DR. KENNETH KAUNDA

DISTRICT MUNICIPALITY

Dr Kenneth Kaunda DM Group
Group Annual Financial Statements
for the year ended June 30, 2021

General Information

Legal form of entity	District Municipality
Mayoral committee	
Executive Mayor	B Mosiane-Segotso
Speaker	DP Masui
Chief Whip	NM Koloti
Chairperson MPAC	GA Mohoemng
Mayoral Committee	MM Hohaji (Corporate Services and Administration)
	ZE Mphafudi (Sport, Arts and Culture)
	SP Valiphathwa (Public works and Transport)
	M Zephe (Financial Services)
	MI Martins (Health and Social Services & Disaster Risk Management)
	HH Mbele (District Economic Development)
Part time Councillors	Diketso Patric Masiu
	Ntombi Margaret Koloti
	Barei Mosiane-Segotso
	Mbulelo Zephe
	Martha Mmametlholo Mojahi
	Magogodi Innocentia Martins
	Zanele Ezekiel Mphafudi
	LM Lebenuya - Kortjaas
	Hazel Htombenhle Mbele
	Frank Thapelo M osothwane
	Lawrence Siamisang Motlhoiwa
	Beatrice Aletta Susanna C ampbell-Cloete
	Karina Lizette Van Z
	Willem Andries Mostert
	Linah Nokhuthazo Dayiya
	Sadi Victoria Letshwiti
	Francois Jacobus Botha
Directly Elected Councillors	Aletta Serame Motladiile
	Andries Olebogeng Phutiyagae
	Bongiwe Tsabedze
	Dathini Gwili
	HFC Jordaan
	Goitsimodimo Andries Mohoemang
	Happy Frans Saudi
	Kayaletu Ndincede
	Lebenya Mpolokeng Lebenya-Kortjaas
	Lucia Lerato Cutswa
	Meisie Ntwelekazi Ntuli
	Pule Zachariah Lesomo
	Seetisho Lizzy Moremi
	Shorty Paul Valipathwa
	Stella Lebohang Mondlane
	Christiaan Johannes Bester
	Christian Hattingh
	Elizabeth Maria Postma
	Glen Mosenogi
	Johannes Jacobus Le Grange

General Information

	Lesego Sylvia Mokgalagadi Madikgapa Elisa Mosweu Hendrik Frans Cornelius Jordaan Matthys Jacobus Van Tonder MJ van Rensburg
Accounting Officer	SM Lesupi(Municipal Manager) MA Metswamere (Acting Municipal Manager from September 2021)
Chief Finance Officer (CFO)	Lucky Steenkamp
Registered office	Civic Centre Patmore Road Orkney 2620
Postal address	Private Bag X5017 Klerksdorp 2570
Bankers	ABSA
Auditors	Auditor General South Africa

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

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act

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 group annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the group 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 group annual financial statements and was given unrestricted access to all financial records and related data.

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

The group 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 he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 group 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 economic entity's cash flow forecast for the year to June 30, 2022 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the economic entity's group annual financial statements. The group annual financial statements have been examined by the economic entity's external auditors and their report is presented on page 5.

The group annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

Accounting Officer (Acting)
Mr MA Metswamere

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2021.

1. Review of activities

Main business and operations

The economic entity is engaged in providing municipal services.

The operating results and state of affairs of the municipality are fully set out in the attached group annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at June 30, 2021, the municipality had an accumulated surplus (deficit) of R 76,893,629 and that the municipality's total liabilities exceed its assets by R 76,893,629.

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

3. Subsequent events

The municipality is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The group annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The economic entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the economic entity's compliance with the code on a three monthly basis.

6. Interest in controlled entities

Name of controlled entity	Shareholding
Dr Kenneth Kaunda District Economic Development Agency	100%

7. Auditors

Auditor General South Africa will continue in office for the next financial period.

The group annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

Accounting Officer (Acting)
Mr MA Metswamere

Statement of Financial Position as at June 30, 2021

Figures in Rand	Note(s)	Economic entity 2021	Economic entity 2020 Restated*	Controlling entity 2021	Controlling entity 2020 Restated*
Assets					
Current Assets					
Receivables from exchange transactions	7	4,007,846	2,442,360	3,745,677	2,243,218
VAT receivable	8	4,278,939	5,326,618	4,278,939	5,326,618
Non Current assets held for sale	9	91,352	149,208	-	-
Cash and cash equivalents	10	99,029,665	75,371,115	98,984,943	73,503,490
		107,407,802	**83,289,301**	**107,009,559**	**81,073,326**
Non-Current Assets					
Property, plant and equipment	2	17,254,876	19,991,231	17,254,876	19,991,231
Intangible assets	3	454,580	538,377	454,580	538,377
Investments in controlled entities	4	-	-	120	120
		17,709,456	**20,529,608**	**17,709,576**	**20,529,728**
Total Assets		**125,117,258**	**103,818,909**	**124,719,135**	**101,603,054**
Liabilities					
Current Liabilities					
Payables from exchange transactions	13	27,914,672	22,363,798	27,675,323	21,664,859
Payables from non-exchange transactions	14	1,074,557	1,014,006	1,524,557	1,464,006
VAT payable	15	2,850,224	2,488,497	-	-
Post retirement medical aid liability	5	322,000	287,000	322,000	287,000
Unspent conditional grants and receipts	16	65,626	65,626	65,626	65,626
Long service award liability	6	377,000	167,000	377,000	167,000
		32,604,079	**26,385,927**	**29,964,506**	**23,648,491**
Non-Current Liabilities					
Post retirement medical aid liability	5	14,351,000	11,670,000	14,351,000	11,670,000
Long service award liability		3,510,000	3,310,000	3,510,000	3,310,000
		17,861,000	**14,980,000**	**17,861,000**	**14,980,000**
Total Liabilities		**50,465,079**	**41,365,927**	**47,825,506**	**38,628,491**
Net Assets		**74,652,179**	**62,452,982**	**76,893,629**	**62,974,563**
Accumulated surplus	11	74,652,179	62,452,982	76,893,629	62,974,563

* See Note

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2021	2020 Restated*	2021	2020 Restated*
Revenue					
Revenue from exchange transactions					
Sale of tender documents		44,300	88,800	44,300	78,800
Agency services		-	697,000	-	697,000
Commissions received		19,585	701,062	19,585	701,062
SARS refund		-	39,397	-	-
Other income - refunds		-	35,037	-	35,037
Licensing and permits		407,476	477,332	407,476	477,332
Interest received - investment	17	4,201,529	5,839,887	4,186,300	5,677,254
Dividends received	17	273,508	-	273,508	-
Total revenue from exchange transactions		**4,946,398**	**7,878,515**	**4,931,169**	**7,666,485**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	18	203,457,090	196,114,569	203,672,307	193,505,873
Public contributions and donations	41	20,400	-	20,400	-
Other transfer revenue 1		38,680	-	-	-
Total revenue from non-exchange transactions		**203,516,170**	**196,114,569**	**203,692,707**	**193,505,873**
Total revenue		**208,462,568**	**203,993,084**	**208,623,876**	**201,172,358**
Expenditure					
Employee related costs	19	(111,872,149)	(99,481,559)	(110,330,545)	(97,442,027)
Remuneration of councillors and board allowance	20	(10,529,831)	(10,427,655)	(10,366,968)	(10,253,749)
Depreciation and amortisation	21	(5,968,859)	(7,004,502)	(5,911,003)	(6,930,570)
Contracted services	22	(29,661,792)	(24,197,842)	(29,661,792)	(24,197,842)
Transfers and Subsidies	23	(5,419,808)	(5,073,489)	(7,703,797)	(5,073,489)
General Expenses	24	(30,720,578)	(27,450,469)	(29,285,114)	(25,938,184)
Total expenditure		**(194,173,017)**	**(173,635,516)**	**(193,259,219)**	**(169,835,861)**
Operating surplus		**14,289,551**	**30,357,568**	**15,364,657**	**31,336,497**
Actuarial gains/losses	5	(922,000)	1,073,140	(922,000)	1,073,140
Loss on non-current assets held for sale or disposal groups		(526,731)	(5,596)	(526,731)	(5,596)
		12,840,820	**31,425,112**	**(1,448,731)**	**1,067,544**
Surplus for the year		**12,840,820**	**31,425,112**	**13,915,926**	**32,404,041**

* See Note

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Opening balance as previously reported	29,810,291	29,810,291
Adjustments		
Prior year adjustments	1,126,207	1,126,207
Balance at July 1, 2019 as restated*	**30,936,498**	**30,936,498**
Changes in net assets		
Surplus for the year	31,425,112	31,425,112
Total changes	31,425,112	31,425,112
Opening balance as previously reported	62,361,610	62,361,610
Adjustments		
Prior year adjustments	(550,251)	(550,251)
Restated* Balance at July 1, 2020 as restated*	**61,811,359**	**61,811,359**
Changes in net assets		
Surplus for the year	12,840,820	12,840,820
Total changes	12,840,820	12,840,820
Balance at June 30, 2021	**74,652,179**	**74,652,179**
Note(s)		
Controlling entity		
Opening balance as previously reported	29,584,410	29,584,410
Adjustments		
Correction of errors	986,112	986,112
Balance at July 1, 2019 as restated*	**30,570,522**	**30,570,522**
Changes in net assets		
Surplus for the year	32,404,041	32,404,041
Total changes	32,404,041	32,404,041
Opening balance as previously reported	62,974,563	62,974,563
Adjustments		
Correction of errors	3,140	3,140
Restated* Balance at July 1, 2020 as restated*	**62,977,703**	**62,977,703**
Changes in net assets		
Surplus for the year	13,915,926	13,915,926
Total changes	13,915,926	13,915,926
Balance at June 30, 2021	**76,893,629**	**76,893,629**
Note(s)		

