Harry Gwala District Municipality and its Municipal Entity
Annual financial statements
for the year ended 30 June 2022

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (water and sanitation) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Council	
Executive Mayor	ZD Nxumalo
Deputy Mayor	TN Jojozi
Speaker	MSD Mdunge
Chief Whip	N Mhatu
Member of the Executive Committee	KS Dlamini
Member of the Executive Committee	Z Tshangase
Member of the Executive Committee	SD Bekwa
	ZP Dlamini
	TSH Gamede
	BL Marnce
	NR Mtshali
	TG Soni
	PN Damoyi
	B Sibeni
	B Keswa
	HA Lukhozi
	X Memela
	HV Msomi
	NH Zaca
	NH Malimela
	ZM Ngidi
	P Memela
	N Dlamini
	BR Memela
	V Mthembu
	ZR Tshazi
	N Mda
	R Ramatlapeng
	K Dlamini
Traditional leader	MSI Zulu
Traditional leader	VV Zimema
Grading of local authority	4
Accounting Officers	Mrs AN Dlamini (Resigned on 13 May 2022) Mrs TT Magaqa (Appointed to act on 13 May 2022) Mr GM Sineke (Appointed on 1 September 2022)
Chief Finance Officer (CFO)	Mr M Mkatu
Registered office	Harry Gwala District Municipality Main office 40 Main street Ixopo 3276

General Information

Business address	40 Main street Ixopo 3276
Postal address	Private Bag X501 Ixopo 3276
Controlling entity	Harry Gwala District Municipaity
Bankers	First National Bank
Auditors	Auditor General
Attorneys	Zuma and Partners Incorporated Seanego Incorporated Mdledle Incorporated Hughes-Madondo Incorporated Ka-Mbonane Cooper
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were internally compiled by: Mr T Guma Deputy Chief Financial Officer
Harry Gwala Development Agency board members	Mr DE Sithole - Chairperson Mr RP Dittrich - Chairperson - Resigned in September 2021 Mr N Khanyile Ms CS Nqoko
HGDA Chief Executive Officer (CEO)	Ms NC James - Resigned in September 2021
HGDA Acting Chief Executive Officer / Chief Financial Officer (ACEO) / (CFO)	Mrs NR Shabalala

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

Accounting Officers' Responsibilities and Approval

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

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

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

The accounting officers acknowledge that they are 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 officers to meet these responsibilities, the accounting officers 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 officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the economic entity’s cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, they are 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 municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The annual financial statements set out from pages 5 to 82, which have been prepared on the going concern basis, were approved by the accounting officers on 30 September 2022 and were signed on its behalf by:

Mr GM Sineke
Municipal Manager

Friday, 30 September 2022

Statement of Financial Position as at 30 June 2022

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2022	2021 Restated*	2022	2021 Restated*
Assets					
Current Assets					
Inventories	3	513 295	407 547	513 295	407 547
Receivables from exchange transactions	4	3 137	12 719	-	-
Receivables from non-exchange transactions	5	3 387 438	3 808 314	3 387 438	3 721 355
VAT receivable	6	25 856 046	17 040 551	25 559 909	16 715 814
Consumer debtors	7	27 667 759	26 855 758	27 667 759	26 855 758
Cash and cash equivalents	8	64 591 689	59 420 403	50 226 251	51 862 286
		122 019 364	**107 545 292**	**107 354 652**	**99 562 760**
Non-Current Assets					
Property, plant and equipment	9	2 778 504 558	2 571 782 260	2 759 364 071	2 551 393 944
Intangible assets	10	1 466 713	1 856 736	384 235	577 662
Investments in controlled entities	11	-	-	100	100
		2 779 971 271	**2 573 638 996**	**2 759 748 406**	**2 551 971 706**
Total Assets		**2 901 990 635**	**2 681 184 288**	**2 867 103 058**	**2 651 534 466**
Liabilities					
Current Liabilities					
Finance lease obligation	12	1 314 734	3 648 790	1 298 953	3 566 463
Payables from exchange transactions	13	98 433 623	101 179 670	96 196 489	99 320 363
Consumer deposits	14	2 175 007	2 033 520	2 175 007	2 033 520
Employee benefit obligation	15	1 583 000	1 566 000	1 583 000	1 566 000
Unspent conditional grants and receipts	16	2 787 455	1 489 231	-	134 760
		106 293 819	**109 917 211**	**101 253 449**	**106 621 106**
Non-Current Liabilities					
Other financial liabilities	17	2 770 602	2 770 602	-	-
Finance lease obligation	12	7 056	1 341 253	-	1 337 568
Employee benefit obligation	15	25 663 000	22 981 999	25 663 000	22 981 999
Long term payables from exchange transactions	18	10 393 504	10 793 504	10 393 504	10 793 504
		38 834 162	**37 887 358**	**36 056 504**	**35 113 071**
Total Liabilities		**145 127 981**	**147 804 569**	**137 309 953**	**141 734 177**
Net Assets		**2 756 862 654**	**2 533 379 719**	**2 729 793 105**	**2 509 800 289**
Accumulated surplus		2 756 862 654	2 533 379 719	2 729 793 105	2 509 800 289
Total Net Assets		**2 756 862 654**	**2 533 379 719**	**2 729 793 105**	**2 509 800 289**

* See Note 41

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2022	2021 Restated*	2022	2021 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	19	61 560 151	67 764 755	61 560 151	67 764 755
Other income	20	2 912 708	516 911	2 912 708	516 911
Interest received	21	16 423 707	13 187 947	16 324 742	13 111 858
Total revenue from exchange transactions		**80 896 566**	**81 469 613**	**80 797 601**	**81 393 524**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	22	766 853 879	733 461 093	766 157 873	733 461 093
Public contributions and donations	23	12 780 957	4 692 678	12 780 957	4 692 678
Total revenue from non-exchange transactions		**779 634 836**	**738 153 771**	**778 938 830**	**738 153 771**
Total revenue	24	**860 531 402**	**819 623 384**	**859 736 431**	**819 547 295**
Expenditure					
Contracted services	26	(173 988 538)	(130 467 769)	(173 012 591)	(129 575 463)
Contribution to debt Impairment allowance	27	(15 146 870)	(32 079 320)	(15 146 870)	(31 733 887)
Depreciation and amortisation	28	(80 111 461)	(77 539 578)	(78 667 036)	(76 238 433)
Employee related costs	29	(246 260 298)	(226 344 326)	(238 375 669)	(216 020 623)
Finance costs	30	(309 578)	(1 007 991)	(306 520)	(995 437)
Inventory consumed	31	(44 660 966)	(27 868 396)	(44 660 966)	(27 868 396)
Lease rentals on operating lease	32	(25 658)	(51 226)	-	-
Operational costs	33	(65 533 519)	(58 380 457)	(63 462 382)	(56 899 857)
Remuneration of councillors	34	(7 238 604)	(7 812 672)	(7 238 604)	(7 812 672)
Transfer payments	35	-	-	(15 100 000)	(17 000 000)
Total expenditure		**(633 275 492)**	**(561 551 735)**	**(635 970 638)**	**(564 144 768)**
Operating surplus		**227 255 910**	**258 071 649**	**223 765 793**	**255 402 527**
Loss on disposal of assets	9	(1 940 404)	(6 496 389)	(1 940 404)	(6 496 389)
Actuarial gains/losses	15	688 000	(1 006 000)	688 000	(1 006 000)
Impairment loss on assets	36	(2 837 739)	(3 120 393)	(2 837 739)	(3 120 393)
		(4 090 143)	**(10 622 782)**	**(4 090 143)**	**(10 622 782)**
Surplus for the year		**223 165 767**	**247 448 867**	**219 675 650**	**244 779 745**

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Economic entity		
Balance at 01 July 2020	**2 285 930 852**	**2 285 930 852**
Changes in net assets		
Surplus for the year	247 448 867	247 448 867
Total changes	247 448 867	247 448 867
Restated* Balance at 01 July 2021	**2 533 696 887**	**2 533 696 887**
Changes in net assets		
Surplus for the year	223 165 767	223 165 767
Total changes	223 165 767	223 165 767
Balance at 30 June 2022	**2 756 862 654**	**2 756 862 654**

Figures in Rand	Accumulated surplus / deficit	Total net assets
Controlling entity		
Balance at 01 July 2020	**2 265 020 544**	**2 265 020 544**
Changes in net assets		
Surplus for the year	244 779 745	244 779 745
Total changes	244 779 745	244 779 745
Restated* Balance at 01 July 2021	**2 510 117 455**	**2 510 117 455**
Changes in net assets		
Surplus for the year	219 675 650	219 675 650
Total changes	219 675 650	219 675 650
Balance at 30 June 2022	**2 729 793 105**	**2 729 793 105**

* See Note 41

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2022	2021 Restated*	2022	2021 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		60 165 336	50 636 535	60 068 795	50 446 513
Grants		768 023 113	718 109 372	766 023 113	718 109 372
Interest income		5 202 817	3 087 482	5 103 852	3 011 393
		833 391 266	771 833 389	831 195 760	771 567 278
Payments					
Employee costs		(248 285 102)	(230 036 574)	(240 400 472)	(219 712 872)
Suppliers		(297 433 292)	(223 263 085)	(309 995 971)	(235 598 598)
Finance costs		(18 934)	(370 469)	(18 934)	(370 469)
		(545 737 328)	(453 670 128)	(550 415 377)	(455 681 939)
Net cash flows from operating activities	37	**287 653 938**	**318 163 261**	**280 780 383**	**315 885 339**
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(278 123 391)	(292 004 869)	(278 123 390)	(291 764 765)
Proceeds from sale of property, plant and equipment	9	(364)	16 632	(364)	-
Purchase of other intangible assets	10	-	(191 428)	-	-
Net cash flows from investing activities		**(278 123 755)**	**(292 179 665)**	**(278 123 754)**	**(291 764 765)**
Cash flows from financing activities					
Repayment of other financial liabilities		-	(6 858 586)	-	(4 555 057)
Movement in long term payables from exchange transactions		(400 000)	(2 400 000)	(400 000)	(2 400 000)
Finance lease payments		(3 958 897)	(6 035 655)	(3 892 664)	(5 974 097)
Net cash flows from financing activities		**(4 358 897)**	**(15 294 241)**	**(4 292 664)**	**(12 929 154)**
Net increase/(decrease) in cash and cash equivalents		**5 171 286**	**10 689 355**	**(1 636 035)**	**11 191 420**
Cash and cash equivalents at the beginning of the year		59 420 403	48 731 048	51 862 286	40 670 866
Cash and cash equivalents at the end of the year	8	**64 591 689**	**59 420 403**	**50 226 251**	**51 862 286**

