



SEKHUKHUNE
District Municipality

Sekhukhune District Municipality
Annual Financial Statements
for the year ended 30 June 2021
Auditor General (SA)
Chartered Accountants (S.A.)
Registered Auditors

Sekhukhune District Municipality

(Registration number DC 47)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 11 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.
Mayoral committee Executive Mayor	Cllr Ramaila KS Cllr Manamela MM(Council Speaker) Cllr Mokganyetji M(Chief Whip) MMC Manamela M MMC Mahlangu MF MMC Nchabeleng TL MMC Matlala MA MMC Mogofe M MMC Mnisi SP MMC Makola MY MMC Nkosi SM MMC Manganeng M
Grading of local authority	Grade 4 Municipality
Chief Finance Officer (CFO)	Mr Nkadimeng HL (Acting)
Accounting Officer	Ms MJ Ntshudisane
Registered office	03 West Street Groblersdal 0470
Postal address	Private Bag X8611 Groblersdal 0470
Bankers	Standard Bank
Auditors	Auditor General (SA) Chartered Accountants (S.A.) Registered Auditors

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MMC	Member of Moyoral Committee
SALGA	South Africa Local Government Association.
RBIG	Regional Bulk Infrastructure Grant.

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Accounting Officer's Responsibilities and Approval

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

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The municipalities and municipal entities must submit their Annual Financial Statements on 31 August 2021

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, she sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the systems of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 5 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

Accounting Officer
Designation

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Audit Committee Report

The audit committee consists of the members listed hereunder and should meet at minimum 4 times per annum as per its approved terms of reference. The committee held 4 ordinary and 3 special audit committee meetings during the 2020/21 financial year.

Audit committee members and attendance

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Name of member	Number of meetings attended
Mr Mokwele M (Chairperson)	6
Ms Ndlovu M CA (SA)	7
Ms Mothelesi M	7
Mr M Mathabathe	7

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166 (2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer and senior management of the municipality;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

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Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality was R 623 364 331 (2020: surplus R 343 567 284).

2. 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.

The ability of the municipality to continue as a going concern is dependent on continued funding by National Government as per Division Of Revenue Act over the Medium Term Revenue and Expenditure Framework period. There are no reasons to believe that funding may be stopped in the foreseeable future.

3. Subsequent events

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

4. Accounting policies

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

5. Bankers

The Standard Bank South Africa is the primary banker of the municipality for a period of five years.

6. Auditors

Auditor General South Africa are the auditors of the municipality's annual financial statements.

7. Provincial and National Treasury

The municipality is required, in terms of section 126(1)(a) of the MFMA, to submit its annual financial statements and those of the Sekhukhune Development Agency to the Auditor General South Africa within two months of the end of the annual financial year.

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	5	32 325 619	31 439 502
Other financial assets		1 000	1 000
Receivables from non-exchange transactions	6	43 291 823	55 589 365
VAT receivable	7	69 182 671	26 982 889
Prepayments		3 977 058	3 627 328
Receivables from exchange transactions	8	171 682 891	124 776 059
Cash and cash equivalents	9	237 402 088	62 380 477
		557 863 150	304 796 620
Non-Current Assets			
Property, plant and equipment	3	4 000 588 824	3 656 339 669
Total Assets		4 558 451 974	3 961 136 289
Liabilities			
Current Liabilities			
Operating lease liability	4	3 822 340	3 322 477
Payables from exchange transactions	13	500 536 930	497 405 262
Consumer deposits	14	4 624 379	4 371 415
Unspent conditional grants and receipts	11	30 315 359	68 934 376
Provisions	12	24 563 959	21 512 530
		563 862 967	595 546 060
Non-Current Liabilities			
Provisions	12	26 294 422	20 559 970
Total Liabilities		590 157 389	616 106 030
Net Assets		3 968 294 585	3 345 030 259
Reserves			
Revaluation reserve	10	-	100 000
Accumulated surplus		3 968 294 588	3 344 930 259
Total Net Assets		3 968 294 588	3 345 030 259

* See Note 36

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Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	85 340 370	94 840 932
Interest received - Debtors		12 936 559	10 878 102
Actuarial gains		-	3 413 060
Other income		82 986 496	1 839 088
Interest received	17	15 003 055	16 007 311
Total revenue from exchange transactions		196 266 480	126 978 493
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	19	1 502 648 813	1 303 813 770
Public contributions and donations		21 980 000	-
Fines, Penalties and Forfeits		3 834	-
Total revenue from non-exchange transactions		1 524 632 647	1 303 813 770
Total revenue	15	1 720 899 127	1 430 792 263
Expenditure			
Employee related costs	20	(407 232 659)	(397 744 024)
Remuneration of councillors	21	(15 042 796)	(15 466 714)
Repairs and maintenance		(30 328 288)	(32 854 123)
Depreciation and amortisation	22	(94 331 387)	(107 361 215)
Impairment loss	23	(39 654 158)	(44 550 684)
Finance costs	24	(3 618 972)	(3 991 882)
Lease rentals on operating lease		(63 123 781)	(55 253 928)
Debt Impairment	25	-	(21 630 741)
Bad debts written off		(66 913)	(2 630 289)
Bulk purchases	26	(162 186 318)	(115 165 701)
Contracted services	27	(76 969 790)	(58 983 449)
Transfers and Subsidies	18	(2 556 298)	(3 622 319)
Loss on disposal of assets and liabilities		(998 642)	(503 734)
General Expenses	28	(196 273 758)	(209 002 053)
Total expenditure		(1 092 383 760)	(1 068 760 856)
Operating surplus		628 515 367	362 031 407
Actuarial gains/losses		(5 151 036)	-
Surplus for the year		623 364 331	362 031 407