* See Note

Cash flow statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2021	2020 Restated*	2021	2020 Restated*
Cash flows from operating activities					
Receipts					
Government grant and subsidies		203,357,090	193,002,730	203,672,307	193,394,034
Interest income		3,823,401	5,839,887	3,808,172	5,677,254
Dividends received		273,508	-	273,508	-
Cash receipts from charges for goods and services		394,710	1,743,606	394,710	1,743,606
Sale of tender documents/goods and services		(24,347)	(45,105)	-	-
		207,824,362	200,541,118	208,148,697	200,814,894
Payments					
Employee costs		(107,234,513)	(98,288,644)	(105,000,223)	(96,174,394)
Suppliers		(57,555,347)	(50,493,284)	(55,998,454)	(49,126,449)
Remuneration of councillors and board allowance		(10,529,831)	(10,440,453)	(10,366,968)	(10,253,749)
Transfer payments		(5,419,808)	(1,873,489)	(7,703,797)	(4,873,489)
		(180,739,499)	(161,095,870)	(179,069,442)	(160,428,081)
Net cash flows from operating activities	26	**27,084,863**	**39,445,248**	**29,079,255**	**40,386,813**
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(3,329,598)	(2,350,439)	(3,329,597)	(2,451,148)
Purchase of other intangible assets	3	(268,205)	(462,777)	(268,205)	(462,777)
Net cash flows from investing activities		**(3,597,803)**	**(2,813,216)**	**(3,597,802)**	**(2,913,925)**
Net increase/(decrease) in cash and cash equivalents		**23,639,345**	**36,810,109**	**25,481,453**	**37,472,888**
Cash and cash equivalents at the beginning of the year		75,390,320	38,561,006	73,503,490	36,030,601
Cash and cash equivalents at the end of the year	10	**99,029,665**	**75,371,115**	**98,984,943**	**73,503,489**

* See Note

Dr Kenneth Kaunda DM Group

Group Annual Financial Statements for the year ended June 30, 2021

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
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of tender documents	90,000	-	90,000	44,300	(45,700)	
Sale of assets	200,000	-	200,000	-	(200,000)	
Spartial development framework	697,000	-	697,000	-	(697,000)	
Commissions received	-	-	-	19,585	19,585	
Licensing and permits	500,000	-	500,000	407,476	(92,524)	
Interest received - investment	5,200,000	-	5,200,000	4,201,606	(998,394)	
Dividends received	-	-	-	273,508	273,508	
Total revenue from exchange transactions	**6,687,000**	**-**	**6,687,000**	**4,946,475**	**(1,740,525)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	205,416,000	1,625,000	207,041,000	205,741,079	(1,299,921)	38
Public contributions and donations	-	-	-	20,400	20,400	
SARS refund	-	-	-	38,680	38,680	
Total revenue from non-exchange transactions	**205,416,000**	**1,625,000**	**207,041,000**	**205,800,159**	**(1,240,841)**	
Total revenue	**212,103,000**	**1,625,000**	**213,728,000**	**210,746,634**	**(2,981,366)**	
Expenditure						
Employee related costs	(112,878,907)	-	(112,878,907)	(111,872,149)	1,006,758	38
Remuneration of councillors	(13,190,316)	15,461	(13,174,855)	(10,529,831)	2,645,024	
Depreciation and amortisation	(5,298,933)	(2,510,000)	(7,808,933)	(5,911,003)	1,897,930	38
Other material	(5,118,500)	1,084,000	(4,034,500)	(3,394,081)	640,419	38
Contracted Services	(28,987,300)	(5,789,000)	(34,776,300)	(29,661,792)	5,114,508	
Transfers and Subsidies	(7,691,000)	(404,000)	(8,095,000)	(7,703,797)	391,203	
Operational fees	(38,347,850)	5,873,000	(32,474,850)	(27,547,216)	4,927,634	38
Total expenditure	**(211,512,806)**	**(1,730,539)**	**(213,243,345)**	**(196,619,869)**	**16,623,476**	
Operating surplus	**590,194**	**(105,539)**	**484,655**	**14,126,765**	**13,642,110**	
Actuarial gains/losses	-	-	-	(922,000)	(922,000)	
Loss on non-current assets held for sale or disposal groups	(195,000)	-	(195,000)	(526,731)	(331,731)	
	(195,000)	**-**	**(195,000)**	**(1,448,731)**	**(1,253,731)**	
Surplus before taxation	**395,194**	**(105,539)**	**289,655**	**12,678,034**	**12,388,379**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**395,194**	**(105,539)**	**289,655**	**12,678,034**	**12,388,379**	

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
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of tender documents	90,000	-	**90,000**	44,300	**(45,700)**	37
Spartial development framework	697,000	-	**697,000**	-	**(697,000)**	
Sale of assets	200,000	-	**200,000**	-	**(200,000)**	
Commision received	-	-	-	19,585	**19,585**	
Interest received - investment	5,200,000	-	**5,200,000**	4,186,300	**(1,013,700)**	
Dividends received	-	-	-	273,508	**273,508**	
Licences and permits	500,000	-	**500,000**	407,476	**(92,524)**	
Total revenue from exchange transactions	**6,687,000**	-	**6,687,000**	**4,931,169**	**(1,755,831)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	202,266,000	4,775,000	**207,041,000**	203,672,307	**(3,368,693)**	37
Public contributions and donations	-	-	-	20,400	**20,400**	
Total revenue from non-exchange transactions	**202,266,000**	**4,775,000**	**207,041,000**	**203,692,707**	**(3,348,293)**	
Total revenue	**208,953,000**	**4,775,000**	**213,728,000**	**208,623,876**	**(5,104,124)**	
Expenditure						
Employee related costs	(112,878,907)	-	**(112,878,907)**	(110,330,545)	**2,548,362**	37
Remuneration of councillors	(13,190,316)	115,461	**(13,074,855)**	(10,366,968)	**2,707,887**	37
Depreciation and amortisation	(5,493,933)	(2,510,000)	**(8,003,933)**	(5,911,003)	**2,092,930**	37
Other materials	(5,118,500)	1,084,000	**(4,034,500)**	(3,394,081)	**640,419**	37
Contracted Services	(28,897,300)	(5,789,000)	**(34,686,300)**	(29,661,792)	**5,024,508**	37
Transfers and Subsidies	(7,691,000)	(404,000)	**(8,095,000)**	(7,703,797)	**391,203**	37
General Expenses	(38,347,850)	5,873,000	**(32,474,850)**	(25,891,033)	**6,583,817**	37
Total expenditure	**(211,617,806)**	**(1,630,539)**	**(213,248,345)**	**(193,259,219)**	**19,989,126**	
Operating surplus	**(2,664,806)**	**3,144,461**	**479,655**	**15,364,657**	**14,885,002**	
Acturial gains/losses	-	-	-	(922,000)	**(922,000)**	
Gain(Loss) on write-off of assets	-	-	-	(526,731)	**(526,731)**	
	-	-	-	**(1,448,731)**	**(1,448,731)**	
Surplus before taxation	**(2,664,806)**	**3,144,461**	**479,655**	**13,915,926**	**13,436,271**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(2,664,806)**	**3,144,461**	**479,655**	**13,915,926**	**13,436,271**	

Accounting Policies

1. Presentation of Group Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Consolidation

Basis of consolidation

Consolidated group annual financial statements are the group annual financial statements of the economic entity presented as those of a single entity.

The consolidated group annual financial statements incorporate the group annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated group annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated group annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's group annual financial statements at the acquisition date.

The group annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated group annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional group annual financial statements as of the same date as the group annual financial statements of the controlling entity unless it is impracticable to do so. When the group annual financial statements of a controlled entity used in the preparation of consolidated group annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's group annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the group annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

Accounting Policies

1.3 Consolidation (continued)

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the economic entity is identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A Special purpose entity is consolidated when the substance of the relationship between the economic entity and the Special purpose entity indicates that the Special purpose entity is controlled by the economic entity.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the group annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the group 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 group annual financial statements. Significant judgements include:

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

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

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The economic entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

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 5 and 6 .

Useful lives of assets

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

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Effective interest rate

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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 economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

1.5 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Machinery and equipment	Straight line	2-12 years
Furniture and office equipment	Straight line	3-10 years
*Motor vehicle	Straight line	4 years
*Computer equipment	Straight line	3-5 years
*WiFi equipment	Straight line	3 years
*Telecommunication	Straight line	5 years
*Access control	Straight line	3 years
*Land	Straight line	No depreciation
*Car parks	Straight line	30 years
*Car ports	Straight line	10 years
*Fencing	Straight line	10 years
*Mobile offices	Straight line	10 years
*Mobile storage units	Straight line	10 years
*Buildings	Straight line	25 years

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

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

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

1.5 Property, plant and equipment (continued)

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

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

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

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

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the disclosure line items.

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

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

1.6 Intangible assets

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

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 -5 years

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

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Investments in controlled entities

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

1.8 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

1.8 Financial instruments (continued)

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Other financial Assets	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Non Current Assets Held for Sale	Financial asset measured at cost

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Operating lease obligation	Financial liability measured at amortised cost
Unspent Conditional Grants	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

Accounting Policies

1.8 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an economic entity 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.

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 entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Accounting Policies

1.8 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 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.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The economic entity 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 entity and the transaction amount can be measured reliably.

Initial measurement

The economic entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The economic entity 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);

1.9 **Statutory receivables (continued)**
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the economic entity 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.