* See Note 41

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance explanation note reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	69 421 547	(8 358 899)	**61 062 648**	61 560 151	**497 503**	50
Other income	549 378	10 000	**559 378**	2 912 708	**2 353 330**	50
Interest received	15 880 867	(661 040)	**15 219 827**	16 423 707	**1 203 880**	50
Total revenue from exchange transactions	**85 851 792**	**(9 009 939)**	**76 841 853**	**80 896 566**	**4 054 713**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	698 664 000	67 290 386	**765 954 386**	766 853 879	**899 493**	50
Public contributions and donations	-	-	**-**	12 780 957	**12 780 957**	50
Total revenue from non-exchange transactions	**698 664 000**	**67 290 386**	**765 954 386**	**779 634 836**	**13 680 450**	
Total revenue	**784 515 792**	**58 280 447**	**842 796 239**	**860 531 402**	**17 735 163**	
Expenditure						
Employee related costs	(237 156 397)	(6 238 411)	**(243 394 808)**	(246 260 298)	**(2 865 490)**	50
Remuneration of councillors	(8 922 455)	384 635	**(8 537 820)**	(7 238 604)	**1 299 216**	50
Depreciation and amortisation	(87 409 969)	(1 004 682)	**(88 414 651)**	(80 111 461)	**8 303 190**	50
Impairment loss	-	-	**-**	(2 837 739)	**(2 837 739)**	50
Finance costs	(1 327 500)	912 500	**(415 000)**	(309 578)	**105 422**	50
Lease rentals on operating lease	-	-	**-**	(25 658)	**(25 658)**	
Debt Impairment	(27 644 645)	-	**(27 644 645)**	(15 146 870)	**12 497 775**	50
Contracted Services	(106 295 819)	(76 708 185)	**(183 004 004)**	(173 988 538)	**9 015 466**	50
Inventory consumed	(31 248 569)	(10 088 660)	**(41 337 229)**	(44 660 966)	**(3 323 737)**	50
Operational costs	(60 588 712)	(1 469 401)	**(62 058 113)**	(65 533 519)	**(3 475 406)**	50
Total expenditure	**(560 594 066)**	**(94 212 204)**	**(654 806 270)**	**(636 113 231)**	**18 693 039**	
Operating surplus	**223 921 726**	**(35 931 757)**	**187 989 969**	**224 418 171**	**36 428 202**	
Loss on disposal of assets and liabilities	-	-	**-**	(1 940 404)	**(1 940 404)**	50
Actuarial gains/losses	-	-	**-**	688 000	**688 000**	50
	-	**-**	**-**	**(1 252 404)**	**(1 252 404)**	
Surplus before taxation	**223 921 726**	**(35 931 757)**	**187 989 969**	**223 165 767**	**35 175 798**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**223 921 726**	**(35 931 757)**	**187 989 969**	**223 165 767**	**35 175 798**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance explanation note reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	267 013	140 534	**407 547**	513 295	**105 748**	50
Receivables from exchange transactions	-	-	**-**	3 137	**3 137**	50
Receivables from non-exchange transactions	3 878 721	(2 793)	**3 875 928**	3 387 438	**(488 490)**	50
VAT receivable	19 463 362	1 641 807	**21 105 169**	25 855 485	**4 750 316**	50
Consumer debtors	28 615 502	(2 794 115)	**25 821 387**	27 667 759	**1 846 372**	50
Cash and cash equivalents	51 179 421	8 095 712	**59 275 133**	64 591 689	**5 316 556**	50
	103 404 019	**7 081 145**	**110 485 164**	**122 018 803**	**11 533 639**	
Non-Current Assets						
Property, plant and equipment	2 843 962 384	(99 527 216)	**2 744 435 168**	2 778 504 558	**34 069 390**	50
Intangible assets	1 945 553	(1 123 069)	**822 484**	1 466 713	**644 229**	50
	2 845 907 937	**(100 650 285)**	**2 745 257 652**	**2 779 971 271**	**34 713 619**	
Total Assets	**2 949 311 956**	**(93 569 140)**	**2 855 742 816**	**2 901 990 074**	**46 247 258**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	1 314 734	**1 314 734**	50
Payables from exchange transactions	100 414 783	(9 035 036)	**91 379 747**	98 433 628	**7 053 881**	50
Consumer deposits	2 155 100	27 344	**2 182 444**	2 175 007	**(7 437)**	50
Employee benefit obligation	-	-	**-**	1 583 000	**1 583 000**	50
Unspent conditional grants and receipts	-	-	**-**	2 787 455	**2 787 455**	50
	102 569 883	**(9 007 692)**	**93 562 191**	**106 293 824**	**12 731 633**	
Non-Current Liabilities						
Other financial liabilities	-	-	**-**	2 770 602	**2 770 602**	50
Finance lease obligation	1 878 481	(82 558)	**1 795 923**	7 056	**(1 788 867)**	50
Employee benefit obligation	23 797 317	3 163 000	**26 960 317**	25 663 000	**(1 297 317)**	50
Long term payables from exchange transactions	-	13 193 504	**13 193 504**	10 393 504	**(2 800 000)**	50
	25 675 798	**16 273 946**	**41 949 744**	**38 834 162**	**(3 115 582)**	
Total Liabilities	**128 245 681**	**7 266 254**	**135 511 935**	**145 127 986**	**9 616 051**	
Net Assets	**2 821 066 275**	**(100 835 394)**	**2 720 230 881**	**2 756 862 088**	**36 631 207**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 821 066 275	(100 835 394)	**2 720 230 881**	2 756 862 088	**36 631 207**	

Accounting Policies

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2022	2021	2022	2021

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These 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 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Interests in other entities

Consolidated financial statements

Benefits are the advantages an entity obtains from its involvement with other entities. Benefits may be financial or non-financial. The actual impact of an entity’s involvement with another entity can have positive or negative aspects.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Consolidated annual financial statements are the annual financial statements of an economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

A controlled entity is an entity that is controlled by another entity. A controlling entity is an entity that controls one or more entities.

A decision maker is an entity with decision making rights that is either a principal or an agent for other parties.

An economic entity is a controlling entity and its controlled entities.

Accounting Policies

1.4 Interests in other entities (continued)

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, has the purpose of investing funds solely for returns from capital appreciation, investment revenue, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis.

A non-controlling interest is the net assets in a controlled entity not attributable, directly or indirectly, to a controlling entity.

Power consists of existing rights that give the current ability to direct the relevant activities of another entity.

Protective rights are rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate.

Relevant activities are activities of the potentially controlled entity that significantly affect the nature or amount of the benefits that an entity receives from its involvement with that other entity.

Removal rights are rights to deprive the decision maker of its decision making authority.

Presentation of consolidated financial statements

The entity as controlling entity presents consolidated annual financial statements.

Control

The entity determines whether it is a controlling entity by assessing whether it controls the other entity. The entity controls another entity when it is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity.

The entity controls another entity if the entity has all three of the following elements of control:
- power over the other entity;
- exposure, or rights, to variable benefits from its involvement with the other entity; and
- the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity.

The entity considers all facts and circumstances when assessing whether it controls another entity. The entity reassess whether it controls another entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

As an entity with decision making rights, the entity determines whether it is a principal or an agent in undertaking transactions with third parties. The entity also determines whether another entity with decision making rights is acting as an agent for the entity. An agent is a party primarily engaged to undertake transactions with third parties on behalf of and for the benefit of another party or parties (the principal(s)) and therefore does not control the other entity when it exercises its decision making authority. Thus, sometimes a principal's power may be held and exercisable by an agent, but on behalf of the principal.

Accounting requirements

The entity as controlling entity prepares consolidated annual financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Consolidation of a controlled entity begins from the date the entity obtains control of the other entity and cease when the entity loses control of the other entity.

Consolidation procedures

Consolidated financial statements:
- Combine like items of assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity with those of its controlled entities.
- Offset (eliminate) the carrying amount of the controlling entity‘s investment in each controlled entity and the controlling entity‘s portion of net assets of each controlled entity.
- Eliminate in full intra-economic entity assets, liabilities, net assets, revenue, expenses and cash flows relating to transactions between entities of the economic entity. Intra-economic entity losses may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting Policies

1.4 Interests in other entities (continued)

Uniform accounting policies

If a member of the economic entity uses accounting policies other than those adopted in the consolidated annual financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that member‘s annual financial statements in preparing the consolidated annual financial statements to ensure conformity with the economic entity‘s accounting policies.

Measurement

The entity includes the revenue and expenses of a controlled entity in the consolidated annual financial statements from the date it gains control until the date when the entity ceases to control the controlled entity. Revenue and expenses of the controlled entity are based on the amounts of the assets and liabilities recognised in the consolidated annual financial statements at the acquisition date.

Reporting dates

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

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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

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

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

Impairment testing

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

Useful lives of waste and water network and other assets

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 heath care retirement benefits obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

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.

1.6 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the 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.

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.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	
• Office		30 years
Furniture and office equipment	Straight-line	
• Office equipment		7 years
• Office furniture		10 years
• Paintings, sculptures, ornaments		10 years
Transport Assets	Straight-line	
• Motor vehicles		7 years
• Trailers and accessories		10 years
• Trucks		10 years
Computer equipment	Straight-line	
• Computer hardware including operation systems		5 years
• Networks		10 years
• Computer software		5 years
Dams/structure	Straight-line	
• Concrete		100 years
• Earth		50 years
River	Straight-line	
• Structure - Weir		50 years
• Borehole Establishment		30 years
Pump Stations	Straight-line	
• Structure - buildings		55 years
• Structure - Clarifiers		55 years
• Structure - Filters		55 years
• Electrical		20 years
• Mechanical		15 years
• Containers - Diesel		15 years
• Strcuture - Carports		15 years
Perimeter protection	Straight-line	
• Palisade - Concrete		25 years
• Palisade - Steel / Razor wire / Weld mesh		15 years
Reservoirs	Straight-line	
• Structure - Concrete		50 years
• Structure - Galaxy		30 years
• Structure - Steel Tank		30 years
• Structure Jojo		15 years
• Electrical		20 years
• Mechanical		15 years
Underground	Straight-line	
• Chambers		30 years
• Manholes		30 years
Water purification works	Straight-line	
• Structure		55 years
• Ponds		55 years
• Electrical		20 years
• Mechanical		15 years

Accounting Policies

1.6 Property, plant and equipment (continued)

Spring protection	Straight-line	
• Spring		20 years
• Jojo tanks		15 years
• Reticulation		40 years
• Standpipes		20 years
Sewerage pump stations	Straight-line	
• Structure - Buildings		55 years
• Structure - Reactors		55 years
• Structure - Drying beds		55 years
• Structure - Clarifiers chambers		35 years
• Structure - Maturation Ponds		35 years
• Eletrical		20 years
• Mechanical		15 years
• Containers - Diesel		15 years
• Structure, Carports		15 years
• Rising mains		40 years
• Gravity mains		40 years
Other machinery and equipment	Straight-line	
• Audiovisual equipments		10 years
• Building air conditioning systems		5 years
• Domestic equipment		5 years
• Kitchen appliances		10 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.

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.

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.7 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.

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	5 years

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

1.7 Intangible assets (continued)

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).

1.8 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:
- 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:

Accounting Policies

1.8 Financial instruments (continued)

- 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:

- 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.

1.8 Financial instruments (continued)

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
Short-term Investment Deposits	Financial asset measured at amortised cost
Bank Balances and Cash	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Other Debtors	Financial asset measured at amortised 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
Trade and other payables	Financial liability measured at amortised cost
Consumer Deposit	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost

1.9 Tax

Value Added Tax

The municipality accounts for value added tax on the payment basis.

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.

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

Accounting Policies

1.11 Inventories (continued)

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

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

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

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

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

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

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

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

1.12 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.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Designation

At initial recognition, the economic entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an economic entity's objective of using the asset.

The economic entity designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the economic entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the economic entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

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.

1.12 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.

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

Accounting Policies

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

- 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 non-cash-generating assets or cash-generating assets, are as follows:

1.14 Employee benefits

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

The 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

1.14 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

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

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;

1.14 Employee benefits (continued)

- 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).

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 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 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.

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.

Accounting Policies

1.15 Provisions and contingencies (continued)

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.

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 39.

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

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

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

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

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

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

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

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

1.16 Commitments (continued)

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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.

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 using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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

Service charges

1.17 Revenue from exchange transactions (continued)

Service charges relating to water are based on consumption. Meters are read on a monthly basis and recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption are made in the invoicing period in which meters have been read.Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.In circumstances where services cannot readily be measured and qualified, a flat rate service charge is levied monthly on such properties.

