Ehlanzeni District Municipality
Annual Financial Statements
for the year ended 30 June 2023

# Ehlanzeni District Municipality
Annual Financial Statements for the year ended 30 June 2023

## General Information

**Mayoral committee**

| | | |
|---|---|---|
| Executive Mayor | Sidell J | |
| Speaker | Khumalo RE | |
| Chief Whip | Siwela GS | |
| Mayoral committee | Chembeni-Sahi M | |
| | Mabuza ET | |
| | Mashigo-Sekgobela S | |
| | Mathe PA | (Appointed 16/03/2023) |
| | Mavuso MJ | (Resigned 03/08/2022) |
| | Nkuna M | (Resigned 31/01/2023) |
| | Selowe PT | |
| | Shabangu EIT | (Appointed 11/08/2022) |
| | Shakwane LC | |
| | Shongwe MR | |

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**Councillors**

Chauke SP
Chima PP
Chuene CK
Couvaras S
Gwebu VS
Khoza NC
Khoza TS
Ligthelm JH
Mabunda EE
Maganga NM
Mahlalela TE
Makhubela SO
Malomane HK
Manana SJ
Mashava IS
Masilela DC
Mathebula AM
Mathebula E
Mathobela NV
Mbhandze F
Mdhluli ZA
Mgiba SB
Mhlaba RB
Minnaar PCW
Mnisi MJ
Mohlala CM
Mokoni CM
Monareng ML
Morema MJ
Mphika RN
Ndlovu ND
Ngobeni BN

## General Information

| | |
|---|---|
| Ngomane LP | |
| Ngomane TE | |
| Nkomo NR | |
| Nkosi LF | |
| Nkuna SB | |
| Nukeri K | |
| Nyambi VT | (Resigned 01/11/2022) |
| Preddy MMS | |
| Qhibi R | |
| Robertson KP | |
| Schormann SR | |
| Sebamba C | |
| Shabangu R | |
| Sibuyi TB | |
| Sifunda HX | |
| Sihlabela HE | |
| Sithole SL | |
| Thobakgale HP | |
| Thobela SA | |
| Tshabalala SB | (Appointed 01/04/2023) |
| Van Der Westhuizen M | |

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## General Information

| | |
|---|---|
| **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<br>Mbombela<br>Mpumalanga<br>1200 |
| **Postal address** | P O Box 3333<br>Mbombela<br>Mpumalanga<br>1200 |
| **Bankers** | First National Bank Limited |
| **Auditors** | Auditor General South Africa |
| **Audit committee members** | SV Mabilane (Chairperson)<br>S Lubisi<br>PN Makukule<br>JN Mpjane<br>R Maboe |
| **Attorneys** | Mahumani Incorporated Attorneys<br>Thenjiwe Nkosi Attorneys<br>Matsane Attorneys<br>MP Maseko Attorneys |

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# Index

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



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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 2024 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 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023.



**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 2023

| Figures in Rand | Note(s) | 2023 | 2022 Restated |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 5 | 2,847,319 | 12,869,285 |
| Investments | 7 | 54,194,849 | 79,665,477 |
| Receivables from exchange transactions | 4 | 52,690,725 | 49,112,103 |
| Statutory receivables | 6 | 933,070 | 2,772,881 |
| Cash and cash equivalents | 3 | 794,316 | 1,322,828 |
| | | **111,460,279** | **145,742,574** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 8 | 188,996,696 | 192,180,398 |
| Intangible assets | 9 | 4,060,966 | 3,642,139 |
| Investments | 7 | 1,196,241 | 1,125,482 |
| | | **194,253,903** | **196,948,019** |
| **Total Assets** | | **305,714,182** | **342,690,593** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Current portion of borrowings | 12 | 10,835,812 | 9,749,479 |
| Finance lease obligation | 13 | 543,432 | 499,299 |
| Payables from exchange transactions | 10 | 53,192,151 | 62,183,807 |
| Provisions | 11 | 14,130,317 | 14,279,616 |
| | | **78,701,712** | **86,712,201** |
| **Non-Current Liabilities** | | | |
| Non-current portion of borrowings | 12 | 86,144,324 | 96,977,491 |
| Finance lease obligation | 13 | 489,377 | 1,032,809 |
| Provisions | 11 | 32,287,572 | 32,616,891 |
| | | **118,921,273** | **130,627,191** |
| **Total Liabilities** | | **197,622,985** | **217,339,392** |
| **Net Assets** | | **108,091,197** | **125,351,201** |
| Accumulated surplus | | 108,091,197 | 125,351,201 |

# Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance



| Figures in Rand | Note(s) | 2023 | 2022 Restated |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Construction contracts | 33 | 53,075,035 | 99,997,911 |
| Operational income | 33 | 802,945 | 656,236 |
| Rental of facilities and equipment | 33 | 202,970 | 181,578 |
| Interest received | 31 | 9,224,958 | 7,210,176 |
| Dividends received | 33 | 165,053 | 153,132 |
| **Revenue from non-exchange transactions** | | | |
| Government grants & subsidies | 14 | 291,204,865 | 281,665,539 |
| Fines & penalties | 33 | 418,849 | 621,500 |
| **Total revenue** | | **355,094,675** | **390,486,072** |
| **Expenditure** | | | |
| Employee related cost | 15 | (158,403,650) | (162,966,505) |
| Remuneration of councillors | 16 | (20,460,450) | (17,320,179) |
| Audit fees | 22 | (4,392,336) | (2,393,472) |
| Construction contract costs | | (53,493,884) | (99,997,911) |
| Depreciation and amortisation | 17 | (9,497,883) | (11,325,943) |
| Provision for debt impairment | 4 | (573,093) | (4,681,889) |
| Finance costs | 18 | (16,084,765) | (16,173,758) |
| Bad debts written off | | (70,830) | - |
| Repairs and maintenance | 19 | (6,426,172) | (5,111,874) |
| Contracted services | 20 | (32,976,685) | (28,070,230) |
| Operational expenses | 23 | (47,268,413) | (36,034,965) |
| **Total expenditure** | | **(349,648,161)** | **(384,076,726)** |
| **Operating surplus** | | **5,446,514** | **6,409,346** |
| Grants and subsidies | 21 | (28,401,300) | (15,590,166) |
| Loss on disposal of assets | | (210,087) | (44,002) |
| (Loss) /gain on fair value adjustment | 7 | 385,018 | (443,269) |
| Actuarial gain | 11 | 5,370,000 | 751,000 |
| **Deficit for the year** | | **(17,409,855)** | **(8,917,091)** |

## Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
| --- | --- | --- |
| Opening balance as previously reported | 131,779,109 | 131,779,109 |
| Adjustments | | |
| Prior period adjustments - note 39 | 2,691,537 | 2,691,537 |
| **Balance at 01 July 2021 as restated** | **134,470,646** | **134,470,646** |
| Changes in net assets | | |
| Prior period adjustments | (202,354) | (202,354) |
| Net losses recognised directly in net assets | (202,354) | (202,354) |
| Deficit for the year | (8,917,091) | (8,917,091) |
| Total recognised income and expenses for the year | (9,119,445) | (9,119,445) |
| Total changes | (9,119,445) | (9,119,445) |
| Opening balance as previously reported | 122,351,228 | 122,351,228 |
| Adjustments | | |
| Prior period adjustments - note 39 | 2,999,973 | 2,999,973 |
| **Balance at 01 July 2022 as restated** | **125,351,201** | **125,351,201** |
| Changes in net assets | | |
| Deficit for the year | (17,409,855) | (17,409,855) |
| Prior period adjustments - note 39 | 149,851 | 149,851 |
| Total changes | (17,260,004) | (17,260,004) |
| **Balance at 30 June 2023** | **108,091,197** | **108,091,197** |

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## Cash Flow Statement



| Figures in Rand | Note(s) | 2023 | 2022 Restated |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| SARS VAT refunds | | 15,099,826 | 14,761,634 |
| Grants and subsidies | | 290,449,865 | 281,665,539 |
| Interest received | | 8,528,425 | 6,283,889 |
| Dividends received | | - | 153,132 |
| Construction contracts receipts | | 68,064,293 | 126,767,950 |
| Other receipts | | 7,732,711 | 9,925,225 |
| | | 389,875,120 | 439,557,369 |
| **Payments** | | | |
| Employee costs | | (179,459,034) | (181,357,598) |
| Suppliers | | (144,038,970) | (106,605,630) |
| Finance costs | | (11,795,764) | (12,632,758) |
| Construction contracts payments | | (64,503,269) | (130,383,829) |
| | | (399,797,037) | (430,979,815) |
| **Net cash flows from operating activities** | 24 | **(9,921,917)** | **8,577,554** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 8 | (5,747,840) | (4,246,250) |
| Proceeds from sale of property, plant and equipment | | 219,960 | 118,980 |
| Purchase of intangible assets | 9 | (1,370,874) | (897,819) |
| Movement in investments | | 26,538,292 | 4,434,090 |
| **Net cash flows from investing activities** | | **19,639,538** | **(590,999)** |
| **Cash flows from financing activities** | | | |
| Repayment of long-term liabilities | | (9,746,834) | (8,755,878) |
| Increase/(decrease) finance leases | | (499,299) | 1,349,779 |
| **Net cash flows from financing activities** | | **(10,246,133)** | **(7,406,099)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(528,512)** | **580,456** |
| Cash and cash equivalents at the beginning of the year | | 1,322,828 | 742,372 |
| **Cash and cash equivalents at the end of the year** | 3 | **794,316** | **1,322,828** |

# Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Construction contracts | - | 53,075,035 | **53,075,035** | 53,075,035 | - | |
| Operational income | 2,205,633 | (499,517) | **1,706,116** | 802,945 | **(903,171)** | Note 38 .1 |
| Rental of facilities and equipment | 710,600 | (360,600) | **350,000** | 202,970 | **(147,030)** | Note 38.2 |
| Interest received | 9,012,800 | - | **9,012,800** | 9,224,958 | **212,158** | |
| Dividends received | 175,480 | - | **175,480** | 165,053 | **(10,427)** | |
| **Total revenue from exchange transactions** | **12,104,513** | **52,214,918** | **64,319,431** | **63,470,961** | **(848,470)** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Transfer revenue** | | | | | | |
| Government grants & subsidies | 290,102,000 | 755,280 | **290,857,280** | 291,204,865 | **347,585** | |
| **Transfer revenue** | | | | | | |
| Fines | - | 418,849 | **418,849** | 418,849 | - | |
| **Total revenue from non-exchange transactions** | **290,102,000** | **1,174,129** | **291,276,129** | **291,623,714** | **347,585** | |
| **Total revenue** | **302,206,513** | **53,389,047** | **355,595,560** | **355,094,675** | **(500,885)** | |
| **Expenditure** | | | | | | |
| Employee related cost | (170,242,264) | 5,258,803 | **(164,983,461)** | (158,403,650) | **6,579,811** | |
| Remuneration of councillors | (18,870,356) | (1,591,207) | **(20,461,563)** | (20,460,450) | **1,113** | |
| Audit fees | (3,300,000) | (1,092,418) | **(4,392,418)** | (4,392,336) | **82** | |
| Construction contract costs | - | (53,495,035) | **(53,495,035)** | (53,493,884) | **1,151** | |
| Depreciation and amortisation | (12,069,820) | (344,100) | **(12,413,920)** | (9,497,883) | **2,916,037** | Note 38.3 |
| Provision for bad debts | - | (574,275) | **(574,275)** | (573,093) | **1,182** | |
| Finance costs | (9,531,799) | (6,553,300) | **(16,085,099)** | (16,084,765) | **334** | |
| Bad debts written off | - | (70,830) | **(70,830)** | (70,830) | - | |
| Repairs and maintenance | (3,658,669) | (2,774,042) | **(6,432,711)** | (6,426,172) | **6,539** | |
| Contracted services | (39,982,691) | 4,688,757 | **(35,293,934)** | (32,976,685) | **2,317,249** | |
| Operational expenses | (32,889,309) | (16,835,328) | **(49,724,637)** | (47,268,413) | **2,456,224** | |
| **Total expenditure** | **(290,544,908)** | **(73,382,975)** | **(363,927,883)** | **(349,648,161)** | **14,279,722** | |
| **Operating surplus/(deficit)** | **11,661,605** | **(19,993,928)** | **(8,332,323)** | **5,446,514** | **13,778,837** | |
| Grants and subsidies | - | - | - | (28,401,300) | **(28,401,300)** | Note 38.4 |
| Loss on disposal of assets | - | - | - | (210,087) | **(210,087)** | Note 38.5 |
| Gain on fair value adjustment | - | - | - | 385,018 | **385,018** | |
| Actuarial gain | - | 5,370,000 | **5,370,000** | 5,370,000 | - | |
| | **-** | **5,370,000** | **5,370,000** | **(22,856,369)** | **(28,226,369)** | |
| **(Surplus/(deficit) for the year** | **11,661,605** | **(14,623,928)** | **(2,962,323)** | **(17,409,855)** | **(14,447,532)** | |