1.10 Leases

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

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

Operating leases - lessee

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

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:
- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

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

[Specify judgements made]

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the economic entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Accounting Policies

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

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

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

Useful life is either:
- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

Identification

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

The economic entity 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 economic entity estimates the recoverable service amount of the asset.

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

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity 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.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

The economic entity 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 economic entity estimates the recoverable service amount of that asset.

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

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

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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 entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

Provisions are recognised when:
- the economic entity 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.

Accounting Policies

1.14 Provisions and contingencies (continued)

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.

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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 economic entity 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 surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

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

Accounting Policies

1.14 Provisions and contingencies (continued)

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 economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity 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 economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- 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 economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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.

1.17 Revenue from non-exchange transactions

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

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.17 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

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

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

Other grants and donations

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

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

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

1.21 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.

1.22 Fruitless and wasteful expenditure

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

Accounting Policies

1.22 Fruitless and wasteful expenditure (continued)

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.

1.23 Irregular expenditure

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

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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

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

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

1.24 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

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

The approved budget covers the fiscal period from 7/1/2020 to 6/30/2021.

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

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

Accounting Policies

1.25 Related parties

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

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity 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 economic entity.

The economic entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the economic entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the economic entity is exempt from the disclosures in accordance with the above, the economic entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its group annual financial statements.

1.26 Value Added Tax

The Municipality is registered with SARS for VAT on the payment basis, in accordance with Section 15 (2)(a) of the Valueadded tax Act no 89 of 1991

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

2. Property, plant and equipment

Economic entity

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Plant and machinery	6,060,759	(4,651,405)	1,409,354	5,674,065	(4,190,163)	1,483,902
Furniture and fixtures	5,402,898	(4,478,445)	924,453	5,345,935	(4,102,440)	1,243,495
Motor vehicles	8,506,223	(3,734,047)	4,772,176	7,959,157	(3,332,877)	4,626,280
IT equipment	6,231,599	(4,370,837)	1,860,762	5,094,195	(3,589,457)	1,504,738
Infrastructure	21,666,502	(18,527,588)	3,138,914	21,666,503	(15,345,688)	6,320,815
Community	7,506,627	(3,410,380)	4,096,247	7,823,974	(3,011,973)	4,812,001
Work in progress	1,052,970	-	1,052,970	-	-	-
Total	**56,427,578**	**(39,172,702)**	**17,254,876**	**53,563,829**	**(33,572,598)**	**19,991,231**

Controlling entity

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Machinery & Equipment	6,060,759	(4,651,405)	1,409,354	5,674,065	(4,190,163)	1,483,902
Furniture & Office Equipment	5,402,898	(4,478,445)	924,453	5,345,935	(4,102,440)	1,243,495
Transport Assets	8,506,223	(3,734,047)	4,772,176	7,959,157	(3,332,877)	4,626,280
Computer Equipment	6,231,599	(4,370,837)	1,860,762	5,094,195	(3,589,457)	1,504,738
Infrastructure Assets	21,666,502	(18,527,588)	3,138,914	21,666,503	(15,345,688)	6,320,815
Community Assets	7,506,627	(3,410,380)	4,096,247	7,823,974	(3,011,973)	4,812,001
Work in progress	1,052,970	-	1,052,970	-	-	-
Total	**56,427,578**	**(39,172,702)**	**17,254,876**	**53,563,829**	**(33,572,598)**	**19,991,231**

Notes to the Group Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Machinery & Equipment	1,483,902	409,335	(1,811)	(482,072)	1,409,354
Furniture and Office Equipment	1,243,495	88,014	(5,018)	(402,038)	924,453
Transport Assets	4,626,280	547,066	-	(401,170)	4,772,176
Computer Equipment	1,504,738	1,162,212	(17,200)	(788,988)	1,860,762
Infrastructure Assets	6,320,815	-	-	(3,181,901)	3,138,914
Community Assets	4,812,001	70,000	(507,496)	(278,258)	4,096,247
Work in progress	-	1,052,970	-	-	1,052,970
	19,991,231	**3,329,597**	**(531,525)**	**(5,534,427)**	**17,254,876**

Notes to the Group Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Additions	Disposals	Reclassification on Adjustment	Depreciation	Total
Machinery & Equipment	1,703,035	361,474	-	(112,980)	(467,627)	1,483,902
Furniture & Office Equipment	1,633,949	94,083	-	203,519	(688,056)	1,243,495
Transport Assets	5,209,905	-	-	-	(583,625)	4,626,280
Computer equipment	1,443,198	802,885	(9,996)	(90,413)	(640,936)	1,504,738
Infrastructure Assets	10,189,166	-	-	(125)	(3,868,226)	6,320,815
Community Assets	4,532,898	537,981	-	-	(258,878)	4,812,001
	24,712,151	**1,796,423**	**(9,996)**	**1**	**(6,507,348)**	**19,991,231**

Assets under investigation

Assets with a Net Book Value of R 641 324,37 could not be physically verified by management as at 30 June 2021 (2020: R 386 056). These assets will be investigated by management in the 2021/2022 financial year to confirm their existence

These assets will be investigated by management in the 2021/2022 financial year to confirm their existence.

Fully depreciated assets

Fully depreciated assets still in use are included in the Transport Assets, Computer equipment, Infrastructure Assets and the Furniture and office equipment balance. The majority are old assets purchased in 2008-2017 for which the useful lives have not been extended and management plans to dispose and replace these assets in the near future.Net book value as a result of the net realisable value of these assets amounts to 2021: R 5 155 247 (2020: R 1 197 443,73) . No adjustment in the financial statements regarding these assets and the useful lives of these assets will not be extended.

2. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Economic entity - 2021

	Included within Community	Total
Additions/capital expenditure	1,052,970	1,052,970

Reconciliation of Work-in-Progress Controlling entity - 2021

	Included within Community	Total
Additions/capital expenditure	1,052,970	1,052,970

Work in progress consists of work already carried out on the renovations of the Disaster Risk Management Center Building. To date costs has been capitalised under work in progress are as follows: Capitalised expenditure 2021: R 1 052 970 (2020: R 0)

Notes to the Group Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by Condition - Economic entity - 2021

	Preventative Maintenance		Corrective Maintenance	
	Condition Based	Total	Total	Total
Buildings	1,411,657	1,411,657	-	1,411,657
Other	802,106	802,106	-	802,106
Motor vehicles	287,039	287,039	-	287,039
	2,500,802	**2,500,802**	**-**	**2,500,802**

Maintenance of property, plant and equipment by condition - Controlling entity - 2021

	Preventative Maintenance		Corrective Maintenance	
	Condition Based	Total	Total	Total
Buildings	1,411,657	1,411,657	-	1,411,657
Other	802,106	802,106	-	802,106
Motor Vehicles	287,039	287,039	-	287,039
	2,500,802	**2,500,802**	**-**	**2,500,802**

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

Notes to the Group Annual Financial Statements

3. Intangible assets

Economic entity

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,249,737	(4,795,157)	454,580	4,987,240	(4,448,863)	538,377

Controlling entity

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,249,737	(4,795,157)	454,580	4,987,240	(4,448,863)	538,377

Reconciliation of intangible assets - Controlling entity - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	538,377	268,205	(4,115)	(347,887)	454,580

Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	649,458	462,777	(573,858)	538,377

Pledged as security

No assets were pledged as security for liabilties of the Municipality

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

4. Investments in controlled entities

Name of company	Held by	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
Dr Kenneth Kaunda Economic Agency	Dr Kenneth Kaunda District Municipality	100.00 %	100.00 %	120	120

The carrying amounts of controlled entities are shown net of impairment losses.

The council has taken a resolution the unwind Dr Kenneth Kaunda Districmuniciipality Economic Agency, The matter has not yet been finalised and is in progress.

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

5. Employee benefit obligations

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

Carrying value				
Openning balance	(11,957,000)	(11,813,621)	(11,957,000)	(11,813,621)
Acturial(gains)Losses	(1,002,000)	1,375,357	(1,002,000)	1,375,357
Interest cost	(1,286,000)	(1,122,941)	(1,286,000)	(1,122,941)
Current service cost	(715,000)	(695,389)	(715,000)	(695,389)
Benefits paid	287,000	299,594	287,000	299,594
	(14,673,000)	**(11,957,000)**	**(14,673,000)**	**(11,957,000)**

Non-Current Portion of Liability	(14,351,000)	(11,670,000)	(14,351,000)	(11,670,000)
Current Portion of Liability (due in the next 12 months)	(322,000)	(287,000)	(322,000)	(287,000)
	(14,673,000)	**(11,957,000)**	**(14,673,000)**	**(11,957,000)**

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical
aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2020 by Arch Actuarial consulting, a member of the Actuarial Society of South Africa.
The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by themunicipality.
The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Member catergory				
In service (employees) members and non members	140	94	140	94
Continuation (retiree and widow) members	6	5	6	5
	146	**99**	**146**	**99**

The unfunded liability and current - service cost of past service has been estimated to be as follows:

Member catergory - Unfunded liability				
In-service members	8,582,000	8,307,847	8,582,000	8,307,847
Continuation members	3,375,000	3,505,774	3,375,000	3,505,774
	11,957,000	**11,813,621**	**11,957,000**	**11,813,621**

Current service cost				
Year ending 30 June 2020 (current period)	695,389	685,389	695,389	685,389
Year ending 30 June 2021 (ensuing period)	715,000	685,389	715,000	695,389
	1,410,389	**1,370,778**	**1,410,389**	**1,380,778**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes
- Bonitas;
- Hosmed;
- LA Health;
- Key Health;
- Samwumed;
- Fedhealth

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

5. Employee benefit obligations (continued)

The future service cost for the ensuing year is established to be R 715 000 whereas the interest-cost for the next year is estimated to be R 1 286 000
The principal assumptions used for the purposes of the actuarial valuations were as follows:

Entity's own financial instruments
Assumptions used

Discount rate %	-	-	10.88	9.61
Health Care Cost Inflation rate	-	-	6.86	7.45
Maximum subsidy inflation rate	-	-	4.77	4.89
Net discount rate - health care cost inflation %	-	-	5.83	4.50
Continuation of memebership at retirement %	-	-	75	75
Proportion assumed married at retirement %	-	-	60	60
Average retirment age	-	-	62	62
Mortality during employment	-	-	SA 85-90	SA 85-90

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	11,813,621	11,290,054	11,813,621	11,290,054
Acturial gains and losses	(1,375,357)	(1,001,869)	(1,441,932)	(1,001,869)
Interest cost	1,122,941	1,083,588	1,122,941	1,083,588
Current service cost	695,389	685,585	695,389	685,585
Benefits paid	(299,594)	(243,737)	(263,019)	(243,737)
	11,957,000	**11,813,621**	**11,927,000**	**11,813,621**

The municipality expected to contribute R 287,000 to its defined benefit plans in the following financial

This was an estimate of Contributions (benefits paid) towards Continuation members, based on the data at the previous valuation date. If the actual amount of benefits paid was used instead of this estimate, then the Actuarial Loss / (Gain) must change to exactly offset the impact, such that the Closing Accrued Liability remains unchanged. For example, if the actual amount of benefits paid was R100,000 less than the estimate provided, then the Actuarial Loss / (Gain) would have to reduce by R100,000 to leave the Closing Accrued Liability as is.

6. Long service award liability

Current Portion of Liability (due in the next 12 months)	377,000	167,000	377,000	167,000
Non-Current Portion of Liability	3,510,000	3,310,000	3,510,000	3,310,000
	3,887,000	**3,477,000**	**3,887,000**	**3,477,000**

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

6. Long service award liability (continued)

Reconciliation for long service award				
Opening balance	3,477,000	3,425,886	3,477,000	3,425,886
Current service cost	394,000	344,612	394,000	344,612
Utilised during the year(benefits vesting)	(167,000)	(856,468)	(167,000)	(856,468)
Interest	263,000	260,753	263,000	260,753
Acturial (gains)/loss	(80,000)	302,217	(80,000)	302,217
	3,887,000	**3,477,000**	**3,887,000**	**3,477,000**

The Municipality offers employees long service award for every five years of service completed, from ten years of service to 45 years of service, inclusive. Employees' long service awards are based on cost-to-company, referred to in this report as "earnings". The Projected Unit Credit Method has been used to value the liabilities.

Description the benefits awarded:	**Completed Service (in years)**	**Long Service Bonuses (% of Annual Earnings)**
10 / 250 x annual earnings	10	4.0%
20 / 250 x annual earnings	15	8.0%
30 / 250 x annual earnings	20, 25, 30, 35, 40, 45	12.0%

In the month that each "Completed Service" milestone is reached, the employee is granted an long service award

Key assumptions
In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required.The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary. It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and Current-Service costs are recognised over time.

Summary of the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year.

The earnings used in the valuation include an increase on 1 July 2020 of 6.25% as per the SALGBC Circular No.: 02/2020. The next general earnings increase was assumed to take place on 1 July 2021

This is the total value of the long-service awards that were expected to be awarded to eligible employees over the year, based on the data at the previous valuation date. Employees are usually entitled to take this award in whole or in part as cash, with the remainder taken as leave. Therefore, this figure should not be confused as being only the amount of cash paid out in respect of the award. It represents the amount actually paid out in cash AND the portion that was either taken or "stored" as leave.

If the actual amount of benefits vested is to be included instead in the above table, then the Actuarial Loss / (Gain) must change to exactly offset the impact, such that the Closing Accrued Liability remains unchanged. For example, if the actual amount of benefits vested was R100,000 lower than the estimate (based on last year's data), then the Actuarial Loss / (Gain) would have to reduce by R100,000 to leave the Closing Accrued Liability as is.

The liability at the Valuation Date was recalculated to show the effect of:
A 1% increase and decrease in the assumed general earnings inflation rate;
A 1% increase and decrease in the discount rate;
A two-year increase and decrease in the assumed average retirement age of eligible employees;
A two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Summary of the key financial assumptions used for the liabilities at the Valuation Date and theexpense figures for the ensuing year:	**Value p.a**
Discount rate	7.74%
General earnings inflation rate (long-term)	4.19%
Net effective discount rate	3.41%

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

6. Long service award liability (continued)

Summarises per key demographic assumptions used	Age	Female	Male
Withdrawal from service (sample annual rates)	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

Sensitivity results - 30 June 2020	Change	Libaility	% change
Central assumptions		3 447 000	
General earnings inflation rate	+1%	3 721 000	7%
General earnings inflation rate	-1%	3 257 000	-6%
Discount rate	+1%	3 251 000	-6%
Discount rate	-1%	3 731 000	7%
Average retirement age	+2 yrs	3 836 000	10%
Average retirement age	-2 yrs	3 132 000	-10%
Withdrawal rates	x200%	2 683 000	-23%
Withdrawal rates	x50%	4 012 000	15%

Sensitivity results - 30 June 2019	Change	Liability	% change
Central assumptions		3 426 000	
General earnings inflation rate	+1%	3 658 000	7%
General earnings inflation rate	-1%	3 216 000	-6%
Discount rate	+1%	3 209 000	-6%
Discount rate	-1%	3 670 000	7%
Average retirement age	+2%	3 057 000	-11%
Average retirement age	+2%	3 776 000	10%
Withdrawal rates	-50%	3 948 000	15%

7. Receivables from exchange transactions

Employee costs in advance	2,511,522	1,736,993	2,250,753	1,203,847
Deposits	173,491	96,066	172,091	94,666
Accrual-interst on call deposit	907,328	529,200	907,328	529,200
Other debtors	415,505	415,505	415,505	415,505
	4,007,846	**2,422,360**	**3,745,677**	**2,243,218**

8. VAT receivable

VAT	4,278,939	5,326,618	4,278,939	5,326,618

9. Non current assets held for sale

Current assets	91,352	149,208	-	-

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

10. Cash and cash equivalents (continued)

Cash on hand	6,625	6,625	6,600	6,600
Bank balances	64,023,040	43,985,249	63,978,343	43,496,890
Short-term deposits	35,000,000	31,379,241	35,000,000	30,000,000
	99,029,665	**75,371,115**	**98,984,943**	**73,503,490**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2021	**June 30, 2020**	**June 30, 2019**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**
Current Account (Primary BankAccount ABSA KlerksdorpAccount no 950 000 627)	62,997,887	42,486,535	17,037,891	62,997,887	42,486,535	17,037,891
Current Account (LocalGovernment Support Grant)ABSA Klerksdorp Account no405 643 8304	987,056	1,010,355	986,110	987,056	1,010,355	986,110
Account no 038659190301- Standard Bank call account	20,000,000	-	-	20,000,000	-	-
Account no 038659190302- Standard Bank call account	15,000,000	-	-	15,000,000	-	-
Total	**98,984,943**	**43,496,890**	**18,024,001**	**98,984,943**	**43,496,890**	**18,024,001**

11. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2021

	Capital replacement reserve	Total
Balance	521,822	521,822

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2021

	Capital replacement reserve	Total
Balance	1,588,167	1,588,167

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

12. Operating lease liability

Matlosana City Council :

Nature of the lease
The lease agreement is between City Council of Klerkdorp and Southern District Municipality to lease property suited in Orkney to occupy as Municipal Offices.

Term of lease
The municipality will occupy the property in terms of the lease agreement as from 1 February 2002 for an indefinite period. Either party may cancel this lease agreement on 3 (three) months written notice
Amount of the lease:
The lease amount for the current financial year is R 53 398-56 per month (No liability calculated as lease can be cancelled within three months).

JB Marks Local Municipality

Nature of the lease
The lease agreement in between JB Marks Local Municipality and Dr Kenneth Kaunda District Municipality to lease Municipal Offices at the corner of Wolmarans Street and Walter Sisulu Avenue, Potchefestrom better known as the Old Corporate Services Offices

Term of the lease
The agreement commenced on 15 April 2019 and will of full force and effect for an initial period of 5(Five) years, provided that the lease shall have an option to renew this agreement on successful negations with the Lessor further subject thereto that if the Lessor requires the use of the building a three months' notice of cancellation of the lease will apply.

Amount of the lease:
Lessee shall pay the Lessor rental to the amount of R 1 200 per month.

Colombia Falls Properties 80 (Pty) Ltd

Nature of the lease:
The lease agreement is between Colombia Falls Properties 80 (Pty) Ltd and Dr Kenneth Kaunda District Municipality to lease property.

Term of the lease:
The lease shall be on a montn to month basis.

Amount of the lease:
The lease amount for the financial year was R145 200.

13. Payables from exchange transactions

Trade payables	6,846,254	4,401,116	6,327,349	4,201,602
Retention	502,006	308,059	502,006	308,059
Other creditors: Accrual - Compesation commissioner	4,022,134	3,457,687	4,022,134	3,457,687
Leave and bonus	16,544,278	13,888,456	16,823,834	13,697,511
	27,914,672	**22,055,318**	**27,675,323**	**21,664,859**

The average credit period on purchases is 30 days from the receipts of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in acordance with the credit polices of the various individual creditors creditors that the entity deals with. The entity has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The ageing of Trade payables is summarised below:

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

13. Payables from exchange transactions (continued)

DESCRIPTION	0-6 MONTHS	7 TO 12MONTHS	13 TO 24MONTHS	OVER 2YEARS	Total
Trade payables	1,034,508	-	5,812,610	-	6,847,118
Retention	193,947	-	-	308,059	502,006
Compesation Commessioner	-	-	564,447	3,457,687	4,022,134
Leave & Bonus Provision	-	3,306,323	13,237,091	-	16,543,414
	1,228,455	**3,306,323**	**19,614,148**	**3,765,746**	**27,914,672**

14. Payables from non-exchange transactions

Tax refunds payables	-	-	450,000	450,000
Bank reconcilliation clearing account	1,074,557	1,014,006	1,074,557	1,014,006
	1,074,557	**1,014,006**	**1,524,557**	**1,464,006**

No credit period exists for payables from non-exchange transactions, neither has any credit period been arranged. No interest is charged o outstanding amounts.