Tarrif charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Gifts and donations, including goods in-kind

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

1.22 Unauthorised expenditure (continued)

- 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.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.23 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.24 Irregular expenditure

Irregular expenditure 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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.25 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.26 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development 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.

1.26 Research and development expenditure (continued)

- 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.

1.27 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 accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

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

Comparative information is not required.

1.28 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 those family members who may be expected to influence, or be influenced by that person 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 annual financial statements.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

Accounting Policies

1.29 Events after reporting date (continued)

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. 01 April 2099.

It is unlikely that the revisions will have a material impact on the economic entity's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. 01 April 2099.

It is unlikely that the revisions will have a material impact on the economic entity's annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

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

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

The guideline is encouraged to be used by entities.

It is unlikely that the standard will have a material impact on the economic entity's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

The economic entity expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The impact of this standard is currently being assessed.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs
- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases
- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property
- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
  - Added clarification that investment property is measured at fair value at earliest of:
    - completion of construction or development; or
    - when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - property meets, or ceases to meet definition of investment property and
    - evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment
- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity ("the management entity") the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as "management" as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to "financial statements" or "face of the financial statements"

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
  - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The economic entity expects to adopt the improvements for the first time in the 2022/2023 annual financial statements.

It is unlikely that the improvements will have a material impact on the economic entity's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An economic entity applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The economic entity expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

It is unlikely that the amendment will have a material impact on the economic entity's annual financial statements.

3. Inventories

Water for distribution	513 295	407 547	513 295	407 547

Key judgements made and assumptions applied

Inventory water includes water purchased or purified and not yet sold at reporting date insofar as it is stored (controlled) in reservoirs at year end.

Inventory water also includes any water purification costs incurred for non-purchased water.

The municipality furthermore assesses whether there is material water purification chemicals and other consumables in hand at year end and discloses them separately on the notes to the annual financial statements. At the end of the financial year ended 30 June 2022 there was no material inventory in hand.

4. Receivables from exchange transactions

Prepayments	3 137	12 719	-	-

Trade and other receivables impaired

As of 30 June 2022, trade and other receivables of - (2021: 345 433) were impaired and provided for.

The amount of the provision was - as of 30 June 2022 (2021: 345 433).

The ageing of these loans is as follows:

Over 12 months	-	345 433	-	-

Reconciliation of provision for impairment of trade and other receivables

Opening balance	345 433	-	-	-
Provision for impairment	-	345 433	-	-
	345 433	**345 433**	**-**	**-**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

5. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	3 366 909	3 735 193	3 366 909	3 648 234
Payroll third parties advance payment	20 529	73 121	20 529	73 121
	3 387 438	**3 808 314**	**3 387 438**	**3 721 355**

Receivables from non-exchange transactions impaired

As of 30 June 2022, other receivables from non-exchange transactions of 2 105 753 (2021: 2 830 820) were impaired and provided for.

The receivables impaired are as follows:

Unauthorised expenditure	-	5 979	-	5 979
Debtor-Kokstad deposits	105 753	105 753	105 753	105 753
Councillors laptops	-	94 045	-	94 045
ACB/debtors	-	424 247	-	424 247
Cyclone construction - Farmers market	2 000 000	2 000 000	2 000 000	2 000 000
Councillors bursary	-	19 537	-	19 537
SARS - debtors/salaries	-	181 259	-	181 259

During the 2021/2022 financial year management assessed the recoverability of receivables from non-exchange transaction due to the lack of movement in their respective accounts. This assessment was performed by evaluating the transaction recorded at initial recognition against the available supporting evidence. It was discovered that these balances lacked supporting evidence and they originated from journal entries processed. Management took a decision to suggest a write off to the Executive Committee and the write off was approved accordingly.

6. VAT receivable

VAT	25 856 046	17 040 551	25 559 909	16 715 814

The municipality accounts for value added tax on the payment basis.

7. Consumer debtors

Gross balances				
Water	149 204 170	143 824 114	149 204 170	143 824 114
Value Added Tax	22 537 963	22 303 787	22 537 963	22 303 787
Sewerage	67 936 044	65 050 504	67 936 044	65 050 504
	239 678 177	**231 178 405**	**239 678 177**	**231 178 405**
Less: Allowance for impairment				
Water	(129 533 205)	(124 899 993)	(129 533 205)	(124 899 993)
Value Added Tax	(19 572 292)	(19 417 838)	(19 572 292)	(19 417 838)
Sewerage	(62 904 921)	(60 004 816)	(62 904 921)	(60 004 816)
	(212 010 418)	**(204 322 647)**	**(212 010 418)**	**(204 322 647)**
Net balance				
Water	19 670 965	18 924 121	19 670 965	18 924 121
Value Added Tax	2 965 671	2 885 949	2 965 671	2 885 949
Sewerage	5 031 123	5 045 688	5 031 123	5 045 688
	27 667 759	**26 855 758**	**27 667 759**	**26 855 758**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

7. Consumer debtors (continued)

Water				
Current (0 -30 days)	7 282 401	8 942 576	7 282 401	8 942 576
31 - 60 days	3 899 746	3 028 648	3 899 746	3 028 648
61 - 90 days	1 892 040	2 745 635	1 892 040	2 745 635
91 - 120 days	2 375 473	3 077 428	2 375 473	3 077 428
>120 days	133 754 510	126 029 827	133 754 510	126 029 827
	149 204 170	**143 824 114**	**149 204 170**	**143 824 114**

Waste water				
Current (0 -30 days)	1 094 790	1 471 007	1 094 790	1 471 007
31 - 60 days	503 438	482 438	503 438	482 438
61 - 90 days	257 959	440 438	257 959	440 438
91 - 120 days	328 230	509 259	328 230	509 259
>120 days	20 353 546	19 400 645	20 353 546	19 400 645
	22 537 963	**22 303 787**	**22 537 963**	**22 303 787**

Sewerage				
Current (0 -30 days)	2 170 590	2 662 158	2 170 590	2 662 158
31 - 60 days	941 180	1 074 867	941 180	1 074 867
61 - 90 days	803 306	1 063 320	803 306	1 063 320
91 - 120 days	787 310	1 169 737	787 310	1 169 737
>120 days	63 233 658	59 080 423	63 233 658	59 080 423
	67 936 044	**65 050 505**	**67 936 044**	**65 050 505**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

7. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers				
Current (0 -30 days)	5 097 971	7 179 107	5 097 971	7 179 107
31 - 60 days	3 158 407	3 587 576	3 158 407	3 587 576
61 - 90 days	2 187 042	3 465 547	2 187 042	3 465 547
91 - 120 days	2 739 796	4 126 788	2 739 796	4 126 788
>120 days	198 033 446	188 258 502	198 033 446	188 258 502
	211 216 662	**206 617 520**	**211 216 662**	**206 617 520**
Industrial/ commercial				
Current (0 -30 days)	1 153 881	1 634 868	1 153 881	1 634 868
31 - 60 days	486 231	357 245	486 231	357 245
61 - 90 days	285 050	502 760	285 050	502 760
91 - 120 days	409 944	446 719	409 944	446 719
>120 days	11 389 770	11 482 947	11 389 770	11 482 947
	13 724 876	**14 424 539**	**13 724 876**	**14 424 539**
National and provincial government				
Current (0 -30 days)	4 295 908	4 261 766	4 295 908	4 261 766
31 - 60 days	1 699 726	641 132	1 699 726	641 132
61 - 90 days	481 213	281 087	481 213	281 087
91 - 120 days	341 273	182 918	341 273	182 918
121 - 365 days	7 918 757	4 769 445	7 918 757	4 769 445
	14 736 877	**10 136 348**	**14 736 877**	**10 136 348**
Total				
Current (0 -30 days)	10 547 781	13 075 740	10 547 781	13 075 740
31 - 60 days	5 344 365	4 585 953	5 344 365	4 585 953
61 - 90 days	2 953 304	4 249 393	2 953 304	4 249 393
91 - 120 days	3 491 013	4 756 424	3 491 013	4 756 424
>120days	217 341 843	204 510 895	217 341 843	204 510 895
	239 678 306	231 178 405	239 678 306	231 178 405
Less: Allowance for impairment	(212 010 547)	(204 322 647)	(212 010 547)	(204 322 647)
	27 667 759	**26 855 758**	**27 667 759**	**26 855 758**
Less: Allowance for impairment				
Current (0 -30 days)	(4 465 931)	(6 340 358)	(4 465 931)	(6 340 358)
31 - 60 days	(2 738 601)	(3 381 265)	(2 738 601)	(3 381 265)
61 - 90 days	(2 013 474)	(3 272 738)	(2 013 474)	(3 272 738)
91 - 120 days	(2 557 665)	(3 917 313)	(2 557 665)	(3 917 313)
>120 days	(200 234 747)	(187 410 973)	(200 234 747)	(187 410 973)
	(212 010 418)	**(204 322 647)**	**(212 010 418)**	**(204 322 647)**
Total debtor past due but not impaired				
Current (0 -30 days)	3 639 423	6 735 383	3 639 423	6 735 383
31 - 60 days	2 605 763	1 204 688	2 605 763	1 204 688
61 - 90 days	939 830	976 279	939 830	976 279
91 - 120 days	933 348	838 738	933 348	838 738
>120 days	19 549 525	17 100 670	19 549 525	17 100 670
	27 667 889	**26 855 758**	**27 667 889**	**26 855 758**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

7. Consumer debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(204 322 647)	(169 939 480)	(204 322 647)	(169 939 480)
Contributions to allowance	(7 687 771)	(34 383 167)	(7 687 771)	(34 383 167)
	(212 010 418)	**(204 322 647)**	**(212 010 418)**	**(204 322 647)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	728	1 008	300	300
Bank balances	10 742 967	3 279 922	7 443 106	2 589 175
Short-term deposits	53 847 994	56 139 473	42 782 845	49 272 811
	64 591 689	**59 420 403**	**50 226 251**	**51 862 286**

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for Eskom	200 000	200 000	200 000	200 000

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	**30 June 2021**	**30 June 2020**	**30 June 2022**	**30 June 2021**	**30 June 2020**
FNB Ixopo Branch account number- 62022648169	17 089 981	2 589 175	9 616 287	7 443 106	2 589 175	9 616 287
FNB call account number- 62032587331	2 043 102	7 782 131	14 849 005	2 043 102	7 782 131	14 849 005
FNB call account number - 62095523281	-	202 000	1 755 268	-	202 000	1 755 268
FNB call account numbe - 62138538692	15 464 073	2 003	3 585 474	15 464 073	2 003	3 585 474
FNB call account number - 62398395204	2 000	2 203	2 000	2 000	2 203	2 000
FNB call account number - 62434145331	2 537	6 183	336 355	2 537	6 183	336 355
FNB call account number - 62434147072	1 585 029	2 130	14 346	1 585 029	2 130	14 346
FNB call account number - 62434151239	25 438	2 545	8 390 008	25 438	2 545	8 390 008
FNB call account number - 62414264797	12 475	7 938	4 320	12 475	7 938	4 320
Investec bank call account number -50006688425	1 593 635	20 266 621	2 117 496	1 593 635	20 266 621	2 117 496
Nedbank fixed term account n umber 7881166592	21 852 556	20 999 051	-	21 852 556	20 999 051	-
FNB - Ixopo Branch - Account Number - 62313233504	3 299 860	690 747	641 958	3 299 860	690 747	641 958
FNB -Ixopo Branch - Account Number - 62372506306	8 243 594	4 077 975	3 153 001	8 243 594	4 077 975	3 153 001
FNB - Ixopo Branch - Account Number - 62478289989	1 111 983	1 095 859	1 054 061	1 111 983	1 095 859	1 054 061
STD Bank - Kloof Branch - Account Number - 251660419	813 359	819 919	826 903	813 359	819 919	826 903
STD Bank - Kloof Branch - Account Number - 254472435	896 642	872 909	2 383 576	896 642	872 909	2 383 576
Total	**74 036 264**	**59 419 389**	**48 730 058**	**64 389 389**	**59 419 389**	**48 730 058**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