* See Note 36

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	100 000	2 979 880 218	2 979 980 218
Adjustments			
Prior period errors - Note 37	-	3 018 634	3 018 634
Balance at 01 July 2019 as restated*	100 000	2 982 898 852	2 982 998 852
Changes in net assets			
Surplus for the year	-	362 031 407	362 031 407
Total changes	-	362 031 407	362 031 407
Opening balance as previously reported	-	3 363 982 627	3 363 982 627
Adjustments			
Correction of errors	-	(19 052 370)	(19 052 370)
Restated* Balance at 01 July 2020 as restated*	-	3 344 930 257	3 344 930 257
Changes in net assets			
Surplus for the year	-	623 364 331	623 364 331
Total changes	-	623 364 331	623 364 331
Balance at 30 June 2021	-	3 968 294 588	3 968 294 588
Note(s)		10	

* See Note 36

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Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		65 142 814	56 238 322
Grants		1 464 029 796	1 311 695 568
Interest income		15 003 055	16 007 311
Other receipts		-	1 841 166
		1 544 175 665	1 385 782 367
Payments			
Cash paid to suppliers and employees		(911 900 712)	(963 737 541)
Net cash flows from operating activities	31	632 274 953	422 044 826
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(457 253 342)	(418 902 239)
Other cash item		-	(11 954 039)
Net cash flows from investing activities		(457 253 342)	(430 856 278)
Cash flows from financing activities			
Consumer deposits		-	163 843
Net increase/(decrease) in cash and cash equivalents		175 021 611	(8 647 609)
Cash and cash equivalents at the beginning of the year		62 380 477	71 028 086
Cash and cash equivalents at the end of the year	9	237 402 088	62 380 477