The entity didnot default on any payment of its creditors. No terms for payment have been renegiated by the entity.

The management of the entity is of the opinion that the carrying value of creditors approximates their fair values.

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the entity and other parties.

15. VAT payable

Tax refunds payables	2,850,224	2,488,497	-	-

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Fire support grant	65,626	65,626	65,626	65,626

The nature and extent of government grants recognised in the group annual financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

17. Investment revenue

Dividend revenue				
Dividends received	273,508	-	273,508	-
Interest revenue				
Listed financial assets	15,229	162,633	-	-
Interest revenue	130,661	768,739	130,661	768,739
Investment and call deposit	4,055,639	4,908,515	4,055,639	4,908,515
	4,201,529	**5,839,887**	**4,186,300**	**5,677,254**
	4,475,037	**5,839,887**	**4,459,808**	**5,677,254**

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

18. Government grants and subsidies

Operating grants				
Equitable share	30,789,000	24,622,000	30,789,000	24,622,000
LG Seta mandatory grant	328,307	204,873	328,307	204,873
Expandad Public Works Program grant	1,691,000	1,649,000	1,691,000	1,649,000
Government grant (operating) 7	-	447,000	-	447,000
Finance Management grant	1,000,000	1,000,000	1,000,000	1,000,000
RSC Replacement grant	167,384,000	162,977,000	167,384,000	162,977,000
Transfer revenue	(215,217)	2,608,696	-	-
Rural Road Asset Management System grant	2,480,000	2,606,000	2,480,000	2,606,000
	203,457,090	**196,114,569**	**203,672,307**	**193,505,873**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	5,499,307	5,906,873	5,499,307	5,906,873
Unconditional grants received	198,173,000	187,599,000	198,173,000	187,599,000
	203,672,307	**193,505,873**	**203,672,307**	**193,505,873**

Tirelo Bosha Grant

Current-year receipts	-	496,200	-	496,200
Conditions met - transferred to revenue	-	(496,200)	-	(496,200)
	-	-	-	-

LG Seta Mandatory Grant

Current-year receipts	328,307	204,873	328,307	204,873
Conditions met - transferred to revenue	(328,307)	(204,873)	(328,307)	(204,873)
	-	-	-	-

Expanded Public Work Program

Current-year receipts	1,691,000	1,649,000	1,691,000	1,649,000
Conditions met - transferred to revenue	(1,691,000)	(1,649,000)	(1,691,000)	(1,649,000)
	-	-	-	-

Finance Management Grant

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

RSC Replacement Grant

Current-year receipts	167,384,000	162,977,000	167,384,000	162,977,000
Conditions met - transferred to revenue	(167,384,000)	(162,977,000)	(167,384,000)	(162,977,000)
	-	-	-	-

Rural Road Asset Management grant

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020
18. Government grants and subsidies (continued)				
Current-year receipts	2,480,000	2,606,000	2,480,000	2,606,000
Conditions met - transferred to revenue	(2,480,000)	(2,606,000)	(2,480,000)	(2,606,000)
	-	-	-	-

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

19. Employee related costs

Basic	67,521,460	61,412,715	65,979,856	59,356,195
Medical aid - company contributions	4,754,433	4,021,968	4,754,433	4,021,968
UIF	275,375	240,510	275,375	240,510
SDL	17,622	14,921	17,622	14,921
Leave pay provision charge	6,741,353	5,598,320	6,741,353	5,598,320
Short term benefit 3	1,323,539	966,930	1,323,539	966,930
Defined contribution plans	2,491,485	2,539,756	2,491,485	2,539,756
Overtime payments	259,337	187,999	259,337	187,999
13th Cheques	5,215,002	4,142,165	5,215,002	4,142,165
Acting allowances	793,813	714,297	793,813	714,297
Car allowance	9,156,705	8,783,171	9,156,705	8,783,171
Housing benefits and allowances	535,396	519,432	535,396	519,432
Standby allowance	1,025,952	554,999	1,025,952	554,999
Group life insurance-council contribution	588,318	494,619	588,318	494,619
Pension fund-council contribution	10,129,159	8,761,728	10,129,159	8,761,728
Uniform allowance	-	545,017	-	545,017
Danger allowance	1,043,200	-	1,043,200	-
	111,872,149	**99,498,547**	**110,330,545**	**97,442,027**

Remuneration of executive management

	-	-	-	-

Remuneration of Municipal Manager-SM Lesupi

Annual remuneration	1,227,109	1,074,355	1,227,109	1,074,355
Leave sold	39,635	33,544	39,635	33,544
Other allowances-cellphone	25,000	15,000	25,000	15,000
	1,291,744	**1,122,899**	**1,291,744**	**1,122,899**

Remuneration of Chief Finance Officer-LO Steenkamp

Annual remuneration	850,628	722,847	850,628	722,847
Leave sold	-	12,600	-	12,600
Other allowances - cellphone	20,200	-	20,200	-
Bonus	171,600	171,600	171,600	171,600
	1,042,428	**907,047**	**1,042,428**	**907,047**

Remuneration of Director Corporate Services-SC Abrams

Annual remuneration	839,133	889,447	839,133	889,447
Other allowance-Cellphone	20,677	12,600	20,677	12,600
Ad-hoc subsistance and travell	273	1,365	273	1,365
Leave sold	33,010	-	33,010	-
Travelling allowance	22,925	-	22,925	-
Acting allownace	187,464	-	187,464	-
	1,103,482	**903,412**	**1,103,482**	**903,412**

Remuneration of Chief Audit Executive-SG Mtemekwana

Annual remuneration	387,594	-	387,594	-
Other allowance	16,000	-	16,000	-
Ad-hoc subsistance and travell	513	-	513	-

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020
19. Employee related costs (continued)				
Travelling allowance	208,704	-	208,704	-
	612,811	**-**	**612,811**	**-**
Remuneration of Director District Economic Development-RM Rampedi				
Annual remuneration	470,432	-	470,432	-
Other allowance	17,346	-	17,346	-
Acting allowance	24,511	-	24,511	-
Travelling allowance	80,000	-	80,000	-
	592,289	**-**	**592,289**	**-**
Remuneration of Director Disaster Management				
Annual Remuneration	-	557,011	-	557,011
Leave Sold	-	98,962	-	98,962
Other allowance	-	145	-	145
Acting allowance	-	177,917	-	177,917
	-	**834,035**	**-**	**834,035**
Remuneration of Director Community services-MA Metswamere				
Annual remuneration	525,151	-	525,151	-
Other allowance	14,000	-	14,000	-
Travelling allowance	105,000	-	105,000	-
	644,151	**-**	**644,151**	**-**
Remuneration of Director infrastructure				
Annual remuneration	-	557,011	-	557,011
Leave sold	-	28,910	-	28,910
Other allowance	-	23,316	-	23,316
Acting allowance	-	171	-	171
	-	168,354	-	168,354
	-	**777,762**	**-**	**777,762**

Acting Director District Economic Development - Mr M Rampedi from 1 July 2019 to 30 June 2020

Acting director infrastructure Mr T Tshukudu from 1 July 2019 to 30 June 2020

Acting Director of Enviroment Health , Me Tenza acted from 1 July 2019 to 30 June 2020

Acting Director of Disaster Management , Mr R Lesar acted from 1 July 2019 to 30 June 2020.

Remuneratiion of director environmental health				
Annual remuneration	-	557,011	-	557,011
Leave sold	-	70,884	-	70,884
Other allowance	-	189,092	-	189,092
Acting allowance	-	15,977	-	15,977
	-	**832,964**	**-**	**832,964**

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

20. Remuneration of councillors

Executive Major	1,101,113	1,112,156	938,250	938,250
Mayoral Committee Members	3,983,652	3,984,054	3,983,652	3,984,054
Speaker	759,479	759,478	759,479	759,478
Councillors	3,970,800	3,857,180	3,970,800	3,857,180
Single whip	714,787	714,787	714,787	714,787
	10,529,831	**10,427,655**	**10,366,968**	**10,253,749**

21. Depreciation and amortisation

Property, plant and equipment	5,622,565	6,430,644	5,564,709	6,356,712
Intangible assets	346,294	573,858	346,294	573,858
	5,968,859	**7,004,502**	**5,911,003**	**6,930,570**

22. Contracted services

Presented previously				
Fleet Services	9,112,015	8,745,329	9,112,015	8,745,329
Specialist Services	14,342,654	10,871,518	14,342,654	10,871,518
Other Contractors	6,207,123	4,580,995	6,207,123	4,580,995

23. Transfers and subsidies

EPWP skills development and training	1,691,000	-	1,691,000	-
Local economic development support	1,475,645	-	1,475,645	-
Bursaries non-employees	137,906	260,000	137,906	260,000
Dr Kenneth Kaunda Economic Development Agency	-	-	2,283,989	3,000,000
Merit Bursaries Community	2,115,257	1,813,489	2,115,257	1,813,489
	5,419,808	**2,073,489**	**7,703,797**	**5,073,489**