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| **Current Assets** | | | | | | |
| Inventories | 8,806,318 | (30,000) | **8,776,318** | 2,847,319 | **(5,928,999)** | Note 38.6 |
| Investments | - | - | **-** | 54,194,849 | **54,194,849** | Note 38.7 |
| Receivables from exchange transactions | 4,195,036 | 32,324,326 | **36,519,362** | 52,690,725 | **16,171,363** | Note 38.8 |
| Statutory receivables | 11,600,570 | - | **11,600,570** | 933,070 | **(10,667,500)** | Note 38.9 |
| Cash and cash equivalents | 59,643,173 | (13,800,921) | **45,842,252** | 794,316 | **(45,047,936)** | Note 38.10 |
| | **84,245,097** | **18,493,405** | **102,738,502** | **111,460,279** | **8,721,777** | |
| **Non-Current Assets** | | | | | | |
| Property, plant and equipment | 213,838,638 | 8,991,245 | **222,829,883** | 188,996,696 | **(33,833,187)** | Note 38.11 |
| Intangible assets | 12,160,190 | 2,483,635 | **14,643,825** | 4,060,966 | **(10,582,859)** | Note 38.11 |
| Investments | 4,598,919 | - | **4,598,919** | 1,196,241 | **(3,402,678)** | Note 38.7 |
| | **230,597,747** | **11,474,880** | **242,072,627** | **194,253,903** | **(47,818,724)** | |
| **Total Assets** | **314,842,844** | **29,968,285** | **344,811,129** | **305,714,182** | **(39,096,947)** | |
| **Liabilities** | | | | | | |
| **Current Liabilities** | | | | | | |
| Short-term portion of non-current borrowings | 9,580,684 | 198,422 | **9,779,106** | 10,835,812 | **1,056,706** | Note 38.12 |
| Finance lease obligation | - | - | **-** | 543,432 | **543,432** | Note 38.13 |
| Payables from exchange transactions | 48,054,673 | - | **48,054,673** | 53,192,151 | **5,137,478** | Note 38.14 |
| Provisions | 12,236,630 | - | **12,236,630** | 14,130,317 | **1,893,687** | Note 38.15 |
| | **69,871,987** | **198,422** | **70,070,409** | **78,701,712** | **8,631,303** | |
| **Non-Current Liabilities** | | | | | | |
| Non-current portion of borrowings | 87,566,149 | - | **87,566,149** | 86,144,324 | **(1,421,825)** | |
| Finance lease obligation | - | - | **-** | 489,377 | **489,377** | Note 38.13 |
| Provisions | 29,098,237 | - | **29,098,237** | 32,287,572 | **3,189,335** | Note 38.15 |
| | **116,664,386** | **-** | **116,664,386** | **118,921,273** | **2,256,887** | |
| **Total Liabilities** | **186,536,373** | **198,422** | **186,734,795** | **197,622,985** | **10,888,190** | |
| **Net Assets** | **128,306,471** | **29,769,863** | **158,076,334** | **108,091,197** | **(49,985,137)** | |
| **Net Assets** | | | | | | |
| **Net Assets Attributable to Owners of Controlling Entity** | | | | | | |
| **Reserves** | | | | | | |
| Accumulated surplus | 128,306,471 | 29,769,863 | **158,076,334** | 108,091,197 | **(49,985,137)** | |

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Cash Flow Statement** | | | | | | |
| **Cash flows from operating activities** | | | | | | |
| **Receipts** | | | | | | |
| Grants | 290,102,000 | - | **290,102,000** | 290,449,865 | **347,865** | |
| Interest income | 9,012,800 | - | **9,012,800** | 8,528,425 | **(484,375)** | |
| Dividends received | 175,480 | - | **175,480** | - | **(175,480)** | Note 38.17 |
| Other receipts | 15,416,233 | (13,360,117) | **2,056,116** | 22,832,537 | **20,776,421** | Note 38.18 |
| Construction contract receipts | - | - | - | 68,064,293 | **68,064,293** | Note 38.16 |
| | **314,706,513** | **(13,360,117)** | **301,346,396** | **389,875,120** | **88,528,724** | |
| **Payments** | | | | | | |
| Employee related costs | (168,378,566) | - | **(168,378,566)** | (179,459,034) | **(11,080,468)** | |
| Suppliers | (101,214,149) | (33,138,752) | **(134,352,901)** | (144,038,970) | **(9,686,069)** | |
| Finance costs | (9,012,800) | (2,603,999) | **(11,616,799)** | (11,795,764) | **(178,965)** | |
| Construction contract payments | - | - | - | (64,503,269) | **(64,503,269)** | Note 38.16 |
| | **(278,605,515)** | **(35,742,751)** | **(314,348,266)** | **(399,797,037)** | **(85,448,771)** | |
| **Net cash flows from operating activities** | **36,100,998** | **(49,102,868)** | **(13,001,870)** | **(9,921,917)** | **3,079,953** | |
| **Cash flows from investing activities** | | | | | | |
| Purchase of property, plant and equipment | (26,916,000) | 17,580,901 | **(9,335,099)** | (7,118,714) | **2,216,385** | Note 38.11 |
| Movement in investments | 130,431 | (130,431) | - | - | - | |
| Investment withdrawal | - | - | - | 26,538,292 | **26,538,292** | Note 38.7 |
| Proceeds from sale of assets | - | - | - | 219,960 | **219,960** | Note 38.5 |
| **Net cash flows from investing activities** | **(26,785,569)** | **17,450,470** | **(9,335,099)** | **19,639,538** | **28,974,637** | |
| **Cash flows from financing activities** | | | | | | |
| Repayment of borrowings | (9,580,684) | (198,422) | **(9,779,106)** | (9,746,834) | **32,272** | Note 38.12 |
| Increase/(decrease) in finance leases | - | - | - | (499,299) | **(499,299)** | Note 38.13 |
| **Net cash flows from financing activities** | **(9,580,684)** | **(198,422)** | **(9,779,106)** | **(10,246,133)** | **(467,027)** | |
| Net increase/(decrease) in cash and cash equivalents | (265,255) | (31,850,820) | **(32,116,075)** | (528,512) | **31,587,563** | |
| Cash and cash equivalents at the beginning of the year | 59,908,428 | 18,049,897 | **77,958,325** | 1,322,828 | **(76,635,497)** | Note 38.10 |
| **Cash and cash equivalents at the end of the year** | **59,643,173** | **(13,800,923)** | **45,842,250** | **794,316** | **(45,047,934)** | |

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 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

# Accounting Policies



### 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.

### 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.

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## 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 municipality :
  - 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.

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2023 -11- 30
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### 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 Construction contracts

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

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

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

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

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

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

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

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

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

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

### 1.9 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.

## Accounting Policies

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

**Identification**

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

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

Irrespective of whether there is any indication of impairment, the 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.



**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.

# Accounting Policies

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

**Reversal of an impairment loss**

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

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

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



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

### 1.10 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 municipality 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 municipality 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 municipality 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.

## Accounting Policies

### 1.10 Employee benefits (continued)

**Post-employment benefits**

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

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

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.

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By
2023 -11- 30
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Mpumalanga Business Unit

### 1.10 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

### 1.10 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 entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

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

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

The 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 municipality 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).

### 1.10 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.



### 1.11 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.

### 1.11 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.

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

### 1.12 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.

### 1.12 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.

### 1.13 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.

# Accounting Policies

### 1.13 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.

### 1.14 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.

### 1.15 Accounting for adjustment to revenue

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

### 1.15 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.

### 1.16 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 1.9. 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.

### 1.17 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.



### 1.18 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.

### 1.19 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.

### 1.20 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.

### 1.21 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.

### 1.22 Presentation of currency

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

# Accounting Policies

### 1.23 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.



### 1.24 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, liabilities 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.

### 1.25 Value Added Tax

The municipality accounts for VAT on the payment basis.

### 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 2022 to 30 June 2023.

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.

# Accounting Policies

### 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.

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 Commitments

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

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 2023 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.

### 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.

**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 guideline is for years beginning on or after 1 April 2023.

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

The impact of this standard is currently being assessed.

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

| | 2023 | 2022 |
|---|---|---|
| Cash on hand | 4,000 | 4,000 |
| Bank balances | 790,316 | 1,318,828 |
| | **794,316** | **1,322,828** |

**The municipality had the following bank accounts**

| Account number / description | Bank statement balances 30 June 2023 | 30 June 2022 | 30 June 2021 |
|---|---|---|---|
| FNB Cheque account - 62 113 491 419 (Primary bank account) | 790,316 | 1,141,615 | 563,638 |
| FNB Cheque account - 62 737 784 109 | - | 391 | - |
| FNB Cheque account - 62 852 994 592 | - | 176,822 | 174,734 |
| **Total** | **790,316** | **1,318,828** | **738,372** |

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2023 -11- 30

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Mpumalanga Business Unit

### 4. Receivables from exchange transactions

| | 2023 | 2022 |
|---|---|---|
| Trade and other receivables | 28,778,126 | 10,946,020 |
| Construction contract receivables | 21,499,079 | 36,002,457 |
| Prepayments | 2,413,520 | 2,163,626 |
| | **52,690,725** | **49,112,103** |

**Trade and other receivables**

| **2023** | **Gross balance** | **Allowance for debt impairment** | **Total** |
|---|---|---|---|
| Trade and other receivables | 40,595,001 | (11,816,875) | 28,778,126 |

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

**Trade and other receivables: Ageing**

| | 2023 | 2022 |
|---|---|---|
| Current | 16,545,372 | 5,300,161 |
| 30+days | 2,331,294 | - |
| 60+ days | 2,060,084 | 773,918 |
| 90+ days | 499,310 | 1,844,357 |
| 120+ days | 6,993,423 | 2,515,458 |
| 365+ days | 348,643 | 512,126 |

**Trade and other receivables impaired**

| | 2023 | 2022 |
|---|---|---|
| Current | (6,543,406) | (539,209) |
| 120+ days | - | (2,264,415) |
| 365+ days | (5,273,469) | (8,440,158) |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 4. Receivables from exchange transactions (continued)

**Reconciliation of provision for impairment of trade and other receivables**

| | 2023 | 2022 |
|---|---|---|
| Opening balance | (11,243,782) | (6,561,893) |
| Provision for impairment | (6,543,406) | (4,681,889) |
| Impairment provision reversal | 5,970,313 | - |
| | **(11,816,875)** | **(11,243,782)** |

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.