Economic entity	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	13 672 272	-	13 672 272	13 672 272	-	13 672 272
Buildings	62 845 740	(21 485 715)	41 360 025	62 845 741	(19 395 085)	43 450 656
Machinery and equipment	4 991 871	(2 539 940)	2 451 931	4 567 128	(2 115 222)	2 451 906
Furniture and office equipment	6 618 654	(4 896 395)	1 722 259	6 247 098	(4 494 899)	1 752 199
Transport assets	30 170 583	(13 364 365)	16 806 218	28 989 918	(11 509 994)	17 479 924
Computer equipment	12 553 432	(6 413 189)	6 140 243	10 269 990	(4 561 483)	5 708 507
Infrastructure: information and communication	483 520	(382 947)	100 573	483 520	(347 561)	135 959
Infrastructure	3 350 762 304	(660 079 601)	2 690 682 703	3 070 029 407	(589 417 509)	2 480 611 898
Community	3 927 753	(929 811)	2 997 942	5 048 079	(2 431 262)	2 616 817
Leased assets	11 498 677	(8 928 285)	2 570 392	11 498 677	(7 596 555)	3 902 122
Total	**3 497 524 806**	**(719 020 248)**	**2 778 504 558**	**3 213 651 830**	**(641 869 570)**	**2 571 782 260**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Controlling entity	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	13 672 272	-	13 672 272	13 672 272	-	13 672 272
Buildings	36 390 880	(13 624 043)	22 766 837	36 390 881	(12 468 732)	23 922 149
Machinery and equipment	4 649 389	(2 411 485)	2 237 904	4 224 646	(2 004 665)	2 219 981
Furniture and office equipment	5 930 579	(4 327 806)	1 602 773	5 559 023	(3 954 656)	1 604 367
Transport assets	30 170 583	(13 364 365)	16 806 218	28 989 918	(11 509 994)	17 479 924
Computer equipment	11 499 836	(5 573 379)	5 926 457	9 216 394	(3 987 939)	5 228 455
Infrastructure: information and communication	483 520	(382 947)	100 573	483 520	(347 561)	135 959
Infrastructure	3 350 762 304	(660 079 601)	2 690 682 703	3 070 029 407	(589 417 509)	2 480 611 898
Community	3 927 753	(929 811)	2 997 942	5 048 079	(2 431 262)	2 616 817
Leased assets	11 498 677	(8 928 285)	2 570 392	11 498 677	(7 596 555)	3 902 122
Total	**3 468 985 793**	**(709 621 722)**	**2 759 364 071**	**3 185 112 817**	**(633 718 873)**	**2 551 393 944**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2022

	Opening balance	Additions	Disposals	Transfers	Change in Estimate	Depreciation	Impairment loss	Impairment reversal	Total
Land	13 672 272	-	-	-	-	-	-	-	13 672 272
Buildings	43 450 656	-	-	-	-	(2 090 631)	-	-	41 360 025
Machinery and equipment	2 451 906	424 743	-	-	122 340	(547 058)	-	-	2 451 931
Furniture and office equipment	1 752 199	372 556	-	-	133 059	(535 555)	-	-	1 722 259
Transport assets	17 479 924	4 396 473	(29 738)	-	-	(5 040 441)	-	-	16 806 218
Computer equipment	5 708 507	2 447 141	(21 357)	-	42 457	(2 045 917)	-	9 412	6 140 243
Infrastructure: information and communication	135 959	-	-	-	-	(35 386)	-	-	100 573
Infrastructure	2 480 611 898	268 102 805	(143 320)	12 780 957	19 312	(67 841 796)	(5 262 744)	2 415 591	2 690 682 703
Community	2 616 817	2 379 673	(1 745 625)	-	-	(252 923)	-	-	2 997 942
Leased assets	3 902 122	-	-	-	-	(1 331 730)	-	-	2 570 392
	2 571 782 260	**278 123 391**	**(1 940 040)**	**12 780 957**	**317 168**	**(79 721 437)**	**(5 262 744)**	**2 425 003**	**2 778 504 558**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	13 672 272	-	-	-	-	-	13 672 272
Buildings	43 896 739	1 610 136	-	-	(2 056 219)	-	43 450 656
Machinery and equipment	610 784	2 158 284	-	-	(317 162)	-	2 451 906
Furniture and office equipment	1 591 333	736 241	(17 662)	-	(556 360)	(1 353)	1 752 199
Transport assets	6 816 736	14 387 057	-	-	(3 723 869)	-	17 479 924
Computer equipment	4 906 301	2 820 699	(105 590)	-	(1 910 229)	(2 674)	5 708 507
Infrastructure: information and communication	246 598	-	(27 608)	-	(80 898)	(2 133)	135 959
Infrastructure	2 278 953 529	270 292 452	(6 362 161)	4 692 678	(63 964 554)	(3 000 046)	2 480 611 898
Community	2 846 253	-	-	-	(229 436)	-	2 616 817
Leased assets	8 228 290	-	-	-	(4 211 983)	(114 185)	3 902 122
	2 361 768 835	**292 004 869**	**(6 513 021)**	**4 692 678**	**(77 050 710)**	**(3 120 391)**	**2 571 782 260**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2022

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	13 672 272	-	-	-	-	-	-	-	13 672 272
Buildings	23 922 149	-	-	-	-	(1 155 312)	-	-	22 766 837
Machinery and equipment	2 219 981	424 743	-	-	122 340	(529 160)	-	-	2 237 904
Furniture and office equipment	1 604 367	372 556	-	-	133 059	(507 209)	-	-	1 602 773
Transport assets	17 479 924	4 396 473	(29 738)	-	-	(5 040 441)	-	-	16 806 218
Computer equipment	5 228 455	2 447 141	(21 357)	-	42 457	(1 779 651)	-	9 412	5 926 457
Infrastructure: information and communication	135 959	-	-	-	-	(35 386)	-	-	100 573
Infrastructure	2 480 611 898	268 102 804	(143 320)	12 780 957	19 312	(67 841 796)	(5 262 744)	2 415 592	2 690 682 703
Community	2 616 817	2 379 673	(1 745 625)	-	-	(252 923)	-	-	2 997 942
Leased assets	3 902 122	-	-	-	-	(1 331 730)	-	-	2 570 392
	2 551 393 944	**278 123 390**	**(1 940 040)**	**12 780 957**	**317 168**	**(78 473 608)**	**(5 262 744)**	**2 425 004**	**2 759 364 071**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	13 672 272	-	-	-	-	-	13 672 272
Buildings	23 432 913	1 610 136	-	-	(1 120 900)	-	23 922 149
Machinery and equipment	358 962	2 158 284	-	-	(297 265)	-	2 219 981
Furniture and office equipment	1 413 079	736 241	(17 662)	-	(525 937)	(1 354)	1 604 367
Transport assets	6 816 736	14 387 057	-	-	(3 723 869)	-	17 479 924
Computer equipment	4 525 442	2 597 229	(105 590)	-	(1 785 951)	(2 675)	5 228 455
Infrastructure: information and communication	246 598	-	(27 608)	-	(80 898)	(2 133)	135 959
Infrastructure	2 278 953 529	270 275 818	(6 345 527)	4 692 678	(63 964 554)	(3 000 046)	2 480 611 898
Community	2 846 253	-	-	-	(229 436)	-	2 616 817
Leased assets	8 228 290	-	-	-	(4 211 983)	(114 185)	3 902 122
	2 340 494 074	**291 764 765**	**(6 496 387)**	**4 692 678**	**(75 940 793)**	**(3 120 393)**	**2 551 393 944**

Reconciliation of Work-in-Progress Economic entity - 2022

	Included within Infrastructure	Total
Opening balance	731 834 146	731 834 146
Additions/capital expenditure	261 172 182	261 172 182
Transferred to completed items	(183 075 604)	(183 075 604)
	809 930 724	**809 930 724**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Economic entity - 2021

	Included within Infrastructure	Total
Opening balance	667 183 610	667 183 610
Additions/capital expenditure	263 335 142	263 335 142
Written off - Vandalised Horseshoe sanitation project	(3 467 689)	(3 467 689)
Transferred to completed items	(195 216 917)	(195 216 917)
	731 834 146	**731 834 146**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance				
Contracted services	29 959 639	34 962 910	34 962 910	34 962 910
Material consumed	15 329 045	319 282	15 329 045	319 282
Harry Gwala Development Agency	-	6 106	-	-
	45 288 684	**35 288 298**	**50 291 955**	**35 282 192**

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 Annual Financial Statements

Figures in Rand

10. Intangible assets

Economic entity	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	2 671 769	(1 205 056)	1 466 713	2 671 768	(815 032)	1 856 736

Controlling entity	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1 066 026	(681 791)	384 235	1 066 025	(488 363)	577 662

Reconciliation of intangible assets - Economic entity - 2022

	Opening balance	**Amortisation**	**Total**
Computer software, other	1 856 736	(390 023)	1 466 713

Reconciliation of intangible assets - Economic entity - 2021

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	2 154 177	191 428	(488 869)	1 856 736

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2022

	Opening balance	Amortisation	Total
Computer software, other	577 662	(193 427)	384 235

Reconciliation of intangible assets - Controlling entity - 2021

	Opening balance	Amortisation	Total
Computer software, other	875 303	(297 641)	577 662

11. Interests in other entities

Investments in controlled entities

		Economic Entity		Controlling Entity		Economic Entity		Controlling Entity	
Name Jurisdiction	Determination of ownership interest	% ownership interest 2022	% ownership interest 2021	% ownership interest 2022	% ownership interest 2021	Carrying amount 2022	Carrying amount 2021	Carrying amount 2022	Carrying amount 2021
Harry Gwala Development Agency	Harry Gwala District Municipality	100.00 %	100.00 %	100.00 %	100.00 %	-	-	100	100
						-	-	100	100
						-	-	100	100

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

12. Finance lease obligation

Minimum lease payments due				
- within one year	1 364 570	3 974 990	1 348 789	3 892 663
- in second to fifth year inclusive	7 056	1 352 475	-	1 348 789
	1 371 626	5 327 465	1 348 789	5 241 452
less: future finance charges	(49 836)	(337 422)	(49 836)	(337 422)
Present value of minimum lease payments	**1 321 790**	**4 990 043**	**1 298 953**	**4 904 030**
Present value of minimum lease payments due				
- within one year	1 314 734	3 648 790	1 298 953	3 566 463
- in second to fifth year inclusive	7 056	1 341 253	-	1 337 567
	1 321 790	**4 990 043**	**1 298 953**	**4 904 030**
Non-current liabilities	7 056	1 341 253	-	1 337 568
Current liabilities	1 314 734	3 648 790	1 298 953	3 566 463
	1 321 790	**4 990 043**	**1 298 953**	**4 904 031**

It is economic entity policy to lease motor vehicles and equipment under finance leases.

The average lease term was 3-4 years and the average effective borrowing rate was 12% (2021: 12%).

Interest rates are linked to prime at the contract date. All leases escalate at CPI% p.a and no arrangements have been entered into for contingent rent.