* See Note 36

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	100 460 216	(14 879 289)	85 580 927	85 340 370	(240 557)	Note 47 - N1
Interest received (trading)	9 723 988	3 000 000	12 723 988	12 936 559	212 571	Note 47 - N2
Other income	1 996 602	77 395 432	79 392 034	82 986 496	3 594 462	Note 47 - N3
Interest received - investment	13 160 216	1 000 000	14 160 216	15 003 055	842 839	
Gains on disposal of assets	372 313	-	372 313	-	(372 313)	
Total revenue from exchange transactions	125 713 335	66 516 143	192 229 478	196 266 480	4 037 002	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	914 290 000	71 294 304	985 584 304	1 502 648 813	517 064 509	
Public contributions and donations	-	-	-	21 980 000	21 980 000	
Fines, Penalties and Forfeits	52 495	-	52 495	3 834	(48 661)	
Total revenue from non-exchange transactions	914 342 495	71 294 304	985 636 799	1 524 632 647	538 995 848	
Total revenue	1 040 055 830	137 810 447	1 177 866 277	1 720 899 127	543 032 850	
Expenditure						
Personnel	(400 081 073)	(5 236 189)	(405 317 262)	(407 232 659)	(1 915 397)	
Remuneration of councillors	(17 292 883)	2 106 659	(15 186 224)	(15 042 796)	143 428	
Repairs and maintenance	(21 896 721)	(14 817 119)	(36 713 840)	(30 328 288)	6 385 552	
Depreciation and amortisation	(90 340 954)	(25 000 000)	(115 340 954)	(94 331 387)	21 009 567	Note 47 - N5
Impairment loss/ Reversal of impairments	-	-	-	(39 654 158)	(39 654 158)	Note 47 - N6
Finance costs	(470 526)	470 526	-	(3 618 972)	(3 618 972)	Note 47 - N7
Lease rentals on operating lease	(39 942 551)	-	(39 942 551)	(63 123 781)	(23 181 230)	Note 47 - N8
Debt Impairment	(15 000 000)	(66 912)	(15 066 912)	-	15 066 912	Note 47 - N9
Bad debts written off	-	-	-	(66 913)	(66 913)	
Bulk purchases	(130 000 000)	(28 543 389)	(158 543 389)	(162 186 318)	(3 642 929)	Note 47 - N10
Contracted Services	(75 920 363)	(51 534 407)	(127 454 770)	(76 969 790)	50 484 980	Note 47 - N11
Transfers and Subsidies	(4 300 000)	336 379	(3 963 621)	(2 556 298)	1 407 323	
General Expenses	(143 383 726)	(36 742 026)	(180 125 752)	(196 273 758)	(16 148 006)	Note 47 - N12
Loss on disposal of assets	-	-	-	(998 642)	(998 642)	
Total expenditure	(938 628 797)	(159 026 478)	(1 097 655 275)	(1 092 383 760)	5 271 515	
Operating surplus	101 427 033	(21 216 031)	80 211 002	628 515 367	548 304 365	
Gain on disposal of assets and liabilities	459 586 000	1 745 000	461 331 000	-	(461 331 000)	
Loss on disposal of assets and liabilities	-	-	-	(5 151 036)	(5 151 036)	Note 47 - N13
	459 586 000	1 745 000	461 331 000	(5 151 036)	(466 482 036)	
Surplus before taxation	561 013 033	(19 471 031)	541 542 002	623 364 331	81 822 329	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	561 013 033	(19 471 031)	541 542 002	623 364 331	81 822 329	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	30 329 366	-	30 329 366	32 325 619	1 996 253	
Other financial assets	1 000	-	1 000	1 000	-	
Receivables from non-exchange transactions	92 578 813	1 000	92 579 813	43 291 823	(49 287 990)	
VAT receivable	-	-	-	69 182 671	69 182 671	
Prepayments	-	-	-	3 977 058	3 977 058	
Consumer debtors	113 863 145	6 695 595	120 558 740	171 682 891	51 124 151	
Cash and cash equivalents	259 289 909	(148 875 414)	110 414 495	237 402 088	126 987 593	
	496 062 233	(142 178 819)	353 883 414	557 863 150	203 979 736	
Non-Current Assets						
Property, plant and equipment	3 919 066 264	(118 488 996)	3 800 577 268	4 000 588 824	200 011 556	
Total Assets	4 415 128 497	(260 667 815)	4 154 460 682	4 558 451 974	403 991 292	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	3 822 340	3 822 340	
Payables from exchange transactions	180 000 000	22 373 748	202 373 748	500 536 930	298 163 182	
Consumer deposits	4 314 762	-	4 314 762	4 624 379	309 617	
Unspent conditional grants and receipts	-	-	-	30 315 359	30 315 359	
Provisions	-	-	-	24 563 959	24 563 959	
	184 314 762	22 373 748	206 688 510	563 862 967	357 174 457	
Non-Current Liabilities						
Provisions	51 802 526	-	51 802 526	26 294 422	(25 508 104)	
Total Liabilities	236 117 288	22 373 748	258 491 036	590 157 389	331 666 353	
Net Assets	4 179 011 209	(283 041 563)	3 895 969 646	3 968 294 585	72 324 939	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	4 179 011 209	(283 041 563)	3 895 969 646	3 968 294 585	72 324 939	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	42 268 437	99 322 054	141 590 491	65 142 814	(76 447 677)	
Grants	1 373 876 000	65 321 185	1 439 197 185	1 464 029 796	24 832 611	
Interest income	13 160 216	1 000 000	14 160 216	15 003 055	842 839	
	1 429 304 653	165 643 239	1 594 947 892	1 544 175 665	(50 772 227)	

Payments

Employee costs	(828 517 317)	(138 790 782)	(967 308 099)	(911 900 712)	55 407 387	
Finance costs	(470 526)	470 526	-	-	-	
Transfers and subsidies	(4 300 000)	4 300 000	-	-	-	
	(833 287 843)	(134 020 256)	(967 308 099)	(911 900 712)	55 407 387	

Net cash flows from operating activities	596 016 810	31 622 983	627 639 793	632 274 953	4 635 160	
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Cash flows from investing activities

Purchase of property, plant and equipment	(466 886 000)	(44 471 123)	(511 357 123)	(457 253 342)	54 103 781	
Proceeds from sale of property, plant and equipment	-	372 313	372 313	-	(372 313)	

Net cash flows from investing activities	(466 886 000)	(44 098 810)	(510 984 810)	(457 253 342)	53 731 468	
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Net increase/(decrease) in cash and cash equivalents	129 130 810	(12 475 827)	116 654 983	175 021 611	58 366 628	
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Cash and cash equivalents at the beginning of the year	134 473 861	(72 093 384)	62 380 477	62 380 477	-	
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Cash and cash equivalents at the end of the year	263 604 671	(84 569 211)	179 035 460	237 402 088	58 366 628	
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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), 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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 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 Significant judgements and sources of estimation uncertainty

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

Trade receivables and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

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.

Effective interest rate

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

Allowance for doubtful debts

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

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Accounting Policies

1.5 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite lifespan
Community assets	Straight line	15 to 30 years
Machinery and equipment	Straight line	2 to 19 years
Transport assets	Straight line	5 to 15 years
Furniture and office equipment	Straight line	3 to 10 years
IT equipment	Straight line	2 - 17 years
Leasehold improvements	Straight line	5 to 10 years
Infrastructure - Water, reservoirs and reticulation	Straight line	5 to 80 years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 29).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

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Accounting Policies

1.6 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.

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.

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 liability is any liability that is a contractual obligation to:

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

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

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

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.

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Accounting Policies

1.6 Financial instruments (continued)

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.