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## 5. Inventories

| | 2023 | 2022 |
|---|---|---|
| Work in progress | 2,302,386 | 12,161,984 |
| Consumable stores | 217,280 | 263,163 |
| COVID-19 supplies | 327,653 | 444,138 |
| | **2,847,319** | **12,869,285** |

| **Consumables** | 2023 | 2022 |
|---|---|---|
| Opening balance | 263,163 | 167,070 |
| Additions | 1,021,446 | 1,243,246 |
| Issued | (1,051,365) | (1,142,583) |
| Inventory adjustment | (15,964) | (4,570) |
| **Closing balance** | **217,280** | **263,163** |

Consumables comprise of office stationery.

| **COVID-19 supplies** | 2023 | 2022 |
|---|---|---|
| Opening balance | 444,138 | 675,863 |
| Additions | - | 959,175 |
| Issued | (116,485) | (1,190,900) |
| **Closing balance** | **327,653** | **444,138** |

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

**Reconciliation of work in progress 2023**

| | Opening balance | Additions | Transfers | Closing balance |
|---|---|---|---|---|
| Work in progress - projects for local municipalities | 12,161,984 | 12,077,039 | (21,936,637) | 2,302,386 |

**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 |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 6. Statutory receivables

| | 2023 | 2022 |
|---|---|---|
| VAT receivables | 178,070 | 2,772,881 |
| Government grants and subsidies | 755,000 | - |
| | **933,070** | **2,772,881** |

**Statutory receivables reconciliation**

| **2023** | **Gross balance** | **Allowance for debt impairment** | **Total** |
|---|---|---|---|
| Government grants and subsidies | 755,000 | - | 755,000 |
| VAT receivables | 178,070 | - | 178,070 |
| | **933,070** | **-** | **933,070** |

| **2022** | **Gross balance** | **Allowance for debt impairment** | **Total** |
|---|---|---|---|
| VAT receivables | 2,772,881 | - | 2,772,881 |

**Statutory receivables: Ageing**

| | 2023 | 2022 |
|---|---|---|
| Current | 933,070 | 2,772,881 |

Statutory receivables arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The transactions that gave rise to the above statutory receivables were in reference to the Value Added Tax Act (VAT) and Skills Development Act. The VAT receivable amount has been determined as prescribed on the VAT Act, which the current prescribed 15% VAT rate was charged on vatable goods or services and the amount disclosed as receivable is the net of VAT input and output.

The government grants and subsidies receivable emanates from discretionary grant funding agreement between the municipality and Local Government Sector Education and Training Authority (LGSETA) in accordance with the Skills Development Act. The amount receivable was determined on the basis of the terms and conditions of the funding agreement met by the municipality as at the reporting date.

No interest or other charges were levied on the above amounts. The basis to test impairment would be if there is reasonable doubt that the full amounts above would not be realised by the municipality, of which no such reason exist at this stage, therefore there is no impairment on the above statutory receivables. The receivables are expected to be recovered in reasonable time hence no discount rate has been applied for future cashflows. The municipality does not hold any form of collateral as security.

The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above.

The fair value of statutory receivables approximates their carrying amounts.

**Reconciliation of VAT receivables 2023**

| | **Opening balance** | **Amounts claimed** | **Amounts received** | **Amounts accrued** | **Construction contract amounts** | **Closing balance** |
|---|---|---|---|---|---|---|
| South African Revenue Services | 2,772,881 | 14,224,416 | (15,099,826) | (2,554,661) | 835,260 | 178,070 |

**Reconciliation of VAT receivables 2022**

| | **Opening balance** | **Amounts claimed** | **Amounts received** | **Amounts accrued** | **Construction contract amounts** | **Closing balance** |
|---|---|---|---|---|---|---|
| South African Revenue Services | 11,612,645 | 10,771,340 | (14,761,634) | (1,171,338) | (3,678,132) | 2,772,881 |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 7. Investments

**Short term investments**

| | 2023 | 2022 |
|---|---|---|
| Standard Bank fixed deposit | - | 10,045,792 |
| First National Bank fixed deposit | 226,048 | 5,246,838 |
| Nedbank fixed deposit | 40,972,603 | 40,671,233 |
| ABSA Bank fixed deposit | 9,652,159 | 20,671,634 |
| Sanlam investment | 3,344,039 | 3,029,980 |
| | **54,194,849** | **79,665,477** |



**Long term investments**

| | 2023 | 2022 |
|---|---|---|
| Momentum investment | 1,196,241 | 1,125,482 |
| | **1,196,241** | **1,125,482** |

**Reconciliation of Momentum investment**

| | 2023 | 2022 |
|---|---|---|
| Opening balance | 1,125,482 | 1,081,804 |
| Fair value adjustment | 70,959 | 43,866 |
| Charges | (200) | (188) |
| **Closing balance** | **1,196,241** | **1,125,482** |

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**

| | 2023 | 2022 |
|---|---|---|
| Opening balance | 3,029,980 | 3,517,115 |
| Fair value adjustment | 314,059 | (487,135) |
| **Closing balance** | **3,344,039** | **3,029,980** |

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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### 8. Property, plant and equipment

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 11,183,054 | - | 11,183,054 | 11,183,054 | - | 11,183,054 |
| Buildings | 234,923,728 | (71,482,888) | 163,440,840 | 234,923,729 | (66,567,307) | 168,356,422 |
| Furniture and fixtures | 13,266,064 | (11,448,106) | 1,817,958 | 12,857,159 | (11,105,695) | 1,751,464 |
| Motor vehicles | 7,789,086 | (6,232,324) | 1,556,762 | 7,504,009 | (5,943,534) | 1,560,475 |
| Office equipment | 38,074,429 | (27,450,226) | 10,624,203 | 35,818,503 | (26,744,646) | 9,073,857 |
| Plant and equipment | 1,015,420 | (641,541) | 373,879 | 828,011 | (572,885) | 255,126 |
| **Total** | **306,251,781** | **(117,255,085)** | **188,996,696** | **303,114,465** | **(110,934,067)** | **192,180,398** |

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

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Land | 11,183,054 | - | - | - | 11,183,054 |
| Buildings | 168,356,422 | - | - | (4,915,582) | 163,440,840 |
| Furniture and fixtures | 1,751,464 | 435,308 | (1,648) | (367,166) | 1,817,958 |
| Motor vehicles | 1,560,475 | 502,399 | (121,871) | (384,241) | 1,556,762 |
| Office equipment | 9,073,857 | 4,621,374 | (217,983) | (2,853,045) | 10,624,203 |
| Plant and equipment | 255,126 | 188,759 | (179) | (69,827) | 373,879 |
| | **192,180,398** | **5,747,840** | **(341,681)** | **(8,589,861)** | **188,996,696** |

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

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land | 11,183,054 | - | - | - | - | 11,183,054 |
| 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 | (87,294) | (4,580) | (3,160,615) | 9,073,857 |
| Plant and equipment | 291,225 | 48,298 | (86) | 4,580 | (88,891) | 255,126 |
| | **197,868,633** | **4,246,250** | **(146,175)** | **-** | **(9,788,310)** | **192,180,398** |

**Pledged as security**

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

| | 2023 | 2022 |
|---|---|---|
| Land and buildings | 169,428,101 | 174,311,967 |

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

| | 2023 | 2022 |
|---|---|---|
| Office equipment | 1,210,179 | 1,525,844 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 9. Intangible assets

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Cost / Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** | **Cost / Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** |
| Computer software | 18,804,240 | (14,743,274) | 4,060,966 | 17,644,251 | (14,002,112) | 3,642,139 |

**Reconciliation of intangible assets - 2023**

| | **Opening balance** | **Additions** | **Disposals** | **Amortisation** | **Total** |
|---|---|---|---|---|---|
| Computer software | 3,642,139 | 1,370,874 | (44,025) | (908,022) | 4,060,966 |

**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 |

## 10. Payables from exchange transactions

| | 2023 | 2022 |
|---|---|---|
| Trade payables | 14,795,172 | 13,502,691 |
| Retentions | 32,502,096 | 34,654,238 |
| Other creditors | 42,661 | 5,921,041 |
| Construction contract payables | 5,852,222 | 8,105,837 |
| | **53,192,151** | **62,183,807** |

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2023 -11- 30
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Mpumalanga Business Unit

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 11. Provisions

**Reconciliation of provisions - 2023**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Legal proceedings provision | 765,779 | - | (765,779) | - |
| Provision for long service awards | 10,891,891 | 1,478,000 | (988,319) | 11,381,572 |
| Leave provision | 9,553,419 | 252,475 | (1,060,912) | 8,744,982 |
| Post retirement benefits | 23,151,000 | (175,000) | (646,000) | 22,330,000 |
| Provision for performance bonuses | 2,534,418 | 4,599,247 | (3,172,330) | 3,961,335 |
| | **46,896,507** | **6,154,722** | **(6,633,340)** | **46,417,889** |

**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** |

| | 2023 | 2022 |
|---|---|---|
| Non-current liabilities | 32,287,572 | 32,616,891 |
| Current liabilities | 14,130,317 | 14,279,616 |
| | **46,417,889** | **46,896,507** |

**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.

**Post retirement benefits**

| | 2023 | 2022 |
|---|---|---|
| Opening balance of defined benefits | 23,151,000 | 19,491,000 |
| Interest cost | 2,968,000 | 2,430,000 |
| Current service cost | 1,294,000 | 1,261,000 |
| Benefits paid | (646,000) | (404,000) |
| Actuarial (gain)/loss | (4,437,000) | 373,000 |
| | **22,330,000** | **23,151,000** |

Net expense recognised in Statement of Financial Performance

| | 2023 | 2022 |
|---|---|---|
| Interest cost | 2,968,000 | 2,430,000 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 11. Provisions (continued)

| | | |
|---|---|---|
| Current service cost | 1,294,000 | 1,261,000 |
| Actuarial (gain)/loss | (4,437,000) | 373,000 |
| | **(175,000)** | **4,064,000** |



**Long service awards**

| | | |
|---|---|---|
| Opening balance of long service awards | 10,891,891 | 11,476,237 |
| Interest cost | 1,321,000 | 1,111,000 |
| Current service cost | 1,090,000 | 1,246,000 |
| Benefits paid | (988,319) | (1,817,346) |
| Actuarial gain | (933,000) | (1,124,000) |
| | **11,381,572** | **10,891,891** |

Net expense recognised in Statement of Financial Performance

| | | |
|---|---|---|
| Interest cost | 1,321,000 | 1,111,000 |
| Current service cost | 1,090,000 | 1,246,000 |
| Actuarial gain | (933,000) | (1,124,000) |
| | **1,478,000** | **1,233,000** |

**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 5,277 per month as from 1 July 2023.

These funds are subject to actuarial valuations. The last valuation was performed by an independent actuarial firm, Alexander Forbes, on 30 June 2023.

