,061	36,310,808

Pension and Medical Aid Deductions

Amount paid - current year	38,724,077	37,615,758

VAT

VAT received - current year	14,761,634	3,283,319

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37. Deviations i.t.o section 36 of Supply Chain Management Policy

Fixed Amount Deviation Procurements - Regulation 36(a)

	2022	2021
Emergency	655,163	1,920,616
Impractical	2,832,162	6,782,443
Sole provider	2,789,095	3,070,195
	6,276,420	**11,773,254**

Fixed Rates or Price Per Unit Deviation Procurements - Regulation 36(a)

Thenjiwe Nkosi Attorneys	Impractical	28,980
Vakasha Travel	Impractical	10% Service fee

Ratification of Minor Breaches Deviation Procurements - Regulation 36(1)(b)

Konica Minolta South Africa (Pty) Ltd	Ratification of minor breach	2,057,322
		-

38. Budget differences

Material differences between budget and actual amounts

Variances in excess of 10% is considered significant and therefore explanations are provided below:

38.1 Rental of facilities and equipment

Anticipated rental revenue from the municipal canteen disaster management conference could not be realised due to absence of a service provider to operate the facilities.

38.2 Interest Received

The anticipated interest revenue could not be realised due to low interest rates on fixed deposits offered by the commercial banks.

38.3 Grants and subsidies

Transfer of assets ready for use to local municipalities and the expenditure on the purchase and construction of these assets was budgeted for in the prior and current financial year.

38.4 Loss on disposal of assets

The disposal of some assets during the financial year did not occur as planned and other assets were disposed below their carrying values as a result of the state or conditions of those assets

38.5 Inventories

Some capital projects were not completed as assets ready for use to be transferred to local municipalities as planned due to National Treasury advise to put procurement processes above R30 000 on abeyance, communities unrest and reliance on other organs of state.

38.6 Investments

Notes to the Annual Financial Statements

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The movement in cash and cash equivalent, and investment is as a result of changes in expenditure and payment management system, and cash and investment management strategy implemented during the year resulted in more cash being held in call accounts and short-term fixed deposits.

38.7 Receivables from exchange transactions

Accrual of monies owed by the Department of Water and Sanitation (Principal) to the municipality (Agent) as a result of the implementing agency agreement in accordance with GRAP 109, prepayments made during the financial year and accrual of monies owed by local municipality which could not be determined or projected during the finalization of the budget..

38.8 Statutory receivables

The recognition of VAT refunds received and accrued which it was improbable to estimate these refund amounts during the finalization of the budget.

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38.9 Cash and Cash Equivalents

The movement in cash and cash equivalent, and investment is as a result of changes in expenditure and payment management system, and cash and investment management strategy implemented during the year resulted in more cash being held in call accounts and short-term fixed deposits.

38.10 PPE and Intangible Assets

Projected accumulated depreciation or amortization not realised as a result of asset completed during the year and review of useful lives of fixed assets, and less spending than projected on the budgeted capital projects as well as reclassification of capital expenditure transactions and donation of completed related assets to local municipalities..

38.11 Current Portion of Non-Current Liabilities

Reclassification of the remaining balance on the long-term borrowings between non-current and current liabilities at year-end to be in line with the loan amortisation schedule.

38.12 Finance leases

A new finance lease agreement for the office automation machines was entered into during the financial year due to the elapsing of the old finance lease agreement.

38.13 Provisions

Reclassification of the remaining balance on the long-term provisions between non-current and current liabilities at year-end, in addition the recognition of the actuarial annual costs relating to the post- retirement benefits in line with the requirement of GRAP 25 which it was improbable to determine these annual costs during the finalization of the budget.

38.14 Implementing Agent Receipts and Payments

Recognition of receipts and payments transactions between principals (Department of Water and Sanitation and Nkomazi Local Municipality) and the municipality as an implementing agent in accordance with GRAP 109 as these transactions falls outside the budget framework.

38.15 Other receipts

Unanticipated VAT refunds received from SARS during the financial year and not budgeted for. as well as payments received from debtors.

38.16 Payables from exchange transactions

Accrual of monies owed to service providers as a result of the implementing agency agreement between the municipality (Agent) and Department of Water and Sanitation (Principal) in accordance with GRAP109 which could not be determined or projected during the finalization of the budget.

Figures in Rand	2022	2021

39. Prior period adjustments

Prior period adjustments through surplus includes the following:

(a) A provision was made for a claim amount of R765 779 for a Joint Municipal Pension Fund matter awarded against the municipality by an Appeal Division of a High Court relating to prior years. This liability was recognised on a basis of summons issued by the Joint Municipal Pension Fund as the High Court on its judgment on 17 November 2021 indicated that the actual amount of the claim needs to be determined by actuaries to be appointed by the claimant.