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

24. General expenses

Advertising	154,030	260,437	-	-
Assessment rates & municipal charges	1,653,187	1,304,711	1,653,187	1,304,711
Auditors remuneration	4,934,668	3,912,695	4,005,675	3,455,982
Bank charges	127,124	150,326	127,124	150,326
Donations	-	7,000	-	7,000
Entertainment	21,110	42,408	14,910	23,190
Hire charges	562,028	480,665	562,028	480,665
Insurance	1,024,295	789,124	1,024,295	789,124
Conferences and seminars	1,050,836	1,388,643	1,050,836	1,388,643
Skills development levy	1,061,787	796,284	715,546	625,489
IT expenses	1,640,773	1,942,543	1,640,773	1,942,543
Compensation commissioner	564,447	557,893	564,447	557,893
Motor vehicle expenses	112,026	112,277	112,026	112,277
Printing and stationery	395,989	212,595	395,989	212,595
Protective clothing	256,376	357,643	256,376	357,643
Repairs and maintenance	-	1,479	-	1,479
License fees	529,963	207,367	529,963	207,367
Subscriptions and membership fees	1,449,794	272,309	1,449,794	272,309
Telephone and fax	994,861	1,070,086	994,861	1,070,086
Accomodation, subsistence and travel	313,287	888,129	313,287	888,129
Training	3,529,342	1,778,073	3,529,342	1,778,073
Travel - local	35,110	39,002	35,110	39,002
Toll fees	-	29,514	-	29,514
Office rental	3,380,771	2,508,166	3,380,771	2,508,166
Business expenses: councillors and directors	48,096	16,164	48,096	16,164
Events and campaigns	3,516,321	4,125,475	3,516,321	4,125,475
Consumables	3,364,357	3,594,339	3,364,357	3,594,339
	30,720,578	**(27,450,469)**	**29,285,114**	**25,938,184**

25. Auditors' remuneration

Fees	4,934,668	3,912,695	4,005,675	3,455,982

26. Cash generated from operations

Surplus	10,556,831	32,013,246	13,915,926	32,404,041
Adjustments for:				
Depreciation and amortisation	5,968,859	7,004,502	5,911,003	6,930,570
Gain(Loss) on sale of assets	526,731	5,596	526,731	5,596
Movements in operating lease assets and accruals	-	(153,600)	-	(153,600)
Movements in retirement benefit assets and liabilities	-	194,493	-	194,493
Public donations	-	-	(20,400)	-
Increase relating to employee cost	6,252,362	-	6,252,362	-
Movement in provisions	-	-	(378,128)	-
Changes in working capital:				
Receivables from exchange transactions	-	(885,987)	(72,891)	(895,297)
Other receivables from non-exchange transactions	(100,000)	(450,000)	-	-
Payables from exchange transactions	2,944,652	1,322,447	2,944,652	931,988
VAT	781,423	584,811	-	649,671
Taxes and transfers payable (non-exchange)	-	403,615	-	431,190
Unspent conditional grants and receipts	-	(111,839)	-	(111,839)
	26,930,858	**39,927,284**	**29,079,255**	**40,386,813**

27. Financial instruments disclosure

Categories of financial instruments

27. Financial instruments disclosure (continued)

Economic entity - 2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	4,007,846	4,007,846
Cash and cash equivalents	99,029,665	99,029,665
	103,037,511	**103,037,511**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	27,914,673	27,914,673
Trade and other payables from non-exchange transactions	1,524,557	1,524,557
	29,439,230	**29,439,230**

Economic entity - 2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2,442,360	2,442,360
Cash and cash equivalents	75,371,115	75,371,115
	77,813,475	**77,813,475**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	22,363,798	22,363,798
Trade and other payables from non-exchange transactions	1,014,006	1,014,006
	23,377,804	**23,377,804**

Controlling entity - 2021

Financial assets

	At amortised cost	Total
Other receivables from -exchange transactions	3,745,677	3,745,677
Cash and cash equivalents	98,984,943	98,984,943
	102,730,620	**102,730,620**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	27,675,323	27,675,323
Trade and other payables from non-exchange transactions	1,524,557	1,524,557
	29,199,880	**29,199,880**

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

27. Financial instruments disclosure (continued)

Controlling entity - 2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2,243,218	2,243,218
Cash and cash equivalents	73,503,490	73,503,490
	75,746,708	**75,746,708**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	21,664,859	21,664,859
Trade and other payables from non-exchange transactions	1,464,006	1,464,006
	23,128,865	**23,128,865**

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

28. Contingencies

Litigations against the municipality

Contingent liabilities

DDr KKDM // Melvin Rampedi//Batting Development Products against DrKKDM.The matter is pending - R ampedi against DR KKDM, Nature of dispute - Unfair labour practice.Status of case - A rbitration was scheduled for 23 January2015.The matter is pending. Case no NWD 0 1410	2,412,097	1,800,000	2,412,097	1,800,000
DNalko Civil Engineering and Projects CC // Dr KKDM & Another //The Plaintiff hasissued summons on 1 June 2018 form the N orth West.The municipality has agood defense in that the Plaintiff did not render s ervices which they claim tohave rendered	5,864,403	5,864,403	5,864,403	5,864,403
MW Asset Rentals // Dr KKDM//DR KKDM cancelled the M aster RentalAgreement with Bakopane Information Systems CC t/a Toshiba Office S ystemsand Technology.The agreement was entered during the month of October 2 00and it was for the rental of photocopy machines, printers and faxes. The rightof t he Master Rental Agreement were then ceded by Toshiba to Merchant westAsset R entals (MW Rentals). The Auditor- General Report for the year end 30June 2 010,indicated that procurement procedures were not properly followed inthe a ppointment of Toshiba. On 27 February 2012 the agreement between DRKKDMand M W Rentals was then cancelled due to the fat that the agreementwas not valid as p roper procurement procedures were not followed.MW AssetRentals vs DR K KDM,The applicant will be heard on 02 October 2020.This is anongoing litigation	1,318,461	1,318,461	1,318,461	1,318,461
Zelinzima Abram Beya // Dr KKDM//Zelinzima Abram Beya v DR KKDM, a labourdispute c urrently before the Labour court (held in Braamfontein) under casenumber ; J R211/2018 (review application brought by Beya) and JR1629/2018 (counter-review a pplication brought by the Municipality)	600,000	600,000	600,000	600,000
Dr KKDM // Morathi Mataka Attorneys C ase no. 172.2019 / /Summons forprofessional services rendered	309,650	289,651	309,650	289,651
Dr KKDM // M.B Molefe C ase no. 38168/15// unfair labour practices	250,000	250,000	250,000	250,000
Dr KKDM // M.B Molefe C ase no. NWD031915//unfair labour practices	220,000	110,000	220,000	110,000
Dr KKDM // ISD Mothibi C ase no. NWD07804 / /Unfair dismissal	200,000	196,674	200,000	196,674
Dr KKDM // M.B Molefe C ase no. NWD081909//unfair labour practices	-	17,000	-	17,000
	-	-	-	-
	11,174,611	**10,446,189**	**11,174,611**	**10,446,189**

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

29. Related parties

Relationships

Controlled entities	Dr Kenneth Kaunda District Economic Agency refer to note 4
Member of council	Refer to General Information page on the financial statements
Key management	Members of Key Management S Lesupi - Municipal Manager, L Steenkamp -Chief Financial Officer S Abrams - Director Corporate Services, RM Rampedi-Senior Manager Local Economic Development and Planning, Chief Audit Executive SG Mtemekwana, Senior Manager Community Service-Mr M A Metswamere

Related party balances

Transfer payment grant				
Dr Kenneth Kaunda Economic Development Agency			2,283,989	3,000,000

Key management information

Class	Description	Number
Executive mayor	Executive authourity	1
Members of mayroyal council	Executive authourity	6
Single whip	Executive authourity	1
Chairperson MPAC	Executive authourity	1
Councillors (Part time and directly elected)	Executive authourity	30
Speaker	Executive Authority	1

30. Risk management

Financial risk management

Liquidity risk

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

Economic entity				
Cash and cash equivalents	-	-	99,029,665	75,371,115
Payables from exchange	-	-	27,914,672	22,363,798
Payables from non exchange	-	-	1,074,557	1,014,006
Receivables from exchane	-	-	4,007,846	2,442,360
Controlling entity				
Receivables from exchange transactions	-	-	3,745,677	2,243,218
Cash and cash equivalent	-	-	98,984,943	73,503,490

31. Going concern

We draw attention to the fact that at June 30, 2021, the municipality had an accumulated surplus (deficit) of R 74,652,179 and that the municipality's total assets exceed its liabilities by R 76,893,629.

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

31. Going concern (continued)

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

32. Transactions with councillors

The following remuneration was paid to Councillors during the year.