**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 2023.

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

### 11. Provisions (continued)



**Calculation of actuarial gains & losses**

The following key assumptions were used at reporting date:

| | 2023 | 2022 |
| --- | --- | --- |
| **Post retirement benefits** | | |
| Discount rate | 14.20% | 13.00% |
| CPI Inflation | 8.20% | 8.00% |
| Health Care Cost Inflation | 9.70% | 9.50% |
| Salary Inflation | 5.40% | 4.90% |
| Expected retirement age | 65 years | 65 years |
| Continuation members | 15 | 10 |
| In-service members | 145 | 144 |
| | | |
| **Long service awards** | | |
| Discount rate | 11.20% | 11.50% |
| Inflation rate | 5.70% | 6.90% |
| Salary Inflation | 6.70% | 7.90% |
| Members | 175 | 178 |

### 12. Borrowings

| | 2023 | 2022 |
| --- | --- | --- |
| **At amortised cost** | | |
| DBSA loan | 96,980,136 | 106,726,970 |

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%

| | 2023 | 2022 |
| --- | --- | --- |
| **Non-current liabilities** | | |
| At amortised cost | 86,144,324 | 96,977,491 |
| | | |
| **Current liabilities** | | |
| At amortised cost | 10,835,812 | 9,749,479 |

# Notes to the Annual Financial Statements

## 13. Finance lease obligation

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

| Figures in Rand | 2023 | 2022 |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 634,591 | 634,591 |
| - in second to fifth year inclusive | 528,827 | 1,163,418 |
| | 1,163,418 | 1,798,009 |
| less: future finance charges | (130,609) | (265,901) |
| **Present value of minimum lease payments** | **1,032,809** | **1,532,108** |
| **Present value of minimum lease payments due** | | |
| - within one year | 543,432 | 499,299 |
| - in second to fifth year inclusive | 489,377 | 1,032,809 |
| | **1,032,809** | **1,532,108** |
| Non-current liabilities | 489,377 | 1,032,809 |
| Current liabilities | 543,432 | 499,299 |
| | **1,032,809** | **1,532,108** |

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

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 14. Government grants and subsidies



| | | |
|---|---|---|
| Government grant - Equitable Share | 284,129,000 | 274,698,000 |
| Government grant - Finance Management Grant | 1,000,000 | 1,000,000 |
| Government grant - Sector Education and Training Authority | 1,102,865 | 330,539 |
| Government grant - Department Roads & Transport | 2,516,000 | 2,403,000 |
| Government grant - Expanded Public Works Program Incentive | 2,457,000 | 3,234,000 |
| | **291,204,865** | **281,665,539** |

**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 | 2,516,000 | 2,403,000 |
| Conditions met - transferred to revenue | (2,516,000) | (2,403,000) |
| | - | - |

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.

**Local Government Sector Education and Training Authority**

| | | |
|---|---|---|
| Current-year receipts | 347,865 | 330,539 |
| Current-year receivable | 755,000 | - |
| Conditions met - transferred to revenue | (1,102,865) | (330,539) |
| | - | - |

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 | 2,457,000 | 3,234,000 |
| Conditions met - transferred to revenue | (2,457,000) | (3,234,000) |
| | - | - |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

### 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 | | - |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

### 15. Employee related costs

| | | |
| --- | --- | --- |
| Basic salaries | 98,525,120 | 100,522,626 |
| Annual bonus | 6,577,244 | 6,365,949 |
| Medical aid - employer contributions | 7,339,329 | 6,892,434 |
| UIF | 425,507 | 454,029 |
| SDL | 1,219,255 | 1,187,883 |
| Leave pay provision contribution | 252,475 | 1,953,601 |
| Post-employment benefits - pension - defined contribution plan | 17,151,995 | 16,976,907 |
| Travel allowances | 24,213,214 | 23,580,343 |
| Overtime payments | 1,454,705 | 500,493 |
| Acting allowances | 411,427 | 902,970 |
| Housing benefits and allowances | 807,632 | 761,307 |
| Bargaining council | 25,747 | 25,338 |
| COVID-19 emergency work allowances | - | 2,842,625 |
| | **158,403,650** | **162,966,505** |



**Remuneration of Municipal Manager - FS Siboza (Contract ended 31/01/2022)**

| | | |
| --- | --- | --- |
| Annual Remuneration | - | 710,577 |
| Car Allowance | - | 196,000 |
| Performance Bonuses | - | 124,085 |
| Contributions to UIF, Medical and Pension Funds | - | 127,668 |
| Leave pay | - | 167,116 |
| | **-** | **1,325,446** |

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

| | | |
| --- | --- | --- |
| Annual Remuneration | 1,126,793 | 180,075 |
| Car Allowance | 336,000 | 56,000 |
| Performance Bonuses | 115,930 | - |
| Contributions to UIF, Medical and Pension Funds | 289,115 | 47,020 |
| | **1,867,838** | **283,095** |

**Remuneration of Chief Financial Officer - PO Mokoena**

| | | |
| --- | --- | --- |
| Annual Remuneration | 903,612 | 859,173 |
| Car Allowance | 300,000 | 300,000 |
| Performance Bonuses | 136,540 | 198,603 |
| Contributions to UIF, Medical and Pension Funds | 97,527 | 83,255 |
| | **1,437,679** | **1,441,031** |

**General Manager: Corporate services - RS Makwakwa**

| | | |
| --- | --- | --- |
| Annual Remuneration | 763,880 | 776,540 |
| Car Allowance | 220,000 | 240,000 |
| Performance Bonuses | 86,889 | 86,889 |
| Contributions to UIF, Medical and Pension Funds | 215,782 | 225,953 |
| Leave pay | 94,346 | - |
| | **1,380,897** | **1,329,382** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 15. Employee related costs (continued)

**General Manager: LED & Tourism - NP Mahlalela (Promoted 01/05/2022)**

| | | |
|---|---|---|
| Annual Remuneration | - | 731,521 |
| Car Allowance | - | 280,000 |
| Performance Bonuses | - | 101,439 |
| Contributions to UIF, Medical and Pension Funds | - | 197,194 |
| Acting Allowance | - | 43,474 |
| Leave pay | - | 78,150 |
| | **-** | **1,431,778** |

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

**Acting General Manager: LED & Tourism - ML Nkosi (Appointed 01/05/2022 to 31/08/2022)**

| | | |
|---|---|---|
| Annual Remuneration | 133,904 | 126,815 |
| Car Allowance | 46,914 | 44,723 |
| Contributions to UIF, Medical and Pension Funds | 39,274 | 37,445 |
| Acting Allowance | 17,161 | 15,979 |
| | **237,253** | **224,962** |

**General Manager: Technical services - ND Malokela**

| | | |
|---|---|---|
| Annual Remuneration | 859,913 | 806,588 |
| Car Allowance | 240,000 | 240,000 |
| Performance Bonuses | 86,889 | 86,889 |
| Contributions to UIF, Medical and Pension Funds | 203,684 | 195,919 |
| Acting Allowances | 87,093 | 64,716 |
| | **1,477,579** | **1,394,112** |

**General Manager: Municipal Health & Environment- ST Shabangu (Contract ended 31/01/2023)**

| | | |
|---|---|---|
| Annual Remuneration | 523,389 | 814,359 |
| Car Allowance | 140,000 | 240,000 |
| Performance Bonuses | 74,476 | 86,889 |
| Contributions to UIF, Medical and Pension Funds | 115,423 | 187,821 |
| Acting Allowance | 12,997 | - |
| Leave pay | 149,430 | - |
| | **1,015,715** | **1,329,069** |

**Acting General Manager: Municipal Health & Environment- EMM Mahlalela (Appointed 01/02/2023)**

| | | |
|---|---|---|
| Annual Remuneration | 338,570 | - |
| Car Allowance | 117,285 | - |
| Contributions to UIF, Medical and Pension Funds | 77,101 | - |
| Acting Allowance | 40,707 | - |
| | **573,663** | **-** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 15. Employee related costs (continued)

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

| | | |
|---|---|---|
| Annual Remuneration | - | 431,293 |
| Car Allowance | - | 175,000 |
| Performance Bonuses | - | 86,889 |
| Contributions to UIF, Medical and Pension Funds | - | 111,581 |
| Acting Allowance | - | 10,627 |
| Leave pay | - | 82,413 |
| | **-** | **897,803** |



**General Manager: Disaster Management and Social Services - SJ Tibane (Acting from 1 May 2022, Appointed from 01/03/2023)**

| | | |
|---|---|---|
| Annual Remuneration | 751,188 | 190,222 |
| Car Allowance | 224,199 | 44,723 |
| Performance Bonuses | 95,570 | - |
| Contributions to UIF, Medical and Pension Funds | 199,609 | 33,952 |
| Acting Allowance | 73,323 | 15,979 |
| | **1,343,889** | **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 | 1,162,586 | 1,087,851 |
| Speaker | 934,567 | 883,017 |
| Councillors | 9,376,881 | 8,720,595 |
| Councillors' pension contribution | 1,164,454 | 990,617 |
| Chief Whip | 881,104 | 829,633 |
| Councillors other allowances | 6,775,260 | 4,673,040 |
| SDL | 165,598 | 135,426 |
| | **20,460,450** | **17,320,179** |

**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.

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 16. Remuneration of councillors (continued)

**Executive Mayor - Cllr J Sidell**

| | | |
|---|---|---|
| Annual Remuneration | 746,411 | 732,242 |
| Car Allowance | 279,847 | 261,721 |
| Contributions to UIF, Medical and Pension Funds | 136,328 | 93,888 |
| | **1,162,586** | **1,087,851** |



**Speaker - Cllr RE Khumalo**

| | | |
|---|---|---|
| Annual Remuneration | 572,759 | 545,948 |
| Car Allowance | 223,877 | 210,077 |
| Contributions to UIF, Medical and Pension Funds | 137,931 | 126,992 |
| | **934,567** | **883,017** |

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

| | | |
|---|---|---|
| Annual Remuneration | - | 206,680 |
| Car Allowance | - | 72,386 |
| Contributions to UIF, Medical and Pension Funds | - | 25,091 |
| | **-** | **304,157** |

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

| | | |
|---|---|---|
| Annual Remuneration | 552,888 | 338,359 |
| Car Allowance | 209,885 | 124,781 |
| Contributions to UIF, Medical and Pension Funds | 118,331 | 62,337 |
| | **881,104** | **525,477** |

**MMC Environmental Health - Cllr MR Shongwe**

| | | |
|---|---|---|
| Annual Remuneration | 576,838 | 541,254 |
| Car Allowance | 209,885 | 195,245 |
| Contributions to UIF, Medical and Pension Funds | 94,406 | 87,059 |
| | **881,129** | **823,558** |

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

| | | |
|---|---|---|
| Annual Remuneration | - | 189,896 |
| Car Allowance | - | 72,386 |
| Contributions to UIF, Medical and Pension Funds | - | 41,875 |
| | **-** | **304,157** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

**16. Remuneration of councillors (continued)**

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

| | | |
| --- | --- | --- |
| Annual Remuneration | 548,216 | 316,494 |
| Car Allowance | 209,885 | 122,859 |
| Contributions to UIF, Medical and Pension Funds | 123,028 | 80,049 |
| | **881,129** | **519,402** |