The details of these transactions are as follows;

	2022	2021
Statement of financial position		
Opening Accumulated Surplus	-	765,779
Provisions	-	(765,779)

(b) There has been revenue of R1 763 and expenditure transactions totalling R204 117 accrued or paid in the financial year under review relating to prior periods.

The details of these transactions are as follows;

- Interest on investments accrued relating to prior period amounting to R1,763.
- Legal expenses accrued relating to prior period amounting to R66,235.
- Operational expenditure accrued relating to prior period amounting to R8,332.
- Rental expense accrued relating to prior period amounting to R129,550.

Based on GRAP 3 par 5 and the National Treasury Guideline on GRAP 3 issued February 2022, management assessed the impact of these transactions on the comparative figures and concluded that these transactions individual or in aggregate were immaterial to justify restatement of any other components of prior period financial statements, except making these adjustments against the prior period accumulated surplus in the statement of changes in net asset.

40. Accounting by principals and agents

Department of Water and Sanitation

The municipality acts as an agent for the Department of Water and Sanitation during the implementation of the Regional Bulk Infrastructure Grant (RBIG).

Reconciliaiton of agency transactions

Receipts and receivables (refer to note 4)

	2022	2021
Opening balance	43,955,502	20,369,283
Total billed to principal	133,362,089	173,336,662
Total received from principal	(125,217,872)	(140,076,687)
Retentions	(19,775,393)	(9,673,757)
	32,324,326	**43,955,502**

Figures in Rand	2022	2021

40. Accounting by principals and agents (continued)

Payments and payables (refer to note 10)

	2022	2021
Opening balance	18,712,036	13,145,775
Total expenditure incurred	123,308,499	158,357,059
Total paid to suppliers and retention	(133,914,698)	(152,790,798)
	8,105,837	**18,712,036**

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41. Segment reporting

General information

Identification of segments

The municipality is organised and reports to management on the basis of departmental segments. 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.

Segment surplus or deficit, assets and liabilities

Notes to the Annual Financial Statements

Figures in Rand

41. Segment reporting (continued)

2022

	Council	Office of the Municipal Manager	Finance & Supply Chain Management	Corporate Services	Technical Services	LED and Tourism	Municipal Health and Environmental Management	Social Services and Disaster Management	Entity Total
Revenue									
Revenue from non-exchange transactions	-	-	281,665,539	-	-	-	-	-	281,665,539
Revenue from exchange transactions	-	-	8,201,122	-	-	-	-	-	8,201,122
Total segment revenue	-	-	**289,866,661**	-	-	-	-	-	**289,866,661**
Expenditure									
Salaries and wages	12,846,647	26,116,374	30,263,812	27,486,613	8,880,984	16,561,741	23,461,611	15,776,774	161,394,556
Council remuneration	17,320,179	-	-	-	-	-	-	-	17,320,179
Operational expenditure	5,678,899	1,422,896	21,618,970	23,985,723	5,681,423	4,204,947	2,812,347	7,464,221	72,869,426
Grants and subsidies	-	-	15,590,166	-	-	-	-	-	15,590,166
Provision for impairment	-	-	4,681,889	-	-	-	-	-	4,681,889
Finance charges	-	-	16,173,758	-	-	-	-	-	16,173,758
Depreciation and amortisation	434,500	374,858	1,811,503	6,510,061	218,437	167,094	1,026,444	783,046	11,325,943
Loss on disposal of assets	-	-	44,002	-	-	-	-	-	44,002
Gain on fair value adjustments	-	-	443,269	-	-	-	-	-	443,269
Actuarial gain	-	-	(751,000)	-	-	-	-	-	(751,000)
Total segment expenditure	**36,280,225**	**27,914,128**	**89,876,369**	**57,982,397**	**14,780,844**	**20,933,782**	**27,300,402**	**24,024,041**	**299,092,188**
Total segmental surplus/(deficit)	**-36,280,225**	**-27,914,128**	**199,990,292**	**-57,982,397**	**-14,780,844**	**-20,933,782**	**-27,300,402**	**-24,024,041**	**(9,225,527)**
Assets									
Segment assets	1,098,149	1,253,542	5,145,217	179,359,673	730,794	498,901	2,344,874	2,311,388	192,742,538