Name	Salary&Travelling	Telephone	Medical & Pension	Sitting & Travel	Total
BE MOSIANE	728,043	44,400	165,807	-	938,250
DP MASIU	599,830	44,400	115,249	-	759,479
NM KOLOTI	621,630	44,400	48,757	-	714,787
MI MARTINS	555,622	44,400	114,765	-	714,787
M ZEPHE	563,239	44,400	107,148	-	714,787
MM MOJAHI	571,311	44,400	99,076	-	714,787
HH MBELE	571,311	44,400	99,076	-	714,787
ZE MPHAFUDI	625,765	44,400	44,622	-	714,787
SP VALIPATI	387,517	22,200	-	-	409,717
KL VAN ZYL	282,870	44,400	-	-	327,270
MOHOEMANG	319,386	22,200	-	-	341,586
LN DAYIYA	251,047	44,400	31,823	-	327,270
SV LETSHWITI	251,047	44,400	31,823	-	327,270
BAS C CLOETE	282,870	44,400	-	-	327,270
LS MOTLOIWA	251,047	44,400	31,823	-	327,270
FJ BOTHA	251,047	44,400	31,823	-	327,270
WA MOSTERT	240,439	44,400	42,431	-	327,270
MOSHOTWANA	282,870	44,400	-	-	327,270
EM POSTMA	-	-	-	28,684	28,684
D GIWILI	-	-	-	23,654	23,654
AS MOTLADI	-	-	-	20,961	20,961
HF SAUDI	-	-	-	28,684	28,684
B TABEDZ	-	-	-	89,362	89,362
LS MOKGALADI	-	-	-	161,599	161,599
SL MOREMI	-	-	-	45,232	45,232
G MOSENOGI	-	-	-	22,064	22,064
K NDINCEDE	-	-	-	142,013	142,013
LL CUTSWA	-	-	-	94,872	94,872
SL MONDLANE	-	-	-	20,961	20,961
PZ LESOMO	-	-	-	125,695	125,695
LM LEBENYA	-	-	-	16,548	16,548
JJ LE GRANGE	-	-	-	20,961	20,961
ME MOSWEU	-	-	-	34,200	34,200
AO PHUTIYAGAE	-	-	-	20,388	20,388
MN NTULI	-	-	-	19,527	19,527
CJ BESTER	-	-	-	24,271	24,271
C HATTINGH	-	-	-	10,399	10,399
HFC JORDAAN	-	-	-	24,271	24,271
MJ VAN TONDER	-	-	-	12,136	12,136
JS XABA	-	-	-	24,570	24,570
Total payments made to councillors	7,636,891	754,800	964,223	1,011,052	10,366,966
	7,636,891	**754,800**	**964,223**	**1,011,052**	**10,366,966**

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

33. Unauthorised expenditure

Opening balance as previously reported	70,748,925	67,966,774	70,748,925	67,966,774
Opening balance as restated	**70,748,925**	**67,966,774**	**70,748,925**	**67,966,774**
Add: Expenditure identified current	-	2,782,151	-	2,782,151
Closing balance	**70,748,925**	**70,748,925**	**70,748,925**	**70,748,925**

34. Fruitless and wasteful expenditure

Opening balance as previously reported	11,453,890	10,989,425	11,020,835	10,616,640
Opening balance as restated	**11,453,890**	**10,989,425**	**11,020,835**	**10,616,640**
Add: Fruitless and wasteful Expenditure	204,582	63,837	7,374	3,567
Add: Fruitless and wasteful expenditure identified in the current year relating to prior year	-	400,628	-	400,628
Closing balance	**11,658,472**	**11,453,890**	**11,028,209**	**11,020,835**

35. Irregular expenditure

Opening balance as previously reported	204,772,600	147,382,928	199,243,431	141,932,731
Opening balance as restated	**204,772,600**	**147,382,928**	**199,243,431**	**141,932,731**
Add: Irregular Expenditure - current period	26,655,328	21,420,033	26,583,024	20,998,902
Add: Irregular expenditure identified in the current year relating to prior year	11,610	36,311,798	-	36,311,798
Closing balance	**231,439,538**	**205,114,759**	**225,826,455**	**199,243,431**

The Accounting Officer has started with the investigations to establish instances which has led to non-compliance to the Supply Chain Management Regulations. Other matters relating to the irregular expenditure were referred to the Disciplinary Board for further investigations. The Disciplinary Board is also working finalising the investigations. Once the board and the accounting officer has finalised the investigation a report will be tabled in the next council meeting

36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(201,497)	210,723	(201,497)	210,723
Current year subscription / fee	1,302,293	1,009,820	1,302,293	1,009,820
Amount paid - current year	(1,237,178)	(1,422,040)	(1,237,178)	(1,422,040)
	(136,382)	**(201,497)**	**(136,382)**	**(201,497)**

Audit fees

Opening balance	902,865	20,706	902,865	20,706
Current year subscription / fee	5,325,975	4,219,145	4,314,288	3,762,432
Amount paid - current year	(5,467,451)	(3,336,986)	(5,200,663)	(2,880,273)
	761,389	**902,865**	**16,490**	**902,865**

PAYE and UIF

Opening balance	63,721	-	-	-
Current year subscription / fee	22,624,798	19,753,772	22,165,347	19,314,934
Amount paid - current year	(22,165,347)	(19,690,051)	(22,165,347)	(19,314,934)
	523,172	**63,721**	**-**	**-**

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

36. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	15,787,724	13,667,328	15,787,724	13,667,328
Amount paid - current year	(15,787,724)	(13,667,328)	(15,787,724)	(13,667,328)
	-	-	-	-

VAT

VAT receivable	4,278,939	5,326,618	4,278,939	5,326,618
VAT payable	(2,850,224)	(2,488,497)	-	-
	1,428,715	**2,838,121**	**4,278,939**	**5,326,618**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

37. Deviation from supply chain management regulations

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

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

Deviations				
Business Connexion	-	2,329,358	-	2,329,358
Ducharme Consulting	31,625	29,000	31,625	29,000
Hasler	11,439	10,879	11,439	10,879
South African Broadcasting Corporation Corp.	14,310	6,360	14,310	6,360
Wolters Kluwer (WK)	-	24,906	-	24,906
Nombulelo Trading Enterprise (Pty) Ltd	-	51,500	-	51,500
Post Office	-	2,125	-	2,125
Multi Choice	19,428	14,036	19,428	14,036
Kgosithato Trading Enterprise	-	147,500	-	147,500
Aganang Community Radio Station	-	93,950	-	93,950
Star FM	-	31,500	-	31,500
Makeover Plus (Pty) Ltd	-	97,300	-	97,300
Ilezweni Construction	-	42,375	-	42,375
Japs Trading (Pty) Ltd	-	43,050	-	43,050
Sparklex (Pty) Ltd	-	91,600	-	91,600
Vencedora (Pty) Ltd	-	108,000	-	108,000
Loabile Holdings (Pty) Ltd	70,000	70,000	70,000	70,000
Midvaal Water Company	18,566	246,428	18,566	246,428
Envirocare Laboratory	29,155	242,720	29,155	242,720
Absolute Answer Trading (Pty) Ltd	48,500	-	48,500	-
Assessment Toolbax CC	34,500	-	34,500	-
Kreston North west	965,000	-	965,000	-
Gifios And Popla Trading Enterprise	55,500	-	55,500	-
Pay day Software System	35,138	-	35,138	-
Power Mowers CC	6,670	-	6,670	-
Pono Security Services Projects	333,385	-	333,385	-
Sasfin Commerical Solution	2,950	-	2,950	-
ATC Approvement Construction	82,110	-	82,110	-
Iveco Truck & Bus	102,799	-	102,799	-
Rauco Trading CC	188,947	-	188,947	-
Maine Management	1,450,363	-	1,450,363	-
SEDIBANAMETSEENG PROJECTS (PTY) LTD	244,650	-	244,650	-
	3,745,035	**3,682,587**	**3,745,035**	**3,682,587**

38. Budget differences

The Municipality considered all variances above 10% of the final budget amount to be material and therefore reasons were only provided for the material variances as required by GRAP 24.

Sale of tender documents- Bidders have an option to either download bid documents free of charge from the E-Tender Portal or to buy tender document from municipal offices.Bidders opted to download tender documents free of charge on ETender
portal

Spartial development framework) – The District Municipality budgeted for the Spartial
development framework grant as the District Municipality anticipated that the grant would be transferred by National Treasury. The grant was not transferred over in this current year as it was in the previous financial year..

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

38. Budget differences (continued)

Sale of assets The sale of assets process required the appointment of an auctioneer to auction the assets. The District Municipality advertised the appointment of an auctioneer and there was no responsive bidder/auctionee

Commissions received The commission received is from the insurance service provider on the premiums deducted from the employees salary. The budget was based on the number of employees who had insurance policies with service providers registered with the Municipality, thus it could not be estimated with certainty the number of new employees who will take up the policy and the relevant increase in premiums. In certain instances employees took up more insurance policies and other increased their cover, thus the increase in the premiums and consequently the revenue collected by the Municipality on behalf of insurance service providers.

Outsource Services-(i) Other mayoral progammes as well as those in the speaker office did not move on outsource services. (ii) Spending on Hygiene services was less than the budgeted amount because material and other supplies were purchased with the consumable stores, material and supplies under inventory

Depreciation variance: The 2019 / 2020 actual performance on the Depreciation was used as a baseline for the 2020 / 20221 financial year. Also, the poor condition of other assets was taken into consideration

Remuneration of Councillors: The provision on upper limits was budgeted however the Minister announced that there will be no increase on the remuneration of public office bearers in the 2020/21 financial year..

Commission received: Insurance payout received which was not budgeted for.

Other materials: A portion of this budget was for Covid-19 however the municipality received donations of sanitizers & PPE for Covid 19 ...hence the spending is less.

Other Expenditure: Due to the abnormal nature of opeartions during the covid-19 pandemnic, general expenses e.g. Accommodation,Entertainment, conference and seminars, Travel Local and Business expenses for Councillors and Directors.(ii) Less spending or no spending on Public Participation, CBPs in the office office of the Speaker(iii) Less spending or no spending on some of the LED programmes. (iv) Generally the budgetd amount inclueds VAT and the actual spending excludes VAT

Licensing and permits 4) In the previous financial year more service providers and/or entrepreneurs required their businesses to be disinfected and sanitised more frequently due to COVID – 19 infections. The District Municipality budgeted based on the previous year's rate of infections. Due to the slow rate of infections, less visits by the health workers were requested by business.