**MMC Technical - Cllr M Nkuna (Until 31/01/2023)**

| | | |
| --- | --- | --- |
| Annual Remuneration | 347,543 | 554,422 |
| Car Allowance | 122,433 | 195,245 |
| Contributions to UIF, Medical and Pension Funds | 47,345 | 73,891 |
| | **517,321** | **823,558** |

**MMC Technical - Cllr PA Mathe (From 16/03/2023)**

| | | |
| --- | --- | --- |
| Annual Remuneration | 170,388 | - |
| Car Allowance | 59,449 | - |
| Contributions to UIF, Medical and Pension Funds | 22,400 | - |
| | **252,237** | **-** |

**MMC Social Services - Cllr S Mashigo-Sekgobela**

| | | |
| --- | --- | --- |
| Annual Remuneration | 543,233 | 524,498 |
| Car Allowance | 209,885 | 195,245 |
| Contributions to UIF, Medical and Pension Funds | 128,011 | 103,815 |
| | **881,129** | **823,558** |

**MMC Corporate Services - Cllr MJ Mavuso (Until 3/08/2022)**

| | | |
| --- | --- | --- |
| Annual Remuneration | 59,497 | 602,703 |
| Car Allowance | 19,183 | 195,245 |
| Contributions to UIF, Medical and Pension Funds | 4,000 | 24,000 |
| | **82,680** | **821,948** |

**MMC Corporate Services - Cllr ET Mabuza (From 11/08/2022)**

| | | |
| --- | --- | --- |
| Annual Remuneration | 544,975 | - |
| Car Allowance | 193,035 | - |
| Contributions to UIF, Medical and Pension Funds | 72,319 | - |
| | **810,329** | **-** |

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

| | | |
| --- | --- | --- |
| Annual Remuneration | - | 201,165 |
| Car Allowance | - | 72,386 |
| Contributions to UIF, Medical and Pension Funds | - | 30,606 |
| | **-** | **304,157** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 16. Remuneration of councillors (continued)

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

| | | |
|---|---|---|
| Annual Remuneration | 590,931 | 348,258 |
| Car Allowance | 209,885 | 122,859 |
| Contributions to UIF, Medical and Pension Funds | 80,313 | 48,285 |
| | **881,129** | **519,402** |



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

| | | |
|---|---|---|
| Annual Remuneration | - | 189,157 |
| Car Allowance | - | 72,386 |
| Contributions to UIF, Medical and Pension Funds | - | 42,614 |
| | **-** | **304,157** |

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

| | | |
|---|---|---|
| Annual Remuneration | 548,131 | 325,812 |
| Car Allowance | 209,885 | 122,859 |
| Contributions to UIF, Medical and Pension Funds | 123,113 | 70,731 |
| | **881,129** | **519,402** |

**MMC Strategic Planning - Cllr ET Mabuza (From 01/12/2021 until 10/08/2022)**

| | | |
|---|---|---|
| Annual Remuneration | 45,956 | 348,258 |
| Car Allowance | 16,850 | 122,859 |
| Contributions to UIF, Medical and Pension Funds | 7,994 | 48,285 |
| | **70,800** | **519,402** |

**MMC Strategic Planning - Cllr EIT Shabangu (From 11/08/2022)**

| | | |
|---|---|---|
| Annual Remuneration | 494,978 | - |
| Car Allowance | 186,752 | - |
| Contributions to UIF, Medical and Pension Funds | 108,854 | - |
| | **790,584** | **-** |

### 17. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 8,589,861 | 9,788,310 |
| Intangible assets | 908,022 | 1,537,633 |
| | **9,497,883** | **11,325,943** |

### 18. Finance costs

| | | |
|---|---|---|
| Interest - actuarial valuations and other | 4,330,837 | 3,541,041 |
| Interest - finance leases | 135,293 | 23,127 |
| Interest - non-current borrowings | 11,618,635 | 12,609,590 |
| | **16,084,765** | **16,173,758** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 19. Repairs and maintenance

| | | |
|---|---|---|
| Buildings | 4,966,236 | 4,391,752 |
| Motor vehicles | 1,342,191 | 720,122 |
| Plant and equipment | 25,245 | - |
| Fire brigade wagonets | 92,500 | - |
| | **6,426,172** | **5,111,874** |



### 20. Contracted services

| | | |
|---|---|---|
| **Outsourced services** | | |
| Occupational health and safety | - | 1,481 |
| Organisational | 4,078,927 | 174,951 |
| Commissions and committees | 1,500 | - |
| Project management | 30,000 | - |
| Research and advisory | 3,552,545 | 7,478,315 |
| Catering services | 4,590,399 | 2,448,113 |
| Cleaning services | 309,161 | 172,150 |
| Personnel and labour | - | 655,050 |
| Security services | 2,979,211 | 1,148,271 |
| **Consultants and professional services** | | |
| Audit committee | 505,437 | 501,812 |
| Business and financial management | 5,889,021 | 6,641,151 |
| Organisational | 91,012 | 97,236 |
| Legal cost and litigation | 1,003,053 | 928,194 |
| **Contractors** | | |
| Aerial surveillance | 1,426,438 | 993,207 |
| Event promoters | 266,759 | 168,615 |
| Computer license fees | 8,253,222 | 5,899,115 |
| Removal of waste | - | 762,569 |
| | **32,976,685** | **28,070,230** |

### 21. Grants and subsidies

| | | |
|---|---|---|
| **Other subsidies** | | |
| Department of Roads & Transport | 2,077,523 | 1,985,085 |
| Thaba Chweu Local Municipality | 1,642,339 | 4,963,432 |
| Nkomazi Local Municipality | 3,611,315 | 5,174,777 |
| Bushbuckridge Local Municipality | 9,512,748 | 1,464,688 |
| City of Mbombela Local Municipality | 11,557,375 | 2,002,183 |
| | **28,401,300** | **15,590,165** |

### 22. Auditors' remuneration

| | | |
|---|---|---|
| Audit fees | 4,392,336 | 2,393,472 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 23. Operational expenses

| | | |
|---|---|---|
| Bank charges | 30,224 | 29,569 |
| Bursaries | 558,467 | 461,275 |
| Community outreach | 4,570,068 | 1,861,275 |
| Conferences and seminars | 6,128 | 9,900 |
| Consulting and professional fees | 1,928,146 | 1,662,113 |
| Commission paid to third parties | 12,000 | 12,000 |
| Disaster management cost - centre | - | 57,800 |
| Disaster management operational cost | 1,749,535 | 1,790,921 |
| Electricity, water and rates | 11,132,440 | 9,261,091 |
| Entertainment | 945,728 | 580,699 |
| Fuel and oil | 1,675,223 | 1,175,858 |
| GIS operational costs | 7,633 | 70,738 |
| COVID-19 related expenses | 116,485 | 3,009,280 |
| IDP review | 214,893 | 31,377 |
| Insurance | 1,335,670 | 729,656 |
| Marketing | 2,114,761 | 1,217,815 |
| Municipal health operational cost | 1,029,215 | 69,228 |
| Other expenses | 1,021,392 | 1,218,360 |
| Programs and campaigns | 2,985,157 | 2,097,550 |
| Postage and courier | 4,275 | 9,102 |
| Printing and stationery | 1,106,511 | 1,758,564 |
| Protective clothing | 202,266 | 306,660 |
| Telephone and fax | 1,772,525 | 2,460,507 |
| Tourism development | 923,983 | 267,749 |
| Training | 1,654,197 | 368,920 |
| Travelling and subsistance | 10,171,491 | 5,516,958 |
| | **47,268,413** | **36,034,965** |



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

| | | |
|---|---|---|
| Deficit | (17,409,855) | (8,917,091) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 9,497,883 | 11,325,943 |
| Actuarial (gain) | (5,370,000) | (751,000) |
| Loss/(Gain) on fair value adjustments | (385,018) | 443,269 |
| Loss on disposal of assets | 210,087 | 44,002 |
| Finance costs - finance leases | 135,293 | 23,127 |
| Provision for bad debts | 573,093 | 4,681,889 |
| Debt impairment | 70,830 | - |
| Movements in provisions | 4,891,382 | 5,550,861 |
| Revenue from non-exchange transactions | (755,000) | - |
| Other non-cash items | (28,186) | (229,864) |
| **Changes in working capital:** | | |
| Inventories | 10,021,966 | (3,562,967) |
| Receivables from exchange transactions | (4,151,715) | (220,881) |
| Receivables from exchange transactions | (70,830) | - |
| Payables from exchange transactions | (8,991,658) | (4,971,366) |
| Statutory receivables | 1,839,811 | 5,161,632 |
| | **(9,921,917)** | **8,577,554** |

### 25. Financial instruments disclosure

**Categories of financial instruments**

**2023**

**Financial assets**



| | At fair value | At amortised cost | Total |
| --- | --- | --- | --- |
| Trade and other receivables from exchange transactions | - | 50,277,205 | 50,277,205 |
| Cash and cash equivalents | - | 794,316 | 794,316 |
| Investments | 4,540,280 | 50,850,810 | 55,391,090 |
| | **4,540,280** | **101,922,331** | **106,462,611** |

**Financial liabilities**

| | At amortised cost | Total |
| --- | --- | --- |
| Non-current borrowings | 96,980,136 | 96,980,136 |
| Trade and other payables from exchange transactions | 53,192,151 | 53,192,151 |
| Finance lease liability | 1,032,809 | 1,032,809 |
| | **151,205,096** | **151,205,096** |

**2022**

**Financial assets**

| | At fair value | At amortised cost | Total |
| --- | --- | --- | --- |
| Trade and other receivables from exchange transactions | - | 46,948,477 | 46,948,477 |
| Cash and cash equivalents | - | 1,322,828 | 1,322,828 |
| Investments | 4,155,462 | 76,635,497 | 80,790,959 |
| | **4,155,462** | **124,906,802** | **129,062,264** |

**Financial liabilities**

| | At amortised cost | Total |
| --- | --- | --- |
| Non-current borrowings | 106,726,970 | 106,726,970 |
| Trade and other payables from exchange transactions | 62,183,808 | 62,183,808 |
| Finance lease liability | 1,532,108 | 1,532,108 |
| | **170,442,886** | **170,442,886** |

### 26. Commitments

**Authorised expenditure**

| | 2023 | 2022 |
| --- | --- | --- |
| **Already contracted for but not provided for** | | |
| • Property, plant and equipment | 75,962,670 | 116,487,585 |

### 27. Contingencies



**Contingent liabilities**

**1. 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 amounts to R 160,297 with an additional estimated legal fees of R139,702.

This matter has been set down for trial hearing on 19 November 2023.

**2. 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 R140,000.

**3. Graskop Pale**

Graskop Pale CC issued summons against Thaba Chweu Local Municipality and Ehlanzeni District Municipality as 1st and 2nd defendants respectively 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 amounts to R 189,630 with an additional estimated legal fees of R400,000.

**4. Mpumalanga Copiers**

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.

**5. SMC Enterprise 2 CC**

SMC Enterprise 2 CC served the Ehlanzeni District Municipality with urgent application to interdict a termination process due to poor performance of a contract relating to Driekoppies Regional Water Scheme which was granted by the Mpumalanga High Court on 25 April 2023. The Ehlanzeni District Municipality has filed an appeal application for this judgement at the Supreme Court of Appeal.