41. Segment reporting (continued)

Investments	80,790,959
Inventories	12,869,285
Receivables from exchange transactions	45,433,972
Statutory receivables	6,451,013
Cash and cash equivalents	1,322,828
Total assets as per Statement of financial Position	**339,610,595**
Finance leases	1,532,108
Payables from exchange transactions	62,103,782
Provisions	46,896,507
Long term loans	106,726,970
Total liabilities as per Statement of financial Position	**217,259,367**
Accumulated Surplus	**122,351,228**

2021

	Council	Office of the Municipal Manager	Finance and Supply Chain Management	Corporate Services	Technical Services	LED and Tourism	Municipal Health and Environmental Management	Social Services and Disaster Management	Entity Total
Revenue									
Revenue from non-exchange transactions			289,967,762	-		-			289,967,762
Revenue from exchange transactions			8,221,243	-		-			8,221,243
Total segment revenue		-	**298,189,005**	-		-		-	**298,189,005**

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41. Segment reporting (continued)

Expenditure									
Salaries and wages	12,725,795	24,544,615	26,465,970	25,363,135	8,294,835	16,266,374	21,967,071	16,187,820	151,815,615
Council remuneration	16,264,201	-	-	-	-	-	-	-	16,264,201
Operational expenditure	4,518,520	1,163,303	24,004,381	17,639,932	365,243	5,071,386	4,230,972	6,499,743	63,493,480
Grants and subsidies	-	-	8,827,028	-	-	-	-	-	8,827,028
Provision for impairment	-	-	6,099,343	-	-	-	-	-	6,099,343
Finance charges	-	-	17,132,877	-	-	-	-	-	17,132,877
Depreciation and amortisation	-	-	11,052,042	-	-	-	-	-	11,052,042
Loss on disposal of assets	-	-	256,969	-	-	-	-	-	256,969
Loss on fair value adjustments	-	-	(174,364)	-	-	-	-	-	(174,364)
Actuarial gain	-	-	(1,035,000)	-	-	-	-	-	(1,035,000)
Total segment expenditure	**33,508,516**	**25,707,918**	**92,629,246**	**43,003,067**	**8,660,078**	**21,337,760**	**26,198,043**	**22,687,563**	**273,732,191**
Total segmental surplus/(deficit)	**-33,508,516**	**-25,707,918**	**205,559,760**	**-43,003,067**	**-8,660,078**	**-21,337,760**	**-26,198,043**	**-22,687,563**	**24,456,814**
Assets									
Segment assets	1,178,299	940,108	5,688,167	185,052,970	417,832	403,469	2,992,640	2,409,336	199,082,821
Investments									85,668,506
Inventories									9,306,318
Receivables from exchange transactions									49,894,980
Statutory receivables									11,612,645
Cash and cash equivalents									742,372
Total assets as per Statement of financial Position									**356,307,642**
Finance leases									182,329
Payables from exchange transactions									66,766,710
Provisions									42,096,646
Long term loans									115,482,848
Total liabilities as per Statement of financial Position									**224,528,533**
Accumulated Surplus									**131,779,109**

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41. Segment reporting (continued)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

The municipality's operations are in the Ehlanzeni District of the Mpumalanga province.

The following supplementary information does not form part of the annual financial statements and is unaudited:
Appendix A

Schedule of external loans as at 30 June 2022

	Balance at 30 June 2021 Rand	Received during the period Rand	Redeemed / written off during the period Rand	Balance at 30 June 2022 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of Southern Africa						
DBSA - 61000886 Maturity date: 31/12/2029 Interest calculated at 11.12%	115,482,848	-	8,755,878	106,726,970	174,311,967	-
	115,482,848	**-**	**8,755,878**	**106,726,970**	**174,311,967**	**-**
Total external loans						
Development Bank of Southern Africa	115,482,848	-	8,755,878	106,726,970	174,311,967	-
	115,482,848	**-**	**8,755,878**	**106,726,970**	**174,311,967**	**-**