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class

Loan1
Loan2
Loan3
Other receivables1

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
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

Loan1
Loan2
Loan3
Other receivables1

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

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Accounting Policies

1.6 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

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Accounting Policies

1.6 Financial instruments (continued)

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

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Accounting Policies

1.7 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

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Accounting Policies

1.7 Statutory receivables (continued)

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

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Accounting Policies

1.8 Leases

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

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

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.

1.9 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories for consumables is assigned using the first-in, Weighted cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The cost of inventories for Operations and Maintenance materials not bought through normal stores system are assigned using the Weighted cost formula.

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.

1.10 Construction contracts and receivables

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, short-term money market instruments and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at amortised cost.

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Accounting Policies

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed 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:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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Accounting Policies

1.12 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.13 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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1.13 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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

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

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 3434.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 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.

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Accounting Policies

1.16 Revenue from non-exchange transactions

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

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

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

Measurement

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

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

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

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

1.17 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.

1.18 Accounting by principals and agents

Identification

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

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

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

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Accounting Policies

1.18 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

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

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.21 Fruitless and wasteful expenditure

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

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

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Accounting Policies

1.22 Irregular expenditure

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

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

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

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

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

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

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

1.23 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.24 Budget information

Municipality 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 municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

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.

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Accounting Policies

1.25 Related parties

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

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

1.26 Events after reporting date

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

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

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

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

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:

**Effective date:
Years beginning on or
after**

Expected impact:

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3. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	14 460 000	-	14 460 000	14 460 000	-	14 460 000
Plant and machinery	9 431 019	(2 947 439)	6 483 580	5 868 273	(1 980 882)	3 887 391
Furniture and office equipment	9 654 037	(6 030 811)	3 623 226	10 084 627	(5 369 921)	4 714 706
Transport assets	38 721 455	(9 337 086)	29 384 369	14 249 293	(4 737 022)	9 512 271
IT equipment	19 236 877	(8 741 814)	10 495 063	14 849 605	(7 129 251)	7 720 354
Leasehold improvements	7 291 241	(152 355)	7 138 886	200 300	(88 269)	112 031
Roads Infrastructure	65 704 027	(40 252 410)	25 451 617	65 704 027	(38 756 032)	26 947 995
Community assets	23 395 665	(19 848 284)	3 547 381	23 395 665	(18 505 095)	4 890 570
Wastewater network	76 190 265	(39 710 908)	36 479 357	72 941 815	(34 868 921)	38 072 894
Water network	2 936 102 715	(811 251 031)	2 124 851 684	2 803 302 411	(700 755 531)	2 102 546 880
Assets under construction (WIP)	1 738 673 661	-	1 738 673 661	1 443 474 577	-	1 443 474 577
Total	4 938 860 962	(938 272 138)	4 000 588 824	4 468 530 593	(812 190 924)	3 656 339 669

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	14 460 000	-	-	-	-	-	-	14 460 000
Plant and machinery	3 887 391	3 742 910	(17 429)	-	-	(1 099 729)	(29 563)	6 483 580
Furniture and office equipment	4 714 706	12 427	(16 529)	-	-	(1 084 036)	(3 342)	3 623 226
Transport assets	9 512 271	24 804 715	-	-	-	(4 932 617)	-	29 384 369
IT equipment	7 720 354	5 509 374	(17 277)	-	-	(2 707 062)	(10 326)	10 495 063
Leasehold improvements	112 031	7 140 667	-	-	-	(113 812)	-	7 138 886
Roads Infrastructure	26 947 995	-	-	-	-	(1 493 620)	(2 758)	25 451 617
Community assets	4 890 570	-	-	-	-	(463 936)	(879 253)	3 547 381
Wastewater network	38 072 894	3 248 450	-	-	-	(1 556 615)	(3 285 372)	36 479 357
Water network	2 102 546 880	27 756 191	-	105 044 489	-	(74 127 090)	(36 368 786)	2 124 851 684
Assets under construction (WIP)	1 443 474 577	400 243 572	-	-	(105 044 488)	-	-	1 738 673 661
	3 656 339 669	472 458 306	(51 235)	105 044 489	(105 044 488)	(87 578 517)	(40 579 400)	4 000 588 824

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Prior period error cost	Prior period error accumulated dep	Depreciation	Impairment loss	Total
Land	14 460 000	-	-	-	-	-	-	-	-	14 460 000
Plant and machinery	3 685 355	1 026 315	(129 660)	-	-	-	-	(694 619)	-	3 887 391
Furniture and office equipment	4 931 325	892 882	(27 530)	-	-	-	-	(1 081 971)	-	4 714 706
Transport assets	6 422 621	5 265 800	(307 845)	-	-	-	-	(1 868 305)	-	9 512 271
IT equipment	5 526 859	4 041 642	(38 700)	-	-	-	-	(1 809 447)	-	7 720 354
Leasehold improvements	131 040	-	-	-	-	-	-	(19 009)	-	112 031
Roads Infrastructure	30 856 445	-	-	-	-	-	-	(3 908 450)	-	26 947 995
Community assets	5 735 511	-	-	-	-	-	-	(844 941)	-	4 890 570
Wastewater network	38 762 485	488 910	-	-	-	1 477 041	122 845	(2 769 949)	(8 438)	38 072 894
Water network	1 752 962 213	20 439 268	-	206 106 628	-	233 995 710	(14 297 567)	(94 365 613)	(2 293 759)	2 102 546 880
Assets under construction (WIP)	1 531 304 855	386 747 422	-	-	(206 106 628)	(226 193 726)	-	-	(42 277 346)	1 443 474 577
	3 394 778 709	418 902 239	(503 735)	206 106 628	(206 106 628)	9 279 025	(14 174 722)	(107 362 304)	(44 579 543)	3 656 339 669