The legal fees incurred to date amounts to R517 309 with additional estimated future legal fees estimated at R400 000.

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

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

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2023 -11- 30
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Mpumalanga Business Unit

### 28.1 Irregular expenditure

| | 2023 | 2022 |
|---|---|---|
| Opening balance | 690,694 | - |
| Add: Irregular Expenditure - current year | - | 690,694 |
| Less: Amounts written off by Council | (690,694) | - |
| | **-** | **690,694** |

**Incidents:**

(a) Irregular expenditure of R690 694 incurred during 2021/22 financial year due to non-compliance with local content and production declaration on contract number EDM/36/2020-21

**Remedial actions:**

(a) The irregular expenditure was investigated by MPAC during 2022/23 and the outcome of the investigation was recommendation of the write off of the irregular of R690 694 which was approved by Council as per Council Resolution A75 of 28 June 2023.
(b) The investigation of the potential financial misconduct relating this irregular expenditure has been conducted by the Municipal Disciplinary Board and the outcome of the investigation has been approved by Council as per Council Resolution B4 of August 2023.

### 28.2 Fruitless and wasteful expenditure

| | 2023 | 2022 |
|---|---|---|
| Opening balance | 25,052 | 24,341 |
| add: Incurred during the year | 181,483 | 13,474 |
| Less: Amounts recovered | (11,000) | (12,750) |
| Less: Written off by Council | (194,004) | (13) |
| | **1,531** | **25,052** |

**Incidents:**

(a) Traffic fines issued for violation of traffic statutes amounting to R11 000 and interest charges of R241,73 by SARS for variances on 2022/23 employees tax returns and reconciliations.
(b) Interest charges of R169 490,99 by Nkomazi Local Municipality for unpaid property rates account on property acquired in 1998 by the defunct Lowveld and Escarpment District Council which the District Municipality as a successor in title was not aware of.

**Remedial actions:**

(a) The traffic fines amounting to R11 000 have been recovered from municipal employees.
(b) The interest charges of R242 has been approved to be written off as per Council Resolution A72 of 28 June 2023.
(c) The interest charges of R169 491 has been approved to be written off as per Council Resolution A90 of 29 August 2023.
(d) Salary payment of R24 271 made during 2019/20 financial year to a deceased Councillor has been approved to be written off as per Council resolution B3 of 29 August 2023.

## 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.

### 29. Risk management (continued)

**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 2023 | Less than 1 year | Between 1 and 5 years | Over 5 years |
| --- | --- | --- | --- |
| Non-current borrowings | 10,835,812 | 54,352,699 | 31,791,625 |
| Payables from exchange transactions | 53,192,151 | - | - |
| Finance leases | 543,432 | 489,377 | - |

| At 30 June 2022 | Less than 1 year | Between 1 and 5 years | Over 5 years |
| --- | --- | --- | --- |
| Non-current borrowings | 9,749,479 | 51,467,582 | 45,509,909 |
| Payables from exchange transactions | 62,183,808 | - | - |
| Finance leases | 499,299 | 1,032,809 | - |



**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 | 2023 | 2022 |
| --- | --- | --- |
| Cash and cash equivalents | 794,316 | 1,322,828 |
| Non-current investments | 1,196,241 | 1,125,482 |
| Current investments | 54,194,849 | 79,665,477 |
| Receivables from exchange transactions | 50,277,205 | 46,948,477 |

**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.

### 30. Related parties

**Relationships**

| | |
| --- | --- |
| Close family member of key management | None |
| Members of key management & councillors | See note 15 and 16. |

## Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 31. Interest received

| | 2023 | 2022 |
|---|---|---|
| **Interest revenue** | | |
| Current bank account | 163,663 | 63,358 |
| Fixed deposits | 8,571,483 | 6,602,342 |
| Interest on debtors | 489,812 | 544,476 |
| | **9,224,958** | **7,210,176** |



### 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 R3 392 552.

The effect on Property, Plant and Equipment is a decrease of annual depreciation by R2 399 873, refer to note 8.

The effect on Intangible Assets is a decrease of annual amortisation by R992 679, refer to note 9.

### 33. Revenue

| | 2023 | 2022 |
|---|---|---|
| Construction contracts | 53,075,035 | 99,997,911 |
| Operational income | 802,945 | 656,236 |
| Rental of facilities and equipment | 202,970 | 181,578 |
| Interest received | 9,224,958 | 7,210,176 |
| Dividends received | 165,053 | 153,132 |
| Government grants & subsidies | 291,204,865 | 281,665,539 |
| Fines & penalties | 418,849 | 621,500 |
| | **355,094,675** | **390,486,072** |

| | 2023 | 2022 |
|---|---|---|
| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | |
| Construction contracts | 53,075,035 | 99,997,911 |
| Operational income | 802,945 | 656,236 |
| Rental of facilities and equipment | 202,970 | 181,578 |
| Interest received | 9,224,958 | 7,210,176 |
| Dividends received | 165,053 | 153,132 |
| | **63,470,961** | **108,199,033** |

| | 2023 | 2022 |
|---|---|---|
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Transfer revenue** | | |
| Government grants & subsidies | 291,204,865 | 281,665,539 |
| Fines & penalties | 418,849 | 621,500 |
| | **291,623,714** | **282,287,039** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 34. Comparative information

(a) The National Treasury has issued a guideline in July 2023 that infrastructure projects funded from grants such as RBIG and WSIG grants implemented by an organ of state on behalf of other organ of states, the construction contract GRAP 11 standard should be applied on the treatment of transactions relating to these projects. The previous GRAP 109 standard applied was not requiring the grants revenue and expenditure to be disclosed in the statement of financial performance by the implementing organ of state as it was regarded as an agent of the state organ the grants had been allocated to.

(b) The balance brought forward for irregular expenditure was restated from R2 000 to R0 due to a recording error on the UIFWE Register of an irregular expenditure of R182 000 which was written off as per Council Resolution A22 of 26 September 2019 as R180 000 instead of R182 000.

The effects of the restatements are as follows:

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

| | | |
|---|---|---|
| Contractual commitments | - | 103,743,601 |
| Irregular expenditure - opening balance | - | (2,000) |

### 35. Events after the reporting date

#### 35.1 Adjusting events

(a) Council approved the write off of fruitless and wasteful expenditure incurred during prior and current financial years amounting to R193 762 on 29 August 2023, refer Disclosure Note 28.

(b) Council approved final 2022/23 special adjustments budget on 29 August 2023, refer to the Statement of Comparison of Budget and Actuals.

#### 35.2 Non-Adjusting events

No events after the reporting date were identified by management requires to be disclosed.

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

**Contributions to organised local government**

| | | |
|---|---|---|
| SALGA Membership fee. | 1,905,694 | 1,656,025 |

**PAYE, UIF and SDL**

| | | |
|---|---|---|
| Amount paid - current year | 36,893,387 | 35,082,061 |

**Pension and Medical Aid Deductions**

| | | |
|---|---|---|
| Amount paid - current year | 40,279,243 | 38,724,077 |

**VAT**

| | | |
|---|---|---|
| VAT received - current year | 15,099,826 | 14,761,634 |

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

**Fixed Amount Deviation Procurements - Regulation 36(a)**

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 37. Deviations i.t.o section 36 of Supply Chain Management Policy (continued)

| | | |
|---|---|---|
| Emergency | 788,452 | 655,163 |
| Impractical | 3,029,742 | 2,832,162 |
| Sole provider | 1,491,261 | 2,789,095 |
| | **5,309,455** | **6,276,420** |

**Fixed Rate or Price per Unit Deviation Procurements- Regulation 36(a)**

| | | |
|---|---|---|
| VZLR Incorporated | Impractical | Fixed Rates Based |

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

| | |
|---|---|
| DEWA Consulting Services and Solutions | 1,300,000 |
| Arctipoint (Pty) Ltd t/a Civil Designer South Africa | 655,334 |
| Mabuyi Development Planners | 300,000 |



A register for deviations from normal procurement approved in line with Regulation 36 of the SCM Regulations and SCM Policy is available for inspection, furthermore the register has been tabled to Council under items A78/2023 and A90/2023 on 27 July 2023 and 29 August 2023 respectively.

### 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 Operational Income**

Delay in approval by relevant statutory authorities for the District Municipality to fully enforce its Municipal Health by-laws.

**38.2 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.

**38.3 Depreciation and amortisation**

Reduced depreciation and amortisation expenditure due to the review of useful lives of assets in line with GRAP 17.

**38.4 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.

**38.5 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.

**38.6 Inventories**

The District Municipality funded infrastructure projects initially recognised as work in progress in prior years completed in the current year and transferred as assets to local municipalities.

**38.7 Investments**

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

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.

**38.8 Receivables from exchange transactions**

Due to changes in accounting policies to apply GRAP11 to transactions relating to grant-in kind funded infrastructure projects implemented on behalf of other organs of state, prepayments made during the financial year and monies owed by the local municipalities for support services rendered.

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**38.9 Statutory receivables**

It was improbable to determine during budget preparation, the VAT amount receivable mainly due to the potential and impact of the change of GRAP standard to be applied on the infrastructure projects implemented on behalf of other organs of state.

**38.10 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.

**38.11 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.

**38.12 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.

**38.13 Finance leases**

A finance lease agreement for the office automation machines is classified as a finance lease in accordance with GRAP 13.

**38.14 Payables from exchange transactions**

Accrual of monies owed to service providers as a result of the construction contract agreement between the municipality and Department of Water and Sanitation in accordance with GRAP11 which could not be determined or projected during the finalization of the budget.

**38.15 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.

**38.16 Construction contracts receipts and payments**

Recognition of receipts and payments for infrastructure projects implemented on behalf of other organs of state in line with GRAP11.

**38.17 Dividends received**

Accrued dividends from Sanlam shares not received at year end.

**38.18 Other receipts**

Unanticipated VAT refunds received from SARS during the financial year and not budgeted for.

| Figures in Rand | 2023 | 2022 |
|---|---|---|

### 39. Prior period adjustments

Prior period adjustments made through accumulated surplus are as follows:

(a) The now defunct Lowveld and Escarpment District Council which the District Municipality as a successor in title to a property accuired to the value of R3 080 000, Portion 30 (a portion of portion 3) of the farm Thankerton No. 175 JU in 1998. The property was to be transfered to the now Nkomazi Local Municipality but was not done at the deeds office.

(b) Accural of property rates liability of R 452 889 relating to Portion 30 (a portion of portion 3) of the Farm Thankerton No. 175.

(c) Backpay for Section 56/57 managers totalling R 248 638.

(d) Correction of an error of R621 500 for penalties fees revenue recognised in the prior year as liabilities instead of revenue.

(e) The National Treasury has issued a guideline in July 2023 that infrastructure projects funded from grants such as RBIG and WSIG grants implemented by an organ of state on behalf of other organ of states, the construction contract GRAP 11 standard should be applied on the treatment of transactions relating to these projects. The previous GRAP 109 standard applied was not requiring the grants revenue and expenditure to be included in the statement of financial performance by the implementing organ of state as it was regarded as an agent of the organ of the state the grants had been allocated to.