Appendix B

Analysis of property, plant and equipment as at 30 June 2022

	Cost/Revaluation					Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Prior period adjustments Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings												
Land	8,103,054	-	-	-	8,103,054	-	-	-	-	-	-	8,103,054
Buildings	234,923,728	-	-	-	234,923,728	(61,001,775)	-	-	-	(5,565,531)	(66,567,306)	168,356,422
	243,026,782	-	-	-	**243,026,782**	**(61,001,775)**	-	-	-	**(5,565,531)**	**(66,567,306)**	**176,459,476**
Other assets												
Plant & equipment	780,163	48,298	(450)	-	828,011	(488,938)	364	4,580	-	(88,891)	(572,885)	255,126
Furniture & Fittings	12,574,314	314,280	(31,435)	-	12,857,159	(10,742,497)	30,132	-	-	(393,330)	(11,105,695)	1,751,464
Computer equipment	33,809,422	3,883,672	(1,874,591)	-	35,818,503	(25,366,748)	1,787,297	(4,580)	-	(3,160,614)	(26,744,645)	9,073,858
Motor vehicles	7,891,313	-	(187,304)	-	7,504,009	(5,493,403)	129,813	-	-	(579,944)	(5,943,534)	1,560,475
	54,855,212	**4,246,250**	**(2,093,780)**	-	**57,007,682**	**(42,091,586)**	**1,947,606**	-	-	**(4,222,779)**	**(44,366,759)**	**12,640,923**
Total property plant and equipment	**297,881,994**	**4,246,250**	**(2,093,780)**	-	**300,034,464**	**(103,093,361)**	**1,947,606**	-	-	**(9,788,310)**	**(110,934,065)**	**189,100,399**
Intangible assets												
Computer software	16,803,773	897,819	(57,341)	-	17,644,251	(12,509,585)	45,106	-	-	(1,537,633)	(14,002,112)	3,642,139
	16,803,773	**897,819**	**(57,341)**	-	**17,644,251**	**(12,509,585)**	**45,106**	-	-	**(1,537,633)**	**(14,002,112)**	**3,642,139**

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Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2022

	Cost/Revaluation					Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Prior period adjustments Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Municipality												
Chief Whip	165,993	38,256	-	(32,879)	**171,370**	(134,835)	-	12,849	-	(7,075)	**(129,061)**	42,309
Corporate Services	255,563,070	1,029,628	(519,012)	(1,582,679)	**254,491,007**	(70,695,375)	519,008	1,470,854	-	(6,425,820)	**(75,131,333)**	179,359,674
Disaster management	24,806,930	480,213	-	1,316,797	**26,603,940**	(23,272,855)	-	(502,927)	-	(755,320)	**(24,531,102)**	2,072,838
Executive Mayor	2,652,233	190,110	(155,269)	(191,616)	**2,495,458**	(2,031,113)	155,269	160,264	-	(203,865)	**(1,919,445)**	576,013
Finance and SCM	16,775,287	1,193,019	(855,766)	1,026,069	**18,138,609**	(10,140,818)	697,356	(1,639,004)	-	(1,910,927)	**(12,993,393)**	5,145,216
Internal Audit	194,480	34,371	-	(15,352)	**213,499**	(162,613)	-	15,312	-	(14,724)	**(162,025)**	51,474
LED and Tourism	1,431,666	267,248	(155,269)	(201,425)	**1,342,220**	(1,152,975)	155,269	210,445	-	(121,651)	**(908,912)**	433,308
Municipal Health	5,678,719	388,019	-	(188,062)	**5,878,676**	(2,676,925)	-	152,123	-	(1,009,000)	**(3,533,802)**	2,344,874
Municipal Manager	3,130,232	684,647	(155,269)	(82,021)	**3,577,589**	(2,227,569)	155,269	54,000	-	(357,220)	**(2,375,520)**	1,202,069
Rural Development	240,694	34,371	-	8,498	**283,563**	(170,577)	-	(18,913)	-	(28,481)	**(217,971)**	65,592
Social and Transversal Issues	869,788	80,256	-	(10,157)	**939,887**	(543,300)	-	(80,708)	-	(77,327)	**(701,335)**	238,552
Speaker	1,711,124	189,735	(155,269)	(23,293)	**1,722,297**	(1,230,118)	155,269	29,899	-	(197,522)	**(1,242,472)**	479,825
Technical Services	1,465,553	534,196	(155,269)	(23,880)	**1,820,600**	(1,163,870)	155,269	135,806	-	(217,011)	**(1,089,806)**	730,794
	314,685,769	**5,144,069**	**(2,151,123)**	**-**	**317,678,715**	**(115,602,943)**	**1,992,709**	**-**	**-**	**(11,325,943)**	**(124,936,177)**	**192,742,538**