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3. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	1 767 933 393	1 669 668 303

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3. Property, plant and equipment (continued)

Flag Boshielo: Letebejane Water Meter Installations R 10 131 349.94

The project was delayed due to the escalation of prices and delayed approval of the variation order.

MIG: Ga-Maphopha Command Reservoir R 45 328 980.71

Project delayed due to stoppages (Community protest) as well as unforeseen additional scope of work that could not be completed on time.

MIG: Ga-Marishane Water Reticulation R 21 980 961.13

The contractor was terminated due to poor performance and the municipality took longer to appoint another contractor to complete the project.

WSIG: Jane Furse RDP Package Plant Phase 2 R 7 257 771.05

The project was delayed due to the additional scope of work (steel tank).

RBIG: Makgeru/Magnetheights to Schoonoord Bulk Water Supply R 46 909 025.54

Delayed procurement of materials as well as community protesting activities by the ordinary community members and local business forums.

RBIG: Malekane/Steelpoort to Jane Furse pipeline/Nebo Plateu Phase Phase 1A R 148 320 443.18

Project delayed due to the contractual disputes between the municipality and contractor.

MIG: Carbonitites to Zaaiplaas R 28 162 954.10

The contractor was terminated due to poor performance and the municipality took longer to appoint another contractor to complete the project, project costs were also escalated.

MIG: Groblersdal Augmentation Bulk Water Supply R 3 784 885.80

The project is practically completed but not tested or handed over to the municipality.

MIG: Groblersdal to Luukau Bulk Water Supply R 14 600 504.97

Project was practically completed but not handed over due to the unavailability of electricity and the project was subsequently vandalised.

MIG: Jane Furse to Lobethal Bulk Water Supply/De Hoop Augmentation North R 46 528 154.67

The contractor withdrew from the project and there was no sufficient funding for the project.

MIG: Jane Furse 25ML Command Reservoir R 35 828 458.87

The physical construction was completed, however the project could not be tested due to lack of water source.

MIG Lebalelo South Villages Connector Pipes Reticulation Phase 1 R 384 404 872.47

Project delayed due to contractual disputes and interruptions by the sub-contractors.

MIG Lebalelo South Villages Connector Pipes Reticulation Phase 2 R 84 334 201.63

Suspension of construction works due to Covid 19 alert level 5 lockdown as well as interruptions by community members.

MIG: Lebalelo South Bulk Water Reticulation Phase 3 R 104 388 474.15

Suspension of construction works due to Covid 19 alert level 5 lockdown as well as interruptions by community members.

MIG: NKadimeng Regional Bulk Water Supply Scheme Phase 9C1 R 5 796 066.36

The project was delayed due to contractor underpricing on the construction works, the project subsequently encountered cash flow challenges and the proposed options by the engineer and the contractor to complete the project not actioned by the municipality.

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3. Property, plant and equipment (continued)

MIG: NKadimeng Regional Bulk Water Supply Scheme Phase 11A R 43 857 289.60

The project was delayed due to contractor underpricing on the construction works, the project subsequently encountered cash flow challenges and the proposed options by the engineer and the contractor to complete the project not actioned by the municipality.

MIG: NKadimeng Regional Bulk Water Supply Scheme Phase Ext 2 R 27 307 072.48

Professional fees were not apportioned across the completed phase

MIG: Olifantspoort South Regional Water Supply Scheme Professional Fees R 51 916 962.45

Professional fees were not apportioned across the completed phases.

MIG: Olifantspoort South Regional Water Supply Scheme Contract 16 R 8 953 901.59

The scheme encountered financial challenges.

MIG: Olifantspoort South Regional Water Supply Scheme Contract 19 R 2 523 927.32

The scheme encountered financial challenges.

MIG: Olifantspoort South Regional Water Supply Scheme Contract 20 R 14 613 365.65

The scheme encountered financial challenges.

MIG: Olifantspoort South Regional Water Supply Scheme Contract 21 R 14 313 515.79

The scheme encountered financial challenges.

MIG: Roseenekal WWTW Upgrading R 19 382 769.69

Slow progress on the part of the contractor as well as insufficient funding of the project.

RBIG: Mooihoek/Tubatse Bulk Water Supply Phase 4F1 R 31 021 291.33

Project could not be successfully tested due the illegal connections by the members of the community.