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

The effect of the restatements are as follows:

| | | |
|---|---|---|
| **Statement of financial position** | | |
| Property, plant and equipment | - | 3,080,000 |
| Payables from exchange transactions - Property rates | - | (452,889) |
| Payables from exchange transactions - S56/57 backpay payments | - | (248,638) |
| Payables from exchange transactions - Penalties revenue reclassification | - | 621,500 |
| Opening accumulated surplus - Property | - | (3,080,000) |
| Opening accumulated surplus - Property rates prior to 2021/2022 | - | 388,463 |
| Receivables from exchange transactions - Construction contracts | - | 3,678,131 |
| Statutory receivables - Value Added Tax | - | (3,678,131) |
| **Statement of Financial Performance** | | |
| Fines and penalties | - | (621,500) |
| Employee related costs | - | 248,638 |
| Operational expenditure (Municipal services) | - | 64,426 |
| Revenue from exchange transactions - Construction contracts | - | (99,997,911) |
| Construction contract costs | - | 99,997,911 |
| **Statement of Changes in Net Assets** | | |
| Property, plant and equipment | - | (3,080,000) |
| Property rates prior to 2021/2022 | - | 388,463 |
| **Accumulated surplus - 1 July 2021** | **-** | **(2,691,537)** |
| Property, plant and equipment | - | (3,080,000) |
| Fines and penalties | - | (621,500) |
| Employee related costs | - | 248,638 |
| Operational expenditure (Municipal services) | - | 452,889 |
| **Accumulated surplus - 1 July 2022** | **-** | **(2,999,973)** |

(f) There has been other credit transactions totalling R 190 776 and other debit transactions totalling R40 925 accrued or paid in the financial year under review relating to prior periods. The net adjustment directly through surplus is R149 851.

The details of these credit transactions are as follows;

**39. Prior period adjustments (continued)**

- Interest adjustment due to outcome of court case totalling R 65 778.
- Adjustment to travel expenditure accruals of R 64 129.
- Reversal of prior over-provision of litigation fees by R 34 195
- Minor credit adjustments and receipts relating to prior periods totalling R 26 674.



The details of these debit transactions are as follows:

- Adjustment of prior year VAT of R 32 228.
- Minor expenses paid or accrued for relating to prior periods totalling R 8 697.

**40. 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

## 40. Segment reporting (continued)

**2023**

| | Council | Office of the Municipal Manager | Financial Services | Corporate Services | Technical Services | LED and Tourism | Commuity Services | Strategic Planning and Social Services | Entity Total |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Revenue from non-exchange transactions | - | - | 291,623,714 | - | - | - | - | - | 291,623,714 |
| Revenue from exchange transactions | - | - | 10,395,926 | - | - | - | - | - | 10,395,926 |
| Construction contracts | - | - | 53,075,035 | - | - | - | - | - | 53,075,035 |
| **Total segment revenue** | **-** | **-** | **355,094,675** | **-** | **-** | **-** | **-** | **-** | **355,094,675** |
| **Expenditure** | | | | | | | | | |
| Salaries and wages | 15,343,986 | 16,706,091 | 28,771,083 | 16,551,524 | 10,579,970 | 13,259,083 | 32,182,864 | 22,989,849 | 156,384,450 |
| Council remuneration | 20,294,852 | - | - | - | - | - | - | - | 20,294,852 |
| Operational expenditure | 11,415,795 | 4,707,389 | 25,539,987 | 26,569,612 | 1,498,239 | 7,124,390 | 8,448,720 | 7,944,272 | 93,248,404 |
| Grants and subsidies | - | - | 28,401,300 | - | - | - | - | - | 28,401,300 |
| Provision for impairment | - | - | 573,093 | - | - | - | - | - | 573,093 |
| Construction contract costs | - | - | 53,493,884 | - | - | - | - | - | 53,493,884 |
| Bad debts written off | - | - | 70,830 | - | - | - | - | - | 70,830 |
| Finance charges | - | - | 16,084,765 | - | - | - | - | - | 16,084,765 |
| Depreciation and amortisation | 273,100 | 361,459 | 1,349,944 | 5,681,424 | 244,542 | 141,216 | 883,593 | 562,605 | 9,497,883 |
| Loss on disposal of assets | - | - | 210,087 | - | - | - | - | - | 210,087 |
| Gain on fair value adjustments | - | - | (385,018) | - | - | | - | - | (385,018) |
| Actuarial gain | - | - | (5,370,000) | - | - | - | - | - | (5,370,000) |
| **Total segment expenditure** | **47,327,733** | **21,774,939** | **148,739,955** | **48,802,560** | **12,322,751** | **20,524,689** | **41,515,177** | **31,496,726** | **372,504,530** |
| **Total segmental surplus/(deficit)** | | | | | | | | | **(17,409,855)** |
| **Assets** | | | | | | | | | |
| Segment assets | 1,140,341 | 1,345,730 | 4,973,661 | 177,559,109 | 1,313,752 | 586,070 | 5,551,968 | 587,030 | 193,057,661 |

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

**40. Segment reporting (continued)**

| | |
|---|---|
| Investments | 55,391,090 |
| Inventories | 2,847,319 |
| Receivables from exchange transactions | 52,690,725 |
| Statutory receivables | 933,070 |
| Cash and cash equivalents | 794,316 |
| **Total assets as per Statement of financial Position** | **305,714,181** |
| Finance leases | 1,032,809 |
| Payables from exchange transactions | 53,192,151 |
| Provisions | 46,417,889 |
| Long term loans | 96,980,136 |
| **Total liabilities as per Statement of financial Position** | **197,622,985** |
| **Accumulated Surplus** | **108,091,197** |

**2022**

| | 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 | - | - | 282,287,039 | - | - | - | - | - | 282,287,039 |
| Other revenue from exchange transactions | - | - | 8,201,122 | - | - | - | - | - | 8,201,122 |
| Construction contracts | - | - | 99,997,911 | - | - | - | - | - | 99,997,911 |
| **Total segment revenue** | **-** | **-** | **390,486,072** | **-** | **-** | **-** | **-** | **-** | **390,486,072** |

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

## Notes to the Annual Financial Statements

Figures in Rand

### 40. Segment reporting (continued)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **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 | 24,298,797 | 5,681,423 | 4,204,947 | 2,812,347 | 7,464,211 | 73,182,490 |
| Grants and subsidies | - | - | 15,590,166 | - | - | - | - | - | 15,590,166 |
| Provision for impairment | - | - | 4,681,889 | - | - | - | - | - | 4,681,889 |
| Construction contract costs | - | - | 99,997,911 | - | - | - | - | - | 99,997,911 |
| 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 |
| Loss on fair value adjustments | - | - | 443,269 | - | - | - | - | - | 443,269 |
| Actuarial gain | - | - | (751,000) | - | - | - | - | - | (751,000) |
| **Total segment expenditure** | **36,280,225** | **27,914,128** | **189,874,280** | **58,295,471** | **14,780,844** | **20,933,782** | **27,300,402** | **24,024,031** | **399,403,163** |
| **Total segmental surplus/(deficit)** | | | | | | | | | **(8,917,091)** |
| **Assets** | | | | | | | | | |
| Segment assets | 1,098,149 | 1,253,542 | 5,145,217 | 182,439,673 | 730,794 | 498,901 | 2,344,874 | 2,311,387 | 195,822,537 |
| Investments | | | | | | | | | 80,790,959 |
| Inventories | | | | | | | | | 12,869,285 |
| Receivables from exchange transactions | | | | | | | | | 49,112,103 |
| Statutory receivables | | | | | | | | | 2,772,882 |
| Cash and cash equivalents | | | | | | | | | 1,322,828 |
| **Total assets as per Statement of financial Position** | | | | | | | | | **342,690,594** |
| Finance leases | | | | | | | | | 1,532,108 |
| Payables from exchange transactions | | | | | | | | | 62,183,808 |
| Provisions | | | | | | | | | 46,896,507 |
| Long term loans | | | | | | | | | 106,726,970 |
| **Total liabilities as per Statement of financial Position** | | | | | | | | | **217,339,393** |
| **Accumulated Surplus** | | | | | | | | | **125,351,201** |

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

## Notes to the Annual Financial Statements

Figures in Rand

**40. 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 financialstatements and is unaudited:

# Appendix A

June 2023

## Schedule of external loans as at 30 June 2023

| | Loan Number | Redeemable | Balance at 1 July 2022<br>Rand | Received during the period<br>Rand | Redeemed written off during the period<br>Rand | Balance at 30 June 2023<br>Rand | Carrying Value of Property, Plant & Equip<br>Rand | Other Costs in accordance with the MFMA<br>Rand |
|---|---|---|---|---|---|---|---|---|
| **Loan Stock** | | | | | | | | |
| **Structured loans** | | | | | | | | |
| **Funding facility** | | | | | | | | |
| **Development Bank of South Africa** | | | | | | | | |
| DBSA - 61000886<br>Maturity date: 31/12/2029<br>Interest calculated at 11.12% | | | 106,726,970 | - | 9,746,834 | 96,980,136 | 169,428,101 | - |
| | | | **106,726,970** | **-** | **9,746,834** | **96,980,136** | **169,428,101** | **-** |
| **Bonds** | | | | | | | | |
| **Other loans** | | | | | | | | |
| **Lease liability** | | | | | | | | |
| **Annuity loans** | | | | | | | | |
| **Government loans** | | | | | | | | |
| **Total external loans** | | | | | | | | |
| Development Bank of South Africa | | | 106,726,970 | - | 9,746,834 | 96,980,136 | 169,428,101 | - |
| | | | **106,726,970** | **-** | **9,746,834** | **96,980,136** | **169,428,101** | **-** |

# Appendix B

## Analysis of property, plant and equipment as at 30 June 2023

| | 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 | 11,183,054 | - | - | - | **11,183,054** | - | - | - | - | - | - | 11,183,054 |
| Buildings | 234,923,728 | - | - | - | **234,923,728** | (66,567,307) | - | - | - | (4,915,581) | **(71,482,888)** | 163,440,840 |
| | **246,106,782** | - | - | - | **246,106,782** | **(66,567,307)** | - | - | - | **(4,915,581)** | **(71,482,888)** | **174,623,894** |
| **Other assets** | | | | | | | | | | | | |
| Plant & equipment | 828,011 | 188,759 | (1,350) | - | **1,015,420** | (572,885) | 1,171 | - | - | (69,827) | **(641,541)** | 373,879 |
| Furniture & Fittings | 12,857,159 | 435,308 | (26,403) | - | **13,266,064** | (11,105,695) | 24,754 | - | - | (367,167) | **(11,448,108)** | 1,817,956 |
| Computer equipment | 35,818,503 | 4,621,374 | (2,365,448) | - | **38,074,429** | (26,744,644) | 2,147,463 | - | - | (2,853,045) | **(27,450,226)** | 10,624,203 |
| Motor vehicles | 7,504,009 | 502,399 | (217,322) | - | **7,789,086** | (5,943,534) | 95,453 | - | - | (384,241) | **(6,232,322)** | 1,556,764 |
| | **57,007,682** | **5,747,840** | **(2,610,523)** | - | **60,144,999** | **(44,366,758)** | **2,268,841** | - | - | **(3,674,280)** | **(45,772,197)** | **14,372,802** |
| Total property plant and equipment | **303,114,464** | **5,747,840** | **(2,610,523)** | - | **306,251,781** | **(110,934,065)** | **2,268,841** | - | - | **(8,589,861)** | **(117,255,085)** | **188,996,696** |
| **Intangible assets** | | | | | | | | | | | | |
| Computer software | 17,644,251 | 1,370,874 | (210,884) | - | **18,804,241** | (14,002,113) | 166,860 | - | - | (908,022) | **(14,743,275)** | 4,060,966 |
| | **17,644,251** | **1,370,874** | **(210,884)** | - | **18,804,241** | **(14,002,113)** | **166,860** | - | - | **(908,022)** | **(14,743,275)** | **4,060,966** |