The economic entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.

13. Payables from exchange transactions

Trade payables	22 576 113	15 574 666	20 542 731	14 095 975
Retentions	50 327 725	59 167 706	50 327 725	59 167 706
Accrued leave pay	15 397 955	15 468 261	15 194 203	15 087 645
Accrued bonus	4 072 112	2 244 312	4 072 112	2 244 312
Debtors with credit balance	6 059 718	7 617 846	6 059 718	7 617 846
Other payables	-	1 106 879	-	1 106 879
	98 433 623	**101 179 670**	**96 196 489**	**99 320 363**

14. Consumer deposits

Water	2 175 007	2 033 520	2 175 007	2 033 520

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

15. Employee benefit obligations

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

Carrying value				
Post-retirement health care benefit liability	(14 612 000)	(12 700 999)	(14 612 000)	(12 700 999)
Long service awards	(12 634 000)	(11 847 000)	(12 634 000)	(11 847 000)
	(27 246 000)	**(24 547 999)**	**(27 246 000)**	**(24 547 999)**

Non-current liabilities	(25 663 000)	(22 981 999)	(25 663 000)	(22 981 999)
Current liabilities	(1 583 000)	(1 566 000)	(1 583 000)	(1 566 000)
	(27 246 000)	**(24 547 999)**	**(27 246 000)**	**(24 547 999)**

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr C Weiss Fellow 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.

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:
1. Bonitas

2. Keyhealth

3. LA Health

4. Samwumed

5. Fedhealth

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

Opening balance	12 700 999	9 955 999	12 700 999	9 955 999
Net expense recognised in the statement of financial performance	1 911 000	2 745 000	1 911 000	2 745 000
	14 611 999	**12 700 999**	**14 611 999**	**12 700 999**

Net expense recognised in the statement of financial performance

Current service cost	1 236 000	978 000	1 236 000	978 000
Interest cost	1 362 000	1 145 000	1 362 000	1 145 000
Actuarial (gains) losses	(687 000)	622 000	(687 000)	622 000
	1 911 000	**2 745 000**	**1 911 000**	**2 745 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.83 %	10.72 %	11.83 %	10.72 %
Expected increase in healthcare costs	8.44 %	7.19 %	8.44 %	7.19 %
Net-of-health-care-cost-inflation discount rate	3.13 %	3.29 %	3.13 %	3.29 %

Long service awards

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

15. Employee benefit obligations (continued)

The municipality operate an unfunded defined benefit plan for all its employees. Under the plan a Long-service Award is payable after 10 years thereafter to employees.The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr C Weiss, Fellow of the Actuarial Society of South Africa.

Changes in the present value of the defined benefit obligation are as follows:				
Opening balance	11 847 000	8 523 000	11 847 000	8 523 000
Expected benefits vesting	(1 566 000)	(770 000)	1 566 000	770 000
Net expense recognised in the statement of financial performance	2 353 000	4 094 000	2 353 000	4 094 000
	12 634 000	**11 847 000**	**15 766 000**	**13 387 000**

Net expense recognised in the statement of financial performance				
Current service cost	1 298 000	932 000	1 298 000	932 000
Interest cost	1 056 000	621 000	1 056 000	621 000
Actuarial (gains)/ losses	(1 000)	384 000	1 000	384 000
Policy changes	-	2 157 000	-	2 157 000
	2 353 000	**4 094 000**	**2 355 000**	**4 094 000**

Key assumptions used				
Discount rate	11.21%	9,53%	11.21%	9,53%
General earnings inflation rate (long-term)	7.38%	5,87%	7.38%	5,87%
Net effective discount rate	3,56%	3,46%	3,56%	3,46%
Average retirement age	62	62	62	62
	-	**-**	**-**	**-**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Department of Economic Development, Tourism and Environmental Affairs	1 303 994	-	-	-
Department of higher education and training grant	314 113	288 612	-	-
Development bank of South Africa	1 169 348	1 065 859	-	-
Development planning shared services grant	-	134 760	-	134 760
	2 787 455	**1 489 231**	**-**	**134 760**

See note 22 for reconciliation of grants from National/Provincial Government.

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

17. Borrowings

At amortised cost				
Ithala Development Finance Corporation (IDFC) The loan is interest free and repayable upon receiving funds from KZN department of Education	2 770 602	2 770 602	-	-

Non-current liabilities				
At amortised cost	2 770 602	2 770 602	-	-

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

18. Long term payables from exchange transactions

The Special Investigating Unit (SIU) performed an investigation per the President's proclamation on allegations of financial misconduct. The investigations resulted in SIU billing the municipality an amount of R14.2 million for the services rendered. However due to financial difficulties that was facing the municipality at the time, the municipality could not afford to pay for these services.

During the 2018/2019 financial year the municipality entered into an arrangement with the Special Investigating Unit (SIU) to repay the amount owed by the municipality in monthly installment of R200 000. There is no interest charged on the outstanding balance.

The amount payable within the next 12 months is reclassified to current liabilities as follows:

Opening balance	13 193 504	14 193 504	13 193 504	14 193 504
Payments made	(400 000)	(1 000 000)	(400 000)	(1 000 000)
Subtotal	12 793 504	13 193 504	12 793 504	13 193 504
Reclassification to current liabilities	(2 400 000)	(2 400 000)	(2 400 000)	(2 400 000)
	10 393 504	**10 793 504**	**10 393 504**	**10 793 504**

19. Service charges

Sale of water	49 353 314	54 002 748	49 353 314	54 002 748
Sewerage and sanitation charges	12 206 837	13 762 007	12 206 837	13 762 007
	61 560 151	**67 764 755**	**61 560 151**	**67 764 755**

20. Other income

Insurance refund	10 000	-	10 000	-
Inspection fees	32 581	-	32 581	-
Clearance certificate	26 657	1 026	26 657	1 026
Forfeits: unclaimed monies	2 452 780	-	2 452 780	-
Tender documents	366 100	432 651	366 100	432 651
Management fees	24 590	83 234	24 590	83 234
	2 912 708	**516 911**	**2 912 708**	**516 911**

21. Investment revenue

Interest revenue				
Bank	5 202 817	3 087 482	5 103 852	3 011 393
Interest charged on trade and other receivables	11 220 890	10 100 465	11 220 890	10 100 465
	16 423 707	**13 187 947**	**16 324 742**	**13 111 858**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

22. Government grants & subsidies

Operating grants				
Equitable share	387 013 000	417 623 000	387 013 000	417 623 000
Expanded public works programme	4 596 000	5 195 000	4 596 000	5 195 000
Department of economic development, tourism and environmental affairs	696 006	-	-	-
Financial management grant	1 200 000	1 000 000	1 200 000	1 000 000
Local Govt. sector education training authority	359 113	665 372	359 113	665 372
Municipal infrastructure grant	28 957 920	3 523 533	28 957 920	3 523 533
Water services infrastructure grant	29 762 264	-	29 762 264	-
Rural roads asset management system grant	2 275 000	2 245 000	2 275 000	2 245 000
Development planning shared services grant	134 760	351 721	134 760	351 721
	454 994 063	**430 603 626**	**454 298 057**	**430 603 626**
Capital grants				
Rural Bulk Infrastructure grant	-	22 381 000	-	22 381 000
Municipal Infrastructure grant	191 922 080	205 476 467	191 922 080	205 476 467
Water services infrastructure grant	85 937 736	60 000 000	85 937 736	60 000 000
Cogta accelerated water intervention grant	34 000 000	15 000 000	34 000 000	15 000 000
	311 859 816	**302 857 467**	**311 859 816**	**302 857 467**
	766 853 879	**733 461 093**	**766 157 873**	**733 461 093**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal infrastructure grant

Current-year receipts	220 880 000	209 000 000	220 880 000	209 000 000
Conditions met - transferred to revenue (current year allocation - capital)	(191 922 080)	(205 476 467)	(191 922 080)	(205 476 467)
Conditions met - transferred to revenue (current year allocation - operational)	(28 957 920)	(3 523 533)	(28 957 920)	(3 523 533)
	-	-	-	-

The municipal infrasctructure grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas.

The operational expenditure relates to the construction of VIP toilets that are donated to commnunitites and the payment of salaries for the project management unit staff.

Financial management grant

Current-year receipts	1 200 000	1 000 000	1 200 000	1 000 000
Conditions met - transferred to revenue	(1 200 000)	(1 000 000)	(1 200 000)	(1 000 000)
	-	-	-	-

Financial management grant is used to implement financial management reforms required by the MFMA.

Department of economic development, tourism and environmental affairs

Current-year receipts	2 000 000	-	-	-
Conditions met - transferred to revenue	(696 006)	-	-	-
	1 303 994	-	-	-

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

22. Government grants & subsidies (continued)

The purpose of the grant is to revamp the agro processing facility and cold rooms.

Department of higher education training grant

Balance unspent at beginning of year	288 612	251 406	-	-
Interest received	25 501	46 524	-	-
Bank charges	-	(9 318)	-	-
	314 113	**288 612**	**-**	**-**

Conditions still to be met - remain liabilities (see note 16).

The purpose of this grant is provide funding through National Skills Fund for the capacitation of the youth with skills.

Development bank of South Africa

Balance unspent at beginning of year	1 065 859	1 054 061	-	-
Interest received	103 489	12 938	-	-
Bank charges	-	(1 140)	-	-
	1 169 348	**1 065 859**	**-**	**-**

Conditions still to be met - remain liabilities (see note 16).

The purpose of the grant is to capacitate co-operatives through Jobs Fund Projects.

Expanded public works programme

Current-year receipts	4 596 000	5 195 000	4 596 000	5 195 000
Conditions met - transferred to revenue	(4 596 000)	(5 195 000)	(4 596 000)	(5 195 000)
	-	-	-	-

Expanded public works programme grant is used to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas.

Water services infrastructure grant

Current-year receipts	115 700 000	60 000 000	115 700 000	60 000 000
Conditions met transferred to revenue (current year allocation - operational)	(85 937 736)	(60 000 000)	(85 937 736)	(60 000 000)
Conditions met transferred to revenue (current year allocation - operational)	(29 762 264)	-	(29 762 264)	-
	-	-	-	-

The water services infrastructure grantsis used to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services.

The operational expenditure relates to the construction of VIP toilets that are donated to commnunitites.

Rural roads asset management system grant

Current-year receipts	2 275 000	2 245 000	2 275 000	2 245 000
Conditions met - transferred to revenue	(2 275 000)	(2 245 000)	(2 275 000)	(2 245 000)
	-	-	-	-

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

22. Government grants & subsidies (continued)

Rural roads asset management system grants is utilised to assess traffic management initiatives.

Development planning shared services grant

Balance unspent at beginning of year	134 760	486 481	134 760	486 481
Conditions met - transferred to revenue	(134 760)	(351 721)	(134 760)	(351 721)
	-	**134 760**	**-**	**134 760**

Conditions still to be met - remain liabilities (see note 16).

Regional bulk infrastructure grant

Current-year receipts	-	22 381 000	-	22 381 000
Conditions met - transferred to revenue	-	(22 381 000)	-	(22 381 000)
	-	-	-	-

Regional bulk infrastructure grant is utilised to address water infrastructure projects approved.

Cogta accelerated water intervention grant

Balance unspent at beginning of year	-	15 000 000	-	15 000 000
Current-year receipts	34 000 000	-	34 000 000	-
Conditions met - transferred to revenue	(34 000 000)	(15 000 000)	(34 000 000)	(15 000 000)
	-	-	-	-

Provide explanations of conditions still to be met and other relevant information.