RBIG: Mooihoek/Tubatse Bulk Water Supply Phase 4H R 2 429 695.00

Only designs and drawings were completed on the project.

RBIG: Moutse Bulk Water Supply Phases 3, 4 and 5 R 67 109 025.72

Contractor was terminated and the Department of Water and Sanitation took over to complete the project.

RBIG: Moutse Bulk Water Supply Phases 1 and 2 R 30 160 203.61

Project completed but not operational due to incomplete Groblersdal WTW, part of the pipeline system was also vandalized.

Refurbishment of Command Water Supply in Phiring R 2 350 027.13

Project was negatively affected by the lack of funding to complete the construction works.

Refurbishment of Mapodile Sewerage/Oxidation Ponds R 1 078 063.92

Project was negatively affected by the lack of funding to complete the construction works.

Refurbishment of Penge WWTW R 1 271 210.64

Project was negatively affected by the lack of funding to complete the construction works.

WSIG: Rutseng Water Intervention Phase 1 R 2 254 727.79

The community leader in the area denied the contractor access to the water source.

WSIG: Rutseng Water Intervention Phase 2 R 416 031.18

The water source was not sufficient to warrant the equipping of the boreholes.

WSIG: Rutseng Water Bulk Line R 4 297 297.19

The water source was not sufficient to warrant the equipping of the boreholes.

WSIG: Rutseng Water Intervention Phase 3 R 2 371 841.56

No testing was done, the project is dependent on completion of Phase 4 (Rutseng Water Bulkline) for water source.

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3. Property, plant and equipment (continued)

WSIG: Uitspanning Water Source Development Phase 2 R 2 540 235.44

The project was delayed due to protesting activities by members of the community.

WSIG: Uitspanning Water Source Development Phase 4 R 118 350.00

The project was delayed due to protesting activities by members of the community.

WSIG: Rathoke extension of Water Reticulation R 3 265 325.06

The project is physically completed but could not be commissioned due to unavailability of water source.

WSIG: Motetema Sewerage R 2 696 914.00

Completion certificate not issued as the project cannot be tested due to unavailability of electricity.

MIG: Zaaiplaas Connector Pipes R 15 539 406.17

The project is physically completed but could not be commissioned as it is dependent on completion of another project for water source.

MIG: De Hoop/Malekane Regional Water Scheme R 138 561 258.28

Construction works were suspended due to Covid 19 alert level 5 lockdown regulations as well as the protesting activities by members of the community.

MIG: De Hoop/Nebo Plateu/Schoonoord Villages Water Scheme: GA-Mogashoa (Senkgapudi and Manamane) R 120 763 904.65

Construction works were suspended due to Covid 19 alert level 5 lockdown regulations as well as the protesting activities by members of the community.

MIG: De Hoop/Nebo Plateu/Schoonoord Villages Water Scheme: Concrete Reservoir R 81 733 167.15

Construction works were suspended due to Covid 19 alert level 5 lockdown regulations as well as the protesting activities by members of the community.

WSIG: Mogoroane Water Supply R 5 668 674.23

Construction works were suspended due to Covid 19 alert level 5 lockdown regulations as well as the protesting activities by members of the community.

WSIG: Nkosini Water Supply and Package Plant R 500 322.39

Only professional services were completed on the project.

WSIG: Mapodile Water Conservation and Demand Management R 433 318.52

Only professional services were completed on the project.

WSIG: Shakung Water Supply and Package Plant R 180 346.04

Only professional services were completed on the project.

WSIG: Tswaing Village Water Intervention R 1 776 067.80

Only professional services were completed on the project.

MIG: Motlailana/Makgemeng Villages Water Supply R 6 382 648.57

Delay in approval of application for the use of contingencies to construct the steel tank as well as delayed electrification.

WSIG: Maebe Water Supply Intervention Phase 3 R 7 186 703.25

Practically completed but not functional as it is dependednt on completion of Maebe Water Supply Intervention Phase 4

WSIG: Tukakgomo Water Supply Intervention Phase 4 R 2 290 129.22

Only professional services were completed on the project. Delayed appointment of contractors.

MIG: Covid-19 Projects R 2 097 212.68

Deayed appointments of contractors.

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3. Property, plant and equipment (continued)		
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)	453 209 718	413 234 656
	453 209 718	413 234 656

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3. Property, plant and equipment (continued)

ACIP: Flag Boshielo WCDM Water Supply R 3 674 151.00

The project was completed but not handed over, the project was subsequently vandalized.

RBIG: Malekane/Steelpoort to Jane Furse pipeline/Nebo Plateu Phase Phase 1A R 148 320 443.18

Project halted due to the contractual disputes between the municipality and contractor

MIG: Groblersdal Augmentation Bulk Water Supply R 3 784 885.80

The project is practically completed but not tested or handed over to the municipality.

MIG: Groblersdal to Luukau Bulk Water Supply R 14 600 504.97

Project was practically completed but not handed over due to the unavailability of electricity and the project was subsequently vandalised.

MIG: Jane Furse 25ML Command Reservoir R 35 828 458.87

The physical construction were completed, however the project could not be tested due to lack of water source.