Interest received - investment) The shortfall on the interest received was based on the interest received on the positive bank balance. The District Municipality budgeted in accordance to the interest received last year on a similar positive bank balance. A lesser interest was as compared to the previous financial year..

Dividends received - The dividend received was from a liquidation and distribution from the High Court of South Africa which ordered the creditors of the former New Republic Bank Limited (under receivership) ("NRB") that all dividends shall immediately be paid by the receiver. This court order was order on the 8th October 2020 and the District Municipality was unaware of the case..

39. Changes from the approved budget to the final budget

The changes between the approved and final budget ae consequences of changes in the overall budget parameters. For details on these changes please see details

Government Grants & Subsidies - The difference is as a results of additional grant on Local Government Equitable Share.The allocation was meant to assist municipalities to procure preventive items to curb or minimise the spread of the virus. However during the 4th quarter, the last trench of Equitable share was less with which was the additional management relief grant received in the 2019/20 financial year.

39. Changes from the approved budget to the final budget (continued)

Contracted Services: the additional budget was meant to cater for legal expenses because during the mid-term budget & performance assessment it was discovered that the six months spending was already exceeding the original due to number of litigations taking place

Interest received Investments-Due to low spending on operating budget, the municipality had sufficient cash readily available for the invesment. The Municipality invested an amount of that was available in Q4 and consequently additional interest was received from the external investments.

Transfers and Subsidies: Additional allocation was meant for merit bursaries and SMMEs support grants (this will change after adj budget) that were not adequately provided for in the original budget

General expenses:Other Expenditure: Due to the abnormal nature of operations during the covid-19 pandemic, general expenses e.g. Accommodation, Entertainment, conference and seminars, Travel Local and Business expenses for Councillors and Directors the spending was less. Less spending or no spending on Public Participation, CBPs in the office of the Speaker. Less spending or no spending on some of the LED programmes. Generally, the budgeted amount includes VAT and the actual spending excludes VAT

Remuneration of councillorsThe remuneration of other councillors was erroneously processed from the office of the Municipal Manager and LED & Planning. The adjustment was meant to correct the misallocation

Depreciation and amortisation: The 2019 / 2020 actual performance on the Depreciation was used as a baseline for the 2020 / 20221 financial year. Also, the poor condition of other assets was taken into consideration. The management anticipated that through that conditional assessment, the depreciation amount will increase

Other materials: A portion of this budget was for Covid-19 however the municipality received donations of sanitizers & PPE for Covid 19 from DBSA. As a result was taken from operating budget to capital budget for the purchase of screening station container for the Dr KK Disaster Centre

General expenses:Other Expenditure: Due to the abnormal nature of operations during the covid-19 pandemic, general expenses e.g. Accommodation, Entertainment, conference and seminars, Travel Local and Business expenses for Councillors and Directors the spending was less. Less spending or no spending on Public Participation, CBPs in the office of the Speaker. Less spending or no spending on some of the LED programmes. Generally, the budgeted amount includes VAT and the actual spending excludes VAT

40. Prior period error

Property, plant and Equipment

In 2020, the Community Assets Costs as well as the Accumulated Depreciation was understated with R150 634. These adjustments had no effect on the Net Book Value and Retained Earnings.

AFS line item	2020 AuditedAFS	2021reinstatedAFS	Correction oferror
Unspent conditional grant	1,051,738	65,626	986,112
Accumulated surplus	61,988,451	62,974,563	(986,112)
	63,040,189	**63,040,189**	-

Unpsent conditional grant included an amount of R 986 112 from the 18/19 financial year. This amount relates to an equitable share received, and it was set aside in a different bank account to avioid spending it. As a result of the amount being set aside the municipality incorrectly classified the amount as unspent conditioinal grant. This amount is equitable share and should be classified as revenue

40. Prior period error (continued)

Remuneration of Councillors	2020 AuditedAFS	2021reinstatedAFS	Correction oferror
Speaker	681,868	759,479	(77,611)
Single Whip	792,397	714,787	77,610
	1,474,265	**1,474,266**	**(1)**

The following account detailed were misclassified between speaker and single whip under remuneration of councillors,SPEAKER: PENSION FUND CONTRIBUTIONS,SPEAKER: MEDICAL AID BENEFITS.

AFS line Item	2020 AuditedAFS	2021reinstatedAFS	Correction oferror
13th Cheque	4,086,562	4,142,165	(55,603)
Car allowance	8,611,571	8,783,171	(171,600)
Cellphone allowance	1,194,133	966,930	227,503
	13,892,266	**13,892,266**	**300**

In the prior year audited financial statements, 13th cheque and car allowance for the CFO was incorrectly mapped/classified to cellphone allowance. The misclassification related to employee related costs.

Contracted services	2020 AuditedAFS	2021reinstatedAFS	Correction oferror
Outsourced services	8,922,224	8,745,329	176,895
General expenses			
Donations	207,000	7,000	200,000
Hire Charges	303,770	480,665	(176,895)
Transfers and subisidies			
Busaries non employees	60,000	260,000	(200,000)
	9,492,994	**9,492,994**	-

In the prior year audited financial statements, operational costs relating to hire charges under general expenses were incorrectly classified to oursourced services under contracted services. Also under general expenses, covid 19 relief was classified under donations incorrectly, the amount should have been classified under Transfers and subsidies

Prior period errors were identified during the current year and corrected in line with GRAP 3 - Accounting Policies, Changes in Accounting Policies and Errors.

The correction of the error(s) relating to line items disclosed in the statements of financial position, performance and cash flow statement results in adjustments as follows:

Statement of Financial position	Asprevious ly reported	Correction of errors	Restated balance
Receivables from exchange transactions - Consumer debtors - Other 1	545,330	(545,330)	-
Receivables from exchange transactions - Staff advances	-	197,742	197,742
Receivables from exchange transactions - Deposits	-	1,400	1,400
Receivables from non-exchange transactions - Other	-	450,000	450,000
Non-current assets held for sale	348,583	(199,375)	149,208
Cash and cash equivalents - Bank balances	1,886,830	(1,789,843)	96,987
Cash and cash equivalents - Cash on hand	-	25	25
Cash and cash equivalents - Call account	-	1,779,241	1,779,241
Payables from exchange transactions - Trade payables	(499,365)	(8,630)	(507,995)
Payables from exchange transactions - Leave accrual provision	(360,419)	5,237	(355,182)
VAT Payable	(3,041,888)	553,391	(2,488,497)

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

40. Prior period error (continued)

Accumulated surplus		(65,478)	(413,296)	(478,774)
Statement of Financial performance				
Employee related costs - Salaries and Wages		2,076,700	(37,168)	2,039,532
Board allowances - Board members		189,616	(2,912)	186,704
Depreciation and amortisation - Property plant and equipment		67,326	6,606	73,932
Operational fees - Refreshments		16,306	2,912	19,218
		1,163,541	-	**1,163,541**

Prior period error

Receivables from exchange transactions - Consumer debtors - Other 1 incorrectly disclosed in the prior year was correctly reclassfied in the current year. The effect of the restatement is as follows:

Statement of financial position				
Decrease in Receivables from exchange transactions - Consumer debtors - Other 1	-	(545,330)	-	-
ncrease in Receivables from exchange transactions - Staff advances	-	93,930	-	-
Increase in Receivables from exchange transactions - Deposits	-	1,400	-	-
Increase in Receivables from Non-exchange transactions - Consumer debtors - Otherreceivables from non-exchange revenue	-	450,000	-	-
	-	-	-	-

Prior period error

During the current year, it was noted that some staff advances deposits were incorrectly accounted for in the prior financial year.
The effect of the adjustment is as follows:.

Statement of financial position				
Increase in Receivables from exchange transactions - Staff advances	-	19,207	-	-
Decrease in Cash and cash equivalents - Bank balances	-	(19,207)	-	-
	-	-	-	-

Fair value of receivables from non-exchange transactions

Prior period error

During the current year, it was noted that there were overpaymentsof basic salaries which was incorrectly accounted for in the prior financial years. The effect of the adjustment is as follows:

Statement of Financial position				
Decrease in Receivables from exchange transactions - Staff advances	-	(102,745)	-	-
Decrease in Accumulated surplus	-	102,745	-	-
	-	-	-	-

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

40. Prior period error (continued)

During the current year, it was noted there was overpayment of allowances not recognised as a receivable in the prior financial years. The effect of the adjustment is as follows:

Statement of Financial position				
Increase in Receivables from exchange transactions - Staff advances	-	7,043	-	-
Increase in Accumulated surplus	-	(7,043)	-	-
	-	-	-	-

Prior period error

During the current year, it was noted there was overpayment of basic salaries not recognised as a receivable in the prior financial years. The effect of the adjustment is as follows:

Statement of Financial position				
Increase in Receivables from exchange transactions - Staff advances	-	180,307	-	-
Increase in Accumulated surplus	-	(143,139)	-	-
Statement of Financial performance				
Decrease in Employee related costs - Salaries and Wages	-	(37,168)	-	-
	-	-	-	-

During the current year, Non-current assets held for sale disclosed in the prior year was recalculated and corrected to reflectcorrect closing balances per the Fixed Asset register. The effect of the adjustment is as follows

Correction of Non-current assets held for sale				
Statement of Financial position				
Decrease in Non-current assets held for sale	-	(199,375)	-	-
Decrease in Accumulated surplus	-	192,769	-	-
Statement of financial performance				
Increase in Depreciation: Property plant and equipment	-	6,606	-	-
	-	-	-	-

41. Public contributions and donations

Public contributions and donations	20,400	-	20,400	-

The donation is an asset (Mist Blower) received from the Department of Cooperate Governance and Traditional Affairs to the municipality in order to assist the municipality deal with the challenges of covid 19 pandemic