23. Public contributions and donations

Assets received from other organs of state	12 780 957	4 692 678	12 780 957	4 692 678

Conditions still to be met - remain liabilities (see note 16)

24. Revenue

Service charges	61 560 151	67 764 755	61 560 151	67 764 755
Other income	2 912 708	516 911	2 912 708	516 911
Interest received	16 423 707	13 187 947	16 324 742	13 111 858
Government grants & subsidies	766 853 879	733 461 093	766 157 873	733 461 093
Public contributions and donations	12 780 957	4 692 678	12 780 957	4 692 678
	860 531 402	**819 623 384**	**859 736 431**	**819 547 295**

The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	61 560 151	67 764 755	61 560 151	67 764 755
Other income	2 912 708	516 911	2 912 708	516 911
Interest received	16 423 707	13 187 947	16 324 742	13 111 858
	80 896 566	**81 469 613**	**80 797 601**	**81 393 524**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

24. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue				
Government grants & subsidies	766 853 879	733 461 093	766 157 873	733 461 093
Public contributions and donations	12 780 957	4 692 678	12 780 957	4 692 678
	779 634 836	**738 153 771**	**778 938 830**	**738 153 771**

25. Bulk purchases

26. Contracted services

Outsourced Services				
Administrative and Support Staff	8 775 043	12 742 900	8 775 043	12 742 900
Burial Services	87 221	43 971	87 221	43 971
Business and Advisory	35 147 869	35 489 916	35 147 869	35 489 916
Catering Services	106 950	58 509	106 950	58 509
Cleaning Services	341 603	602 957	341 603	602 957
Process audits	4 194 131	-	4 194 131	-
Security Services	27 716 103	28 493 498	26 980 320	27 784 849
Sewerage Services	3 085 520	1 169 300	3 085 520	1 169 300
Water Takers	45 256	1 661 295	45 256	1 661 295
Consultants and Professional Services				
Business and Advisory	5 459 007	5 257 490	5 459 007	5 257 490
Legal Cost	9 479 870	6 586 943	9 245 812	6 433 384
Contractors				
Catering Services	120 527	50 382	120 527	50 382
Employee Wellness	81 900	10 705	81 900	10 705
Maintenance of Buildings and Facilities	1 562 618	1 814 469	1 556 512	1 784 371
Maintenance of Equipment	19 211 209	22 681 959	19 211 209	22 681 959
Maintenance of Unspecified Assets	9 191 917	10 460 142	9 191 917	10 460 142
Rural roads site supervision and consulting	2 526 410	2 494 621	2 526 410	2 494 621
Sewerage Services	46 855 384	848 712	46 855 384	848 712
	173 988 538	**130 467 769**	**173 012 591**	**129 575 463**

27. Contribution to debt Impairment allowance

Contributions to debt impairment provision	7 533 316	31 266 856	7 533 316	30 921 423
Bad debts written off	7 613 554	812 464	7 613 554	812 464
	15 146 870	**32 079 320**	**15 146 870**	**31 733 887**

28. Depreciation and amortisation

Property, plant and equipment	79 721 437	77 050 710	78 473 608	75 940 793
Intangible assets	390 024	488 868	193 428	297 640
	80 111 461	**77 539 578**	**78 667 036**	**76 238 433**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

29. Employee related costs

Basic	141 868 079	133 836 847	136 625 178	126 616 896
Bonus	11 406 043	7 922 628	11 195 283	7 521 090
Social contributions - medical aid	10 211 021	9 488 033	9 953 354	9 177 469
Unemployment insurance fund	973 817	822 242	932 656	770 011
Leave pay provision charge	1 580 313	3 120 935	1 581 029	3 206 822
Health care retirement benefit	2 598 000	2 123 000	2 598 000	2 123 000
Social contributions - pension fund and provident fund	22 492 762	19 965 302	21 104 245	18 184 712
Social contribution - SALGBC	48 710	45 665	48 710	45 665
Travel, motor car, accommodation, subsistence and other allowances	27 630 856	21 964 890	27 410 824	21 900 072
Overtime payments	18 500 330	15 879 052	18 500 330	15 879 052
Long-service awards	1 810 902	3 920 952	1 810 902	3 920 952
Housing benefits and allowances	585 178	569 935	585 178	569 935
	239 706 011	**219 659 481**	**232 345 689**	**209 915 676**

Remuneration of municipal manager

Annual Remuneration	841 208	924 917	841 208	924 917
Car Allowance	165 999	191 181	165 999	191 181
Cellphone Allowance	17 828	19 449	17 828	19 449
Housing Allowance	49 584	57 106	49 584	57 106
Rural Allowance	51 143	58 901	51 143	58 901
Contribution to UIF	1 948	1 813	1 948	1 813
Contribution to medical aid	52 504	56 997	52 504	56 997
Contribution to SALGABC	111	119	111	119
	1 180 325	**1 310 483**	**1 180 325**	**1 310 483**

Remuneration of chief finance officer

Annual Remuneration	626 584	627 571	626 584	627 571
Car Allowance	174 720	174 720	174 720	174 720
Cellphone Allowance	19 449	19 449	19 449	19 449
Housing Allowance	54 241	54 241	54 241	54 241
Rural Allowance	42 933	42 933	42 933	42 933
Contribution to UIF	2 125	1 813	2 125	1 813
Contribution to medical aid	39 607	38 056	39 607	38 056
Contribution to SALGABC	121	119	121	119
	959 780	**958 902**	**959 780**	**958 902**

Remuneration of social services executive director

Annual Remuneration	666 769	659 247	666 769	659 247
Car Allowance	187 724	187 200	187 724	187 200
Rural Allowance	45 037	42 933	45 037	42 933
Cellphone Allowance	19 449	19 449	19 449	19 449
Contribution to UIF	2 125	1 813	2 125	1 813
Contributions to SALGBC	121	119	121	119
Contribution to medical aid	48 000	48 000	48 000	48 000
Acting Allowance	41 674	-	41 674	-
	1 010 899	**958 761**	**1 010 899**	**958 761**

Remuneration of corporate services executive director

Annual Remuneration	692 000	692 000	692 000	692 000

Notes to the Annual Financial Statements

Figures in Rand	Economic entity 2022	Economic entity 2021	Controlling entity 2022	Controlling entity 2021

29. Employee related costs (continued)

Car Allowance	174 720	174 720	174 720	174 720
Rural Allowance	42 933	42 933	42 933	42 933
Cellphone Allowance	19 449	19 449	19 449	19 449
Contribution to UIF	2 125	1 813	2 125	1 813
Contributions to medical aid	29 477	28 246	29 477	28 246
Contributions to SALGBC	121	119	121	119
	960 825	**959 280**	**960 825**	**959 280**

Remuneration of water services executive director

Annual Remuneration	671 480	671 479	671 480	671 479
Car Allowance	174 720	174 720	174 720	174 720
Cellphone Allowance	19 449	19 449	19 449	19 449
Housing Allowance	48 248	48 248	48 248	48 248
Rural Allowance	42 933	42 933	42 933	42 933
Contribution to UIF	2 125	1 813	2 125	1 813
Contribution to SALGBC	121	119	121	119
	959 076	**958 761**	**959 076**	**958 761**

Remuneration of infrastructure executive director

Annual Remuneration	744 687	744 687	744 687	744 687
Car Allowance	149 760	149 760	149 760	149 760
Rural Allowance	42 933	42 933	42 933	42 933
Cellphone Allowance	19 449	19 449	19 449	19 449
Contribution to UIF	2 125	1 813	2 125	1 813
Contribution to SALGBC	121	118	121	118
	959 075	**958 760**	**959 075**	**958 760**

Remuneration of Board Members

Board Fees	476 774	474 909	-	-
Board Members Travel	47 533	104 989	-	-
	524 307	**579 898**	**-**	**-**

Remuneration of Chief Executive Officer - Harry Gwala Development Agency

Annual Remuneration	220 550	1 357 351	-	-
Car Allowance	30 000	120 000	-	-
Contributions to UIF, Medical and Pension Funds	52 578	295 838	-	-
13th cheque	-	123 113	-	-
	303 128	**1 896 302**	**-**	**-**

Ms NC James Resigned on 13 September 2021.

Remuneration of chief financial officer - Harry Gwala Development Agency

Annual Remuneration	591 412	971 903	-	-
Car Allowance	120 000	120 000	-	-
Contributions to UIF, Medical and Pension Funds	176 292	244 779	-	-
Acting Allowance	218 089	-	-	-
13th Cheque	-	90 992	-	-
	1 105 793	**1 427 674**	**-**	**-**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

30. Finance costs

External borrowings	-	370 469	-	370 469
Overdue accounts	18 934	-	18 934	-
Finance leases	290 644	637 522	287 586	624 968
	309 578	**1 007 991**	**306 520**	**995 437**

31. Inventory consumed

Consumables: Water treatment works chemicals	4 791 545	5 104 687	4 791 545	5 104 687
Consumables: Other	334 797	64 975	334 797	64 975
Materials and supplies	15 524 742	675 326	15 524 742	675 326
Bulk purchases - water	24 009 882	22 023 408	24 009 882	22 023 408
	44 660 966	**27 868 396**	**44 660 966**	**27 868 396**

32. Lease rentals on operating lease

Machinery				
Printing and photocopying machine	25 658	51 226	-	-

33. Operational costs

Advertising	1 723 817	1 298 994	1 631 340	1 282 470
Auditors remuneration	4 551 628	3 960 578	4 396 657	3 467 197
Bank charges	277 844	263 738	265 711	255 167
Cleaning	12 719	29 783	-	-
Commission paid	411 005	-	411 005	-
Consulting and professional fees	605 223	-	-	-
Hire	719 682	139 440	719 682	139 440
Insurance	1 249 255	1 251 326	1 032 850	1 207 847
Financial system support	319 994	291 100	-	-
Vehicle expenses	2 693 677	5 170 149	2 693 677	5 170 149
Motor vehicle licence and registrations	458 803	542 396	458 803	542 396
Fuel and oil	8 529 192	6 863 449	8 513 165	6 869 597
Printing, publications and books	802 193	509 990	802 193	452 369
Protective clothing	1 715 200	3 282 173	1 715 200	3 262 420
Software expenses	4 122 501	3 815 238	4 083 488	3 796 302
Bursaries for employees	455 870	549 263	436 870	548 296
Subscriptions and membership fees	107 409	134 606	103 409	116 202
Communication	4 883 280	5 000 346	4 617 562	4 769 285
Transport	253 831	645 946	253 831	645 946
Training	-	522	-	-
Travel and accomodation	2 154 896	1 484 537	2 033 542	1 416 377
Electricity	22 835 362	17 294 014	22 835 362	17 294 014
Event registration fees	89 216	93 065	89 216	93 065
Rental of offices	2 195 800	2 152 982	2 178 038	2 096 439
Electricity compliance certificate	109 074	25 652	-	-
Skills development levy	1 901 336	1 363 546	1 841 724	1 296 246
Support to small farmers	177 849	79 963	172 194	74 373
Signage	75 000	-	75 000	-
Hygiene services	2 101 863	2 137 661	2 101 863	2 104 260
	65 533 519	**58 380 457**	**63 462 382**	**56 899 857**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

34. Remuneration of councillors

Executive Major	816 486	662 220	816 486	662 220
Deputy Executive Mayor	728 131	755 877	728 131	755 877
Executive Committee Members	1 361 935	1 555 312	1 361 935	1 555 312
Speaker	754 618	755 879	754 618	755 879
Councillors	2 050 918	2 821 679	2 050 918	2 821 679
Chief Whip	420 210	414 788	420 210	414 788
Meeting allowance	713 684	246 990	713 684	246 990
Travelling allowance	392 622	599 927	392 622	599 927
	7 238 604	**7 812 672**	**7 238 604**	**7 812 672**