MIG: Jane Furse to Lobethal Bulk Water Supply/De Hoop Augmentation North R 46 528 154.67

The contractor withdrew from the project and there was no sufficient funding for the project.

MIG: NKadimeng Regional Bulk Water Supply Scheme Phase Ext 2 R 27 307 072.48

Professional fees were not apportioned across the completed phases.

MIG: Olifantspoort South Regional Water Supply Scheme Professional Fees R 51 916 962.45

Professional fees were not apportioned across the completed phases.

MIG: Olifantspoort South Regional Water Supply Scheme Contract 16 R 8 953 901.59

The scheme encountered financial challenges.

MIG: Olifantspoort South Regional Water Supply Scheme Contract 19 R 2 523 927.32

The scheme encountered financial challenges.

MIG: Olifantspoort South Regional Water Supply Scheme Contract 20 R 14 613 365.65

The scheme encountered financial challenges.

MIG: Olifantspoort South Regional Water Supply Scheme Contract 21 R 14 313 515.79

The scheme encountered financial challenges.

MIG: Roseenekal WWTW Upgrading R 19 382 769.69

Slow progress on the part of the contractor as well as insufficient funding of the project.

RBIG: Mooihoek/Tubatse Bulk Water Supply Phase 4H R 2 429 695.00

Only designs and drawings were completed on the project.

RBIG: Moutse Bulk Water Supply Phases 1 and 2 R 30 160 203.61

Project completed but not operational due to incomplete Groblersdal WTW, part of the pipeline system was also vandalized.

Refurbishment of Command Water Supply in Phiring R 2 350 027.13

Project was negatively affected by the lack of funding to complete the construction works.

Refurbishment of Mapodile Sewerage/Oxidation Ponds R 1 078 063.92

Project was negatively affected by the lack of funding to complete the construction works.

Refurbishment of Penge WWTW R 1 271 210.64

Project was negatively affected by the lack of funding to complete the construction works.

WSIG: Rutseng Water Intervention Phase 1 R 2 254 727.79

The community leader in the area denied the contractor access to the water source.

WSIG: Rutseng Water Intervention Phase 2 R 416 031.18

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3. Property, plant and equipment (continued)		
The water source was not sufficient to warrant the equipping of the boreholes.		
WSIG: Rathoke extension of Water Reticulation R 3 265 325.06		
The project is physically completed but could not be commissioned due to unavailability of water source.		
WSIG: Motetema Sewerage R 2 696 914.00		
Completion certificate not issued as the project cannot be tested due to unavailability of electricity.		
MIG: Zaaiplaas Connector Pipes R 15 539 406.17		
The project is physically completed but could not be commissioned as it is dependent on completion of another project for water source.		
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		
Repairs and maintenance	14 723 093	38 753 853
Pledged as security		
No assets are pledged as security.		
The Municipality holds fully depreciated assets carried at zero value in the asset register which are still in use.		
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.		
4. Operating lease liability		
Current liabilities	(3 822 340)	(3 322 477)
Present value of minimum lease payments due		
- within one year	(3 322 477)	(1 227 561)
The lease liability is due to payments on leases to be made in the future years as a result of straight lining operating leases on office rentals and fleet.		
5. Inventories		
Water inventory	1 718 620	513 610
Consumable stores	11 117 401	1 490 069
Maintenance materials	19 489 598	29 435 823
	32 325 619	31 439 502
6. Receivables from non-exchange transactions		
Government grants - RBIG Funds	30 070 490	40 853 958
Sundry debtors	13 221 333	14 735 407
	43 291 823	55 589 365
7. VAT receivable		
VAT	69 182 671	26 982 889

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7. VAT receivable (continued)		
Sekhukhune District Municipality is registered as a Category C (monthly) vendor as contemplated in Section 27(3) of the VAT Act Number 89 of 1991, submitting VAT returns on a monthly basis.		
The Municipality calculates monthly tax payable in terms of Section 16(3)(b)(i), where the vendor in terms of Section 15 is required to account for tax payable on a payment basis (or cash basis).		
The VAT receivable is mainly made up of outstanding refunds at year end, penalties on disallowed VAT that was paid after year end and VAT on debtors and creditors.		
8. Receivables from exchange transactions		
Gross balances		
Water	272 980 368	232 027 870
Waste water	19 811 197	15 395 117
	292 791 565	247 422 987
Less: Allowance for impairment		
Water	(113 156 941)	(115 015 609)
Waste water	(7 951 733)	(7 631 319)
	(121 108 674)	(122 646 928)
Net balance		
Water	159 823 427	117 012 261
Waste water	11 859 464	7 763 798
	171 682 891	124 776 059
Water		
Current (0 -30 days)	6 792 322	9 212 705
31 - 60 days	5 437 651	14 866 640
61 - 90 days	5 201 546	7 952 247
91 - 120 days	4 991 587	5 483 344
121 - 365 days	250 557 262	194 512 934
> 365 days	(113 156 941)	(115 015 609)
	159 823 427	117 012 261
Waste water		
Current (0 -30 days)	2 737 945	1 139 129
31 - 60 days	2 011 878	1 486 250
61 - 90 days	2 034 018	506 389
91 - 120 days	1 995 526	442 300
121 - 365 days	11 031 830	11 821 049
> 365 days	(7 951 733)	(7 631 319)
	11 859 464	7 763 798
Reconciliation of allowance for impairment		
Balance at beginning of the year	(122 646 928)	(101 016 187)
Contributions to allowance	1 538 254	(21 630 741)
	(121 108 674)	(122 646 928)