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Appendix D

Segmental Statement of Financial Performance for the year ended 30 June 2022

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
-	4,875,723	(4,875,723)	Office Executive Mayor	-	5,252,048	(5,252,048)
-	4,254,631	(4,254,631)	Office Rural Development	-	4,516,781	(4,516,781)
-	17,983,317	(17,983,317)	Office of the Speaker	-	19,846,999	(19,846,999)
-	9,323,203	(9,323,203)	Mayoral Committee	-	9,807,930	(9,807,930)
-	22,123,403	(22,123,403)	Office Municipal Manager	-	23,938,505	(23,938,505)
298,189,005	92,629,246	205,559,759	Finance	289,866,661	89,876,369	199,990,292
-	43,003,067	(43,003,067)	Corporate services	-	57,982,397	(57,982,397)
-	8,660,077	(8,660,077)	Technical Services	-	14,780,844	(14,780,844)
-	26,198,043	(26,198,043)	Municipal Health and Environment	-	27,300,402	(27,300,402)
-	1,326,273	(1,326,273)	Office Chief Whip	-	1,373,248	(1,373,248)
-	3,584,515	(3,584,515)	Internal Audit	-	3,975,623	(3,975,623)
-	9,919,234	(9,919,234)	Transversal Issues	-	9,872,230	(9,872,230)
-	17,083,129	(17,083,129)	LED and Tourism	-	16,417,001	(16,417,001)
-	12,768,330	(12,768,330)	Disaster Management and Public Safety	-	14,151,811	(14,151,811)
298,189,005	**273,732,191**	**24,456,814**		**289,866,661**	**299,092,188**	**(9,225,527)**

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2022

	Current year 2021 Act. Bal. Rand	Current year 2021 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Operational income	656,236	852,000	(195,764)	(23.0)	Refer to note 38
Rental of facilities and equipment	181,578	646,000	(464,422)	(71.9)	Refer to note 38
Interest received	7,210,176	8,600,000	(1,389,824)	(16.2)	Refer to note 38
Dividends received	153,132	164,000	(10,868)	(6.6)	
Government grants & subsidies	281,665,539	281,535,000	130,539	-	
	289,866,661	291,797,000	(1,930,339)	(0.7)	
Expenses					
Employee related cost	(162,717,553)	(163,136,278)	418,725	(0.3)	
Remuneration of councillors	(17,320,178)	(17,327,992)	7,814	-	
Audit fees	(2,393,472)	(2,394,052)	580	-	
Depreciation and amortisation	(11,325,943)	(11,670,873)	344,930	(3.0)	
Provision for bad debts	(4,681,889)	(4,681,892)	3	-	
Finance costs	(16,173,758)	(16,175,091)	1,333	-	
Repairs and maintenance	(5,111,874)	(5,114,425)	2,551	-	
Contracted services	(28,070,230)	(28,770,518)	700,288	(2.4)	
Operational expenses	(35,970,854)	(36,007,665)	36,811	(0.1)	
	(283,765,751)	(285,278,786)	1,513,035	(0.5)	
Other revenue and costs					
Gain or loss on exchange differences	(15,590,166)	-	(15,590,166)	-	
Loss on disposal of assets	(44,002)	276,020	(320,022)	(115.9)	Refer to note 38
Gain on fair value adjustments	(443,269)	(443,337)	68	-	
Actuarial gain	751,000	751,000	-	-	
	(15,326,437)	583,683	(15,910,120)	725.8)	
Net surplus/ (deficit) for the year	(9,225,527)	7,101,897	(16,327,424)	(229.9)	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2022

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Chief Whip	38,256	40,000	1,744	4	
Corporate Services	1,029,628	1,100,000	70,372	6	
Disaster Management	480,213	500,000	19,787	4	
Executive Mayor	190,110	200,000	9,890	5	
Finance & SCM	1,193,019	2,285,000	1,091,981	48	Refer to note 38
Internal Audit	34,371	35,000	629	2	
LED & Tourism	267,248	270,000	2,752	1	
Municipal Health	388,019	400,000	11,981	3	
Municipal Manager	684,647	700,000	15,353	2	
Planning Department	-	-	-	-	
Rural Develpment	34,371	35,000	629	2	
Social & Transversial Issues	80,256	85,000	4,744	6	
Speaker	189,735	200,000	10,265	5	
Technical Services	534,196	580,000	45,804	8	
Mayoral Committee	-	-	-	-	
	-	-	-	-	
	5,144,069	**6,430,000**	**1,285,931**	**20**	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable Share	114,458,000	91,566,000	68,674,000	-	68,674,500	68,674,500	68,674,500	68,674,500	Yes
Finance Management Grant	1,000,000	-	-	-	250,000	250,000	250,000	250,000	Yes
National Department of Roads	1,682,000	-	721,000	-	-	172,664	717,493	1,512,843	Yes
Sector Education and Training Authority	-	127,025	41,647	161,867	82,635	82,635	82,635	82,634	Yes
Expanded Public Works Program Incentive	809,000	1,455,000	970,000	-	808,500	808,500	808,500	808,500	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	117,949,000	93,148,025	70,406,647	161,867	69,815,635	69,988,299	70,533,128	71,328,477	

Audited
By
2022 -11- 30
Auditor General South Africa
Mpumalanga Business Unit