35. Transfer payments

Harry Gwala Development Agency	-	-	15 100 000	17 000 000

36. Impairment loss

Impairments				
Property, plant and equipment	5 262 744	3 120 393	5 262 744	3 120 393
Reversal of impairments				
Property, plant and equipment	(2 425 005)	-	(2 425 005)	-
Total impairment losses (recognised) reversed	**2 837 739**	**3 120 393**	**2 837 739**	**3 120 393**

37. Cash generated from operations

Surplus	223 165 767	247 448 867	219 675 650	244 779 745
Adjustments for:				
Depreciation and amortisation	80 111 461	77 539 578	78 667 036	76 238 433
Gain on sale of assets and liabilities	1 940 404	6 496 389	1 940 404	6 496 389
Finance costs - Finance leases	290 644	637 522	287 586	624 968
Impairment deficit	2 837 739	3 120 393	2 837 739	3 120 393
Debt impairment	15 146 870	32 079 320	15 146 870	31 733 887
Movements in retirement benefit assets and liabilities	2 698 001	6 069 000	2 698 001	6 069 000
Assets received from other organs of state	(12 780 958)	(4 692 680)	(12 780 961)	(4 692 680)
Changes in working capital:				
Inventories	(105 748)	(140 534)	(105 748)	(140 534)
Receivables from exchange transactions	9 582	(12 720)	-	-
Consumer debtors	(15 958 871)	(27 865 292)	(15 958 871)	(27 865 291)
Other receivables from non-exchange transactions	420 876	(157 286)	333 917	(70 330)
Payables from exchange transactions	(2 746 045)	(13 431 361)	(3 123 872)	(11 227 842)
VAT	(8 815 495)	6 208 214	(8 844 095)	6 004 354
Unspent conditional grants and receipts	1 298 224	(15 302 717)	(134 760)	(15 351 721)
Consumer deposits	141 487	166 568	141 487	166 568
	287 653 938	**318 163 261**	**280 780 383**	**315 885 339**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	239 840 084	341 137 756	239 840 084	341 137 756
Total capital commitments				
Already contracted for but not provided for	239 840 084	341 137 756	239 840 084	341 137 756

Authorised operational expenditure

Already contracted for but not provided for				
• Expenditure Harry Gwala Dvelopment Agency	742 799	13 026	-	-
• Cordination of Harry Gwala Sport Development Programmes and Cultural Activities	-	-	-	3 350 189
• Newsletter printing	-	2 557 500	-	-
	742 799	**2 570 526**	**-**	**3 350 189**
Total operational commitments				
Already contracted for but not provided for	742 799	2 570 526	-	3 350 189

Total commitments

Total commitments				
Authorised capital expenditure	239 840 084	341 137 756	239 840 084	341 137 756
Authorised operational expenditure	742 799	2 570 526	-	3 350 189
	240 582 883	**343 708 282**	**239 840 084**	**344 487 945**

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	25 658	51 226	-	-

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

39. Contingencies

Contingent liabilities	**2022**	**2021**	**2022**	**2021**
Matatiele Local Municipality	2 941 249	2 941 249	2 941 249	2 941 249
Mdlebeni Trading (Pty) Ltd	10 000	10 000	10 000	10 000
Unitrade 1047 CC T/A Isidingo Security Services	26 000 000	26 000 000	26 000 000	26 000 000
Unlawful arrest and detention	710 000	710 000	710 000	710 000
Water scheme project	150 000	150 000	150 000	150 000
Litigation by former employee	1 074 482	1 074 482	-	-
Impande Consulting engineers	31 330 098	-	31 330 098	-
	62 215 829	**30 885 731**	**61 141 347**	**29 811 249**

39. Contingencies (continued)

Sifiso Gregory Mkize

This is a claim was settled during the 2020/2021 financial year.

Mdlebeni Trading (Pty) Ltd

In this matter, the service provider was claiming the amount of R 1 254 000 from the Municipality for an alleged breach of contract. The Municipality is attempting to locate the company in order to arrange a pretrial conference since its previous attorneys of record have withdrawn.

Water scheme project

This is a matter where the Khuzwayo family has demanded payment of R 2 000 000.00 as compensation for the Municipality's construction of a treatment plant on parts of its property. The Municipality may have to pay reasonable compensation to the family which would be far less that what they have demanded. In the interim, we are awaiting further instructions regarding whether the Municipal council has decided to proceed with the proposed acquisition of the property.

Unitrade 1047 CC T/A Isidingo Security Services

This is a claim for damages arising from an alleged breach of contract against the Municipality in relation to a tender award. A summons was issued out of the High Court, Durban Local Division and the matter is currently pending in the Durban High Court awaiting a set down for trial. The matter was defended by the Municipality.

Unlawful arrest and detention

This matter is in relation to the unlawful arrest and detention of a certain Mr Mdladla. Mr Mdladla alleges that on or about 12 November 2017, acting under the instructions of immediate supervisor Mr Mbona, instructed him to deliver a Jojo tank to a designated area.

Whilst acting on his instruction he was unlawfully arrested and detained by members of the SAPS, following false charges of theft. Mr Mdladla further alleges that he was released after six hours and that since his arrest and subsequent to his release he has not been summoned to appear in court. As a result, Mr Mdladla now claims damages in the amount of R500 000.00.The matter is now at the stage of discovery and we need to liaise with municipal official who will depose to the Municipality discovery affidavit.

Matatiele Local Municipality

Harry Gwala District Municipality is disputing the amount raised as a debtor by Matatiele Local Municipality. An agreement is yet to be reached between the two municipalities.

Litigation by former employee

The liability might arise as a result of a litigation claim against Harry Gwala Development Agency by a former employee.

Impande Consulting Engineers

This case relates to the dispute between the Municipality and Impande Consulting Engineers regarding the value of work performed for the conditional assessment of assets. The matter is still under internal investigation.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

40. Related parties

Relationships

Controlling entity	Harry Gwala District Municipaity
Controlled entities	Refer to note 11

Related party transactions

Transfers payments				
Harry Gwala Development Agency			15 100 000	17 000 000

The transfer to the municipal entity is meant to assist the entity's day to day operations. Harry Gwala Development Agency did not utilise the entire amount budgeted for the 2021/2022 financial year. No conditions are attached to these transfers

Key management information

Class	Description	Number
Accounting Officer	Municipal Manager	1
Executive management	Heads of Departments	5
Councillors	Executive Mayor	1
Councillors	Deputy Mayor	1
Councillors	Speaker	1
Councillors	Chief Whip	1
Councillors	Executive Council	3
Councillors	Ordinary councillors and traditional leaders	25
Non-executive board members	Harry Gwala Development Agency Board members	4

Remuneration of management

Management class: Board members

Refer to board members remuneration

Notes to the Annual Financial Statements

Figures in Rand

40. Related parties (continued)

Management class: Councillors

2022

Name	Basic salary	Cellphone allowance	Travelling allowance	Medical aid contributions	Pension contributions	Other benefits received	Total
Executive Mayor	660 272	40 630	104 282	11 302	-	-	816 486
Deputy Mayor	502 984	38 420	83 426	12 132	91 169	-	728 131
Speaker	472 124	40 630	137 737	17 352	86 775	-	754 618
Exco Members	924 587	100 640	208 907	15 069	112 732	-	1 361 935
Chief Whip	269 448	38 420	70 434	10 050	16 886	14 972	420 210
Other Councillors	1 593 056	257 210	392 622	35 452	165 200	713 684	3 157 224
	4 422 471	**515 950**	**997 408**	**101 357**	**472 762**	**728 656**	**7 238 604**

Management class: Executive management

*Refer to note "Employee related costs"

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

41. Prior-year adjustments

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

Statement of financial position

Controlling entity - 2021

	Note	As previously reported	Correction of error	Restated
Receivables from non-exchange transactions	5	3 949 048	(227 693)	3 721 355
VAT receivable	6	16 721 080	(5 266)	16 715 814
Payables from exchange transactions	13	(97 152 861)	(2 167 501)	(99 320 362)
Accumulated surplus		(2 512 200 749)	2 400 460	(2 509 800 289)
		(2 588 683 482)	**-**	**(2 588 683 482)**

Statement of financial performance

Controlling entity - 2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Bulk purchases		22 023 408	-	(22 023 408)	-
Inventory consumed		5 844 988	-	22 023 408	27 868 396
Contracted services		130 532 537	(64 769)	-	130 467 768
Operational costs		58 405 530	(6 776)	-	58 398 754
Employee related costs		227 286 903	(942 576)	-	226 344 327
Surplus (deficit) for the year		**444 093 366**	**(1 014 121)**	**-**	**443 079 245**

Errors

The following prior period errors adjustments occurred:

Receivables from non-exchange transactions

An amount received erroneously in the muncipality's bank account was credited to other income vote during 2018/2019 financial year . The individual who erroneously deposited the money applied for a refund and the refund was processed by debiting a debtor suspence account and crediting the cash book. This amount was accounted for as income when received but was never reversed from the other income account and the suspense account. The municipality cleared this suspense account during the 2021/2022 financial year.

Payables from exchange transactions

The municipality accrued orders that had been issued to suppliers at the end of the 2020/2021 financial year. The service was not received entirely during the 2021/2022 financial resulting in the orders been cancelled. This resulted in an downward adjustmemt of trade payables, VAT and expenditure by R76 811, R5 266, R71 545 respectively

The municipality did not account for accrued bonus during the previous years. This has resulted in the upward adjustment of bonus accrued by R2 244 312.31 and a downward adjustment of employee related costs and accumulated surplus by R942 576.12 and R3 186 888.43 respectively.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

41. Prior-year adjustments (continued)

Irregular expenditure

Opening balance	-	-	-	68 556 550
Adjustments made	-	-	-	223 740 408
Restated opening balance	**-**	**-**	**-**	**292 296 958**

The adjustments made relates to the SCM communication of audit findings for the 2021/2022 financial year. The issues identified during the audit pertains to the incorrect application of the local content production, none documentation in the SCM policy of the process followed for the allocation of work to consultants and incorrect application of SCM delegations.

42. Comparative figures

Certain comparative figures have been reclassified.

43. Risk management

Financial risk management

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

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

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

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

Financial instrument	**Economic entity - 2022**	**Economic entity - 2021**	**Controlling entity - 2022**	**Controlling entity - 2021**
Cash and cash equivalents	64 583 324	59 422 107	50 226 251	51 862 286
Trade and other receivables	31 055 197	30 891 765	31 055 197	30 804 806

Market risk

Interest rate risk

As the economic entity has no significant interest-bearing assets, the economic entity's income and operating cash flows are substantially independent of changes in market interest rates.

The economic entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the economic entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the economic entity to fair value interest rate risk.

44. Going concern

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

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

44. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipality continue to receive conditional grants and equitable share allocations as gazetted for the ongoing operations for the municipality.

45. Events after the reporting date

Harry Gwala Municipality Council set on 28 July 2022 to resolve the irregular expenditure. Investigations were performed by MPAC before the end of the financial year and council took a resolution to write off the irregular expenditure amounting to R30 758 530.

Mr GM Sineke was appointed as the municipal manager on 1 September 2022.

Ms A Whyte was appointed as the Harry Gwala Development Agency Chief Executive Officer on 1 July 2022.