# Appendix C

## Segmental analysis of property, plant and equipment as at 30 June 2023

| | 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 | 171,371 | 42,566 | - | (9,911) | **204,026** | (129,061) | - | 9,575 | - | (9,782) | **(129,268)** | 74,758 |
| Corporate Services | 257,571,005 | 865,842 | (135,071) | (186,726) | **258,115,050** | (75,131,334) | 97,084 | 147,942 | - | (5,669,633) | **(80,555,941)** | 177,559,109 |
| Disaster management | 26,603,939 | 1,224,865 | (95,644) | (1,003,081) | **26,730,079** | (24,531,102) | 91,648 | 970,192 | - | (476,741) | **(23,946,003)** | 2,784,076 |
| Executive Mayor | 2,495,459 | 94,141 | - | (13,922) | **2,575,678** | (1,919,446) | - | 10,462 | - | (115,636) | **(2,024,620)** | 551,058 |
| Financial Services | 18,138,609 | 1,239,227 | (2,106,401) | 1,660,747 | **18,932,182** | (12,993,392) | 1,950,751 | (1,471,670) | - | (1,444,209) | **(13,958,520)** | 4,973,662 |
| Internal Audit | 213,499 | 75,616 | (15,352) | (15,616) | **258,147** | (162,024) | 12,691 | 15,298 | - | (14,985) | **(149,020)** | 109,127 |
| LED and Tourism | 1,342,220 | 181,394 | (9,158) | 47,558 | **1,562,014** | (908,912) | 8,080 | (37,651) | - | (116,314) | **(1,054,797)** | 507,217 |
| Municipal Health | 5,878,676 | 1,397,677 | (323,624) | (91,591) | **6,861,138** | (3,533,802) | 171,654 | 88,036 | - | (819,134) | **(4,093,246)** | 2,767,892 |
| Municipal Manager | 3,577,589 | 428,546 | (43,112) | (250,546) | **3,712,477** | (2,375,522) | 32,098 | 185,959 | - | (318,409) | **(2,475,874)** | 1,236,603 |
| Strategic Services | - | 473,999 | - | 15,411 | **489,410** | - | - | (9,846) | - | (75,235) | **(85,081)** | 404,329 |
| Rural Development | 283,563 | 40,271 | (8,552) | (32,113) | **283,169** | (217,970) | 6,780 | 23,143 | - | (16,269) | **(204,316)** | 78,853 |
| Social and Transversal Issues | 939,887 | - | (22,037) | (10,069) | **907,781** | (701,336) | 15,900 | 9,112 | - | (48,756) | **(725,080)** | 182,701 |
| Speaker | 1,722,298 | 191,971 | (14,546) | (14,009) | **1,885,714** | (1,242,472) | 6,465 | 7,472 | - | (142,654) | **(1,371,189)** | 514,525 |
| Technical Services | 1,820,600 | 862,599 | (47,911) | (96,132) | **2,539,156** | (1,089,805) | 42,551 | 51,976 | - | (230,126) | **(1,225,404)** | 1,313,752 |
| | **320,758,715** | **7,118,714** | **(2,821,408)** | **-** | **325,056,021** | **(124,936,178)** | **2,435,702** | **-** | **-** | **(9,497,883)** | **(131,998,359)** | **193,057,662** |

## Appendix D

### Segmental Statement of Financial Performance for the year ended 30 June 2023

| Current Year Actual Income Rand | Current Year Actual Expenditure Rand | Current Year Surplus /(Deficit) Rand | | Prior Year Actual Income Rand | Prior Year Actual Expenditure Rand | Prior Year Surplus /(Deficit) Rand |
|---|---|---|---|---|---|---|
| | | | **Municipality** | | | |
| - | 8,440,687 | (8,440,687) | Office Executive Mayor | - | 5,252,048 | (5,252,048) |
| - | 5,170,835 | (5,170,835) | Office Rural Development | - | 4,516,781 | (4,516,781) |
| - | 25,493,777 | (25,493,777) | Office of the Speaker | - | 19,846,999 | (19,846,999) |
| - | 10,572,938 | (10,572,938) | Mayoral Committee | - | 9,807,930 | (9,807,930) |
| - | 17,312,754 | (17,312,754) | Office Municipal Manager | - | 23,938,505 | (23,938,505) |
| 355,094,675 | 148,740,376 | 206,354,299 | Finance | 390,486,072 | 190,122,918 | 200,363,154 |
| - | 48,802,560 | (48,802,560) | Corporate services | - | 58,046,823 | (58,046,823) |
| - | 12,322,750 | (12,322,750) | Technical Services | - | 14,780,844 | (14,780,844) |
| - | 30,456,841 | (30,456,841) | Municipal Health and Environment | - | 27,300,402 | (27,300,402) |
| - | 2,819,911 | (2,819,911) | Office Chief Whip | - | 1,373,248 | (1,373,248) |
| - | 4,462,185 | (4,462,185) | Internal Audit | - | 3,975,623 | (3,975,623) |
| - | 31,496,726 | (31,496,726) | Transversal Issues | - | 9,872,230 | (9,872,230) |
| - | 15,353,854 | (15,353,854) | LED and Tourism | - | 16,417,001 | (16,417,001) |
| - | 11,058,336 | (11,058,336) | Disaster Management and Public Safety | - | 14,151,811 | (14,151,811) |
| **355,094,675** | **372,504,530** | **(17,409,855)** | | **390,486,072** | **399,403,163** | **(8,917,091)** |

## Appendix E(1)

# Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2023

| | Current year 2023 Act. Bal. Rand | Current year 2023 Adjusted budget Rand | Variance Rand | Var | Explanation of Significant Variances greater than 10% versus Budget |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Construction contracts | 53,075,035 | 53,075,035 | - | - | |
| Operational income | 802,945 | 1,706,116 | (903,171) | (52.9) | Refer to note 39 |
| Rental of facilities and equipment | 202,970 | 350,000 | (147,030) | (42.0) | Refer to note 39 |
| Interest received | 9,224,958 | 9,012,800 | 212,158 | 2.4 | |
| Dividends received | 165,053 | 175,480 | (10,427) | (5.9) | |
| Fines and penalties | 418,849 | 418,849 | - | - | |
| Government grants & subsidies | 291,204,865 | 290,857,280 | 347,585 | 0.1 | |
| | 355,094,675 | 355,595,560 | (500,885) | (0.1) | |
| **Expenses** | | | | | |
| Employee related cost | (158,403,650) | (164,983,461) | 6,579,811 | (4.0) | |
| Remuneration of councillors | (20,460,450) | (20,461,563) | 1,113 | - | |
| Audit fees | (4,392,336) | (4,392,418) | 82 | - | |
| Construction contract costs | (53,493,884) | (53,495,035) | 1,151 | - | |
| Depreciation and amortisation | (9,497,883) | (12,413,920) | 2,916,037 | (23.5) | Refer to note 39 |
| Provision for bad debts | (573,093) | (574,275) | 1,182 | (0.2) | |
| Finance costs | (16,084,765) | (16,085,099) | 334 | - | |
| Bad debts written off | (70,830) | (70,830) | - | - | |
| Repairs and maintenance | (6,426,172) | (6,432,711) | 6,539 | (0.1) | |
| Contracted services | (32,976,685) | (35,293,934) | 2,317,249 | (6.6) | |
| Operational expenses | (47,268,413) | (49,724,637) | 2,456,224 | (4.9) | |
| | (349,648,161) | (363,927,883) | 14,279,722 | (3.9) | |
| **Other revenue and costs** | | | | | |
| Grants and subsidies | (28,401,300) | - | (28,401,300) | - | |
| Loss on disposal of assets | (210,087) | - | (210,087) | - | |
| Gain on fair value adjustments | 385,018 | - | 385,018 | - | |
| Actuarial gain | 5,370,000 | 5,370,000 | - | - | |
| | (22,856,369) | 5,370,000 | (28,226,369) | 525.6) | |
| Net surplus/ (deficit) for the year | (17,409,855) | (2,962,323) | (14,447,532) | 487.7 | |

## Appendix E(2)

# Budget Analysis of Capital Expenditure as at 30 June 2023

| | Additions<br>Rand | Revised Budget<br>Rand | Variance<br>Rand | Variance<br>% | Explanation of significant variances from budget |
|---|---|---|---|---|---|
| **Municipality** | | | | | |
| Chief Whip | 42,566 | 45,000 | 2,434 | **5** | |
| Corporate Services | 865,842 | 900,000 | 34,158 | **4** | |
| Disaster Management | 1,224,865 | 1,300,000 | 75,135 | **6** | |
| Executive Mayor | 94,141 | 770,000 | 675,859 | **88** | Refer to note 39 |
| Financial Services | 1,239,227 | 1,915,099 | 675,872 | **35** | Refer to note 39 |
| Internal Audit | 75,616 | 80,000 | 4,384 | **5** | |
| LED & Tourism | 181,394 | 200,000 | 18,606 | **9** | |
| Community Services | 1,397,677 | 1,400,000 | 2,323 | **-** | |
| Municipal Manager | 428,546 | 430,000 | 1,454 | **-** | |
| Strategic Services | 473,999 | 475,000 | 1,001 | **-** | |
| Rural Develpment | 40,271 | 45,000 | 4,729 | **11** | |
| Social Services | - | - | - | **-** | |
| Speaker | 191,971 | 875,000 | 683,029 | **78** | Refer to note 39 |
| Technical Services | 862,599 | 900,000 | 37,401 | **4** | |
| Mayoral Committee | - | - | - | **-** | |
| | - | - | - | **-** | |
| | **7,118,714** | **9,335,099** | **2,216,385** | **24** | |

**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 | 110,810,000 | 93,762,000 | 79,557,000 | - | 71,032,250 | 71,032,250 | 71,032,250 | 71,032,250 | Yes |
| Finance Management Grant | 1,000,000 | - | - | - | 250,000 | 250,000 | 250,000 | 250,000 | Yes |
| National Department of Roads | 1,761,000 | - | 755,000 | - | 379,592 | 809,917 | 228,462 | 1,098,029 | Yes |
| Sector Education and Training Authority | 43,135 | 174,166 | 59,496 | 71,068 | 86,966 | 86,966 | 86,966 | 86,967 | Yes |
| Expanded Public Works Program Incentive | 615,000 | 1,106,000 | 736,000 | - | 614,250 | 614,250 | 614,250 | 614,250 | Yes |
| | - | - | - | - | - | - | - | - | Yes |
| | - | - | - | - | - | - | - | - | Yes |
| | - | - | - | - | - | - | - | - | Yes |
| | - | - | - | - | - | - | - | - | Yes |
| | - | - | - | - | - | - | - | - | Yes |
| | - | - | - | - | - | - | - | - | Yes |
| | - | - | - | - | - | - | - | - | Yes |
| | - | - | - | - | - | - | - | - | Yes |
| | 114,229,135 | 95,042,166 | 81,107,496 | 71,068 | 72,363,058 | 72,793,383 | 72,211,928 | 73,081,496 | |