46. Fruitless and wasteful expenditure

Opening balance as previously reported	8 797 883	2 805 131	8 198 792	2 206 040
Correction of prior period error	-	(1 884 532)	-	(1 884 532)
Add: Expenditure identified - current	18 934	108 500	18 934	108 500
Add: Expenditure identified - prior period	-	8 090 292	-	8 090 292
Less: Amount written off - prior period	-	(321 508)	-	(321 508)
Closing balance	**8 816 817**	**8 797 883**	**8 217 726**	**8 198 792**

During the 2020/2021 perfomance audit, the Auditor General identified a claim amounting to R8 090 291,58 paid to SSR Security, trading as Mahlubi Transport and Plant Hire for standing time due to delays encountered on the construction of Gala Bulk pipeline from Sappi's-Ngudwini Dam to J8. These delays were mainly caused by challenges enouncounted during the sourcing of materials abroad by the material supplier (NRB Piping Systems (Pty) Ltd). The Auditor General cited that this claim could have been avoided had the municipality adequately planned the implementation of project and the sourcing of materials therefore the expenditure was deemed fruitless and wasteful.

The Harry Gwala Development Agency fruitless and wasteful expenditure arises from prior years of late payments to suppliers and third parties. Investigations are underway and disciplinary action will be taken when the investigations have been concluded.

Details of fruitless and wasteful expenditure				
Interest paid on Telkom account	18 934	-	18 934	-
Missing documentation	-	108 500	-	108 500
Payment of standing time due to delays encountered on a construction project	-	8 090 292	-	8 090 292
	18 934	**8 198 792**	**18 934**	**8 198 792**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

47. Irregular expenditure

Opening balance as previously reported	330 469 075	100 635 002	292 296 958	62 462 885
Add: Irregular expenditure - current	326 739 625	68 556 550	326 739 625	68 556 550
Add: Irregular expenditure - prior period identified in current year	-	223 740 408	-	223 740 408
Less: Amount written off - prior period	(65 052 720)	(62 462 885)	(65 052 720)	(62 462 885)
Closing balance	**592 155 980**	**330 469 075**	**553 983 863**	**292 296 958**

Incidents/cases identified/reported in the current year include those listed below:				
Competitive bidding not invited	166 034 332	152 748 932	166 034 332	152 748 932
Incorrect use of CIDB grading status for Potentially Emerging (PE) contractors	3 964 439	1 483 518	3 964 439	1 483 518
Declaration of interest not submitted	-	129 200	-	129 200
Awards made to suppliers with tax matters that are not in order	786 059	770 373	786 059	770 373
Total payments exceeding contract value	-	2 521 254	-	2 521 254
Incorrect application of SCM delegations	3 395 370	3 451 852	3 395 370	3 451 852
Local content incorrectly applied	151 880 425	131 191 829	151 880 425	131 191 829
Temporary plumbers not procured through SCM	679 000	-	679 000	-
	326 739 625	**292 296 958**	**326 739 625**	**292 296 958**

Competitive bidding process not followed is comprised of payments in the current year for old multi year contracts and payments made to suppliers on a pannel. The pannel appointment correctly followed all the SCM processes however the SCM policy does not cover how the work is allocated to different service providers on the pannel.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of 65 052 720 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 101 863	2 104 260	2 101 863	2 104 260
Amount paid - current year	(2 101 863)	(2 104 260)	(2 101 863)	(2 104 260)
	-	-	-	-

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

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

Material losses

Water losses	7 985 151	6 561 224	7 985 151	6 561 224

The water losses of 30.6% (2020/21 :28.3 %) is calculated on the system input volume of 3 217 891 kl (2020/21 : 2 994 825 kl) purchased at an average price of R 8.12 (2020/21 : R7.73) per kl and total units sold amounting to 2 234 498 kl (2020/21 : 2 146 015kl). Total water stock losses amounts to 983 393 kl (2020/21 : 848 800kl)

The following are the major root causes for the water losses:

1. Water being delivered by water carters is deemed as water losses.

2. Ageing infrastructure around the District also causes water losses, there are still asbestos pipes that are under ground and they keep bursting most of the times.

3. Informal settlements around the District that have water connections but they are not billed therefore they are deemed as water losses.

4. Illegal connections especially in rural areas and informal settlements

Audit fees

Current year subscription / fee	4 469 152	3 960 578	4 396 657	3 467 197
Amount paid - current year	(4 438 971)	(3 960 578)	(4 366 476)	(3 467 197)
	30 181	**-**	**30 181**	**-**

PAYE and UIF

Current year subscription / fee	39 308 700	37 274 431	38 541 151	35 332 294
Amount paid - current year	(39 308 700)	(37 274 431)	(38 541 151)	(35 332 294)
	-	-	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	31 907 434	29 453 335	31 057 599	27 362 181
Amount paid - current year	(31 907 434)	(29 453 335)	(31 057 599)	(27 362 181)
	-	-	-	-

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.

There were no section 36 approved during the 2021/2022 financial year.

49. 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.

There were no deviations approved during the 2021/2022 financial year.

50. Budget differences

Material differences between budget and actual amounts

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

50. Budget differences (continued)

Service Charges - The variance is as a result of the conversion of a number of households to prepaid metering system. The municipality also encouraged consumers to fixing leaks that are inside consumer properties to avoid abnormal consumption and billing.

Other Income - actual revenue is higher than the budgeted amount due to the recognition of unclaimed monies deposited into the municipality's bank account without clear references as other income.

Interest on outstanding debtors - The variance is within acceptable limits

Interest on outstanding on investments - The actual performance is higher than the budget due to slower spending on grants and additional conditional grants received in March 2022.

Government Grants and Subsidies - The actual performance is based on the grants and subsidies received as per the gazette. The variance is within acceptable limits
.
Public contributions and donations - The variance resulted from assets donated to the municipality during financial year. These donations were not budgeted for as the information was not available at the time of budgeting.

Employee related costs - The over performance on employee related costs resulted from under budgeting for new posts. Furthermore noncash items such current service costs and interest costs on provisions for employee benefit obligations were under budgeted. The actual amounts are determined by actuarial scientists and affected my market forces, this information is not available at the time of budgeting.

Remuneration of Councillors - The municipality budgeted for an increase and approval of upper limits for councillors however the increase was not approved during the current financial year. The variance is within acceptable limits and the actual amount is lower than the budgeted amount.

Debt Impairment - The municipality budgeted a higher amount with the expectation that more consumers would participate in the amnesty programme however actual performance was lower than expected. The variance is within acceptable limits and the actual amount is lower than the budgeted amount

Depreciation and Impairment loss - The variance is within acceptable limits and the actual amount is lower than the budgeted amounts.

Finance Charges - The variance is within acceptable limits. The actual amount is lower than the budgeted amount due to the expiry of one of the Afrirent vehicle rental contracts. The municipality decided to own vehicles going forward instead of leasing.

Bulk Purchases - The variance is within acceptable limits however the actual amount is higher than the budgeted amount as a result of under budgeting for bulk water purchases from Umngeni and UGU District Municipality.

Contracted services - The variance is within acceptable limits and the actual expenditure is lower than the budget.The municipality is continuously identifying cost drivers to try and minimise expenditure so that the municipality moves towards achieving the goal of maintaining the funded budget status.

Inventory Consumed -The over performance is as a result of under budgeting for mechanical and electrical supplies used in the operations and maintenance of water schemes.

Operational Costs - The variance is within acceptable limits and the actual amount is lower than the budgeted amounts.

Acturial gains and loss - These none cash items were not budgeted for
.
Gains/ losses on disposal of assets - There was no budgeted allocated for gains or losses on disposal of assets.

Current portion of finance leases and employee benefit obligations – There was no budget allocated to the current portion as the entire amount was budgeted for under non-current liabilities.

Payables from exchange transactions – The actual performance is higher than the budget mainly due to the accrued bonus

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

50. Budget differences (continued)
that was not budgeted for.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

51. Segment information

General information

Identification of segments

The economic entity is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The economic entity operates throughout the Gauteng Province in ten cities. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Government and administration	Administration and support services
Community services	Disaster, health and environmental services
Trading services	Water and Sanitation

51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Controlling entity - 2022

	Government and administration	Community services	Trading services	Total
Revenue				
Revenue from non-exchange transactions	390 665 780	11 603 163	378 763 553	781 032 496
Revenue from exchange transactions	5 926 347	32 581	72 745 006	78 703 934
Total segment revenue	**396 592 127**	**11 635 744**	**451 508 559**	**859 736 430**
Entity's revenue				**859 736 430**
Expenditure				
Contracted Services	51 174 557	1 104 352	120 733 684	173 012 593
Debt impairment	7 613 554	-	7 533 316	15 146 870
Depreciation and Amortisation	7 759 450	1 727 752	69 179 833	78 667 035
Employee related cost	77 177 005	30 058 529	129 312 336	236 547 870
Finance costs	306 520	-	-	306 520
Inventory consumed	22 307	508 187	44 130 472	44 660 966
Operational cost	38 530 873	1 043 370	23 884 393	63 458 636
Remuneration of Councillors	7 238 604	-	-	7 238 604
Transfers and subsidies	-	15 100 000	-	15 100 000
Actuarial gains/(losses)	(688 000)	-	-	(688 000)
Loss disposal of fixed and intangible assets	51 096	1 745 625	143 319	1 940 040
Impairment loss	(9 412)	2 847 151	-	2 837 739
Total segment expenditure	**189 176 554**	**54 134 966**	**394 917 353**	**638 228 873**
Total segmental surplus/(deficit)				**221 507 557**
Assets				
Segment assets	127 836 566	7 533 169	2 737 343 404	2 872 713 139
Total assets as per Statement of financial Position				**2 872 713 139**

Notes to the Annual Financial Statements

Figures in Rand

	Government and administration	Community services	Trading services	Total
51. Segment information (continued)				
Liabilities				
Segment liabilities	(147 462 317)	-	8 618 291	(138 844 026)
Total liabilities as per Statement of financial Position				**(138 844 026)**

Controlling entity - 2021

	Governance and administration	Community services	Trading services	Total
Revenue				
Revenue from non-exchange transactions	419 288 372	3 875 254	314 990 145	738 153 771
Revenue from exchange transactions	3 568 957	-	77 824 568	81 393 525
Total segment revenue	**422 857 329**	**3 875 254**	**392 814 713**	**819 547 296**
Entity's revenue				**819 547 296**

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

Expenditure				
Bulk purchases	-	-	22 023 408	22 023 408
Contracted services	53 409 825	946 622	74 853 542	129 209 989
Debt impairment	812 464	30 921 423	-	31 733 887
Depreciation and amortisation	9 427 853	1 765 054	65 045 526	76 238 433
Employee related cost	74 972 161	27 128 590	114 862 452	216 963 203
Finance costs	995 437	-	-	995 437
Inventory consumed	21 153	399 866	5 423 969	5 844 988
Operational cost	38 154 386	837 455	18 345 033	57 336 874
Remuneration of Councillors	7 812 670	-	-	7 812 670
Transfers and subsidies	-	17 000 000	-	17 000 000
Actuarial gains/(losses)	1 006 000	-	-	1 006 000
Loss on disposal of fixed and intangible assets	123 668	27 192	6 345 530	6 496 390
Impairment Loss	118 526	1 821	3 000 046	3 120 393
Total segment expenditure	**186 854 143**	**79 028 023**	**309 899 506**	**575 781 672**
Total segmental surplus/(deficit)				**243 765 624**
Assets				
Segment assets	103 004 640	8 550 250	2 540 139 415	2 651 694 305
Total assets as per Statement of financial Position				**2 651 694 305**
Liabilities				
Segment liabilities	137 460 036	-	2 033 520	139 493 556
Total liabilities as per Statement of financial Position				**139 493 556**

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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