9. Cash and cash equivalents

Cash and cash equivalents consist of:

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Figures in Rand	2021	2020
9. Cash and cash equivalents (continued)		
Bank balances	217 027 490	30 694 259
Short-term deposits	20 374 598	31 686 218
	237 402 088	62 380 477

The municipality did invest, on a short-term basis, with four different banks during the course of the 2020/2021 annual financial year. The banks are Standard Bank as the primary banker of the municipality, First National Bank, ABSA and Nedbank SA. The municipality did earn a combined interest on investments of R 12 085 564.04 from all the short-term investments as at the 30th of June 2021.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Standard Bank - Primary Account: 271149418	218 823 577	30 694 259	10 678 590	217 027 490	30 694 259	12 159 794
FNB -Call Account: 62858613980	20 374 598	-	775 630	20 374 598	-	775 630
Nedbank - Call Account: 7881071850	-	-	16 150 624	-	-	16 150 624
ABSA - Call Account: 9358869478	-	-	41 941 330	-	-	41 942 038
Standard Bank - Call Account: 238890708	-	31 686 218	-	-	31 686 218	-
Total	239 198 175	62 380 477	69 546 174	237 402 088	62 380 477	71 028 086

10. Revaluation reserve

Opening balance	-	100 000
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11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	5 874 155	47 086 615
Water Services Infrastructure Grant (WSIG)	24 444 244	21 353 651
Expanded Public Works Programme (EPWP)	(3 040)	(2 387)
Rural Roads Asset Management System Grant (RRAMS)	-	369 423
Municipal Disaster Management Grant	-	127 074
	30 315 359	68 934 376

The municipality did report, in total, for the 2019/2020 financial year as audited an amount of R 68 934 376 in unspent conditional grants, an application to roll-over the unspent conditional grants into the 2020/21 financial year was subsequently submitted to the National Treasury for consideration and approval.

The application to roll-over the 2019/2020 unspent conditional grants was not approved by the National Treasury and as a result the R 68 934 376 was deducted from the second installment of the 2020/2021 Equitable Share allocation in December 2020.

The municipality did receive, for the 2020/2021 financial year, the following conditional grants to fund programs with special conditions attached to such funding allocations. The grants are the Municipal Infrastructure Grant, Water Services Infrastructure Grant, Expanded Public Works Program, Finance Management Grant and Rural Transport Services Infrastructure Grant. The municipality however did not achieve 100% spending on programs funded by all conditional grant allocations in the current financial year..

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12. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Current service cost	Utilised during the year	Interest cost	Actuarial gain	Total
Unused leave provision	24 385 500	3 223 682	-	2 806 163	2 756 036	30 019 381
Long service award provision	17 687 000	1 579 000	(2 058 000)	1 236 000	(757 000)	20 839 000
	42 072 500	4 802 682	(2 058 000)	4 042 163	1 999 036	50 858 381

Reconciliation of provisions - 2020

	Opening Balance	Current service cost	Utilised during the year	Interest cost	Actuarial gain	Total
Unused leave provision	24 398 343	2 883 750	(2 041 950)	2 137 247	(2 991 890)	24 385 500
Long service award provision	19 486 415	1 658 928	(4 434 275)	1 397 102	(421 170)	17 687 000
	43 884 758	4 542 678	(6 476 225)	3 534 349	(3 413 060)	42 072 500
Non-current liabilities	26 294 422	20 559 970				
Current liabilities	24 563 959	21 512 530				
	50 858 381	42 072 500				

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12. Provisions (continued) Unused Leave Provision

Key assumptions used

A discount rate of 9.72% was applied with a general salary inflation rate (long-term) of 6.05% at a net effect discount rate of 3.46%. The 1st July 2021 salary increase was still under consideration at the time of preparing this report, the municipality has budgeted 6% annual salary increase for the 2021-2022 financial year and the salary cost includes this assumption for the purposes of this calculation.

Key assumptions used

An average retirement age of 62 years was applied with a mortality rate of SA 85-90 (-1), rate of leave accumulation. The average expected remaining working-lifetime of eligible employees is estimated at 13.7 years.

Total expense recognized in the statement of financial performance

Current service cost	1 579 000	2 883 750
Interest cost	1 236 000	2 137 247
Actuarial Loss/(Gain)	2 395 000	(2 991 890)
	5 210 000	2 029 107

Summary of the accrued liabilities and plan assets for the current period and previous years

	30 June 2017	30 June 2018	30 June 2019	30 June 2019	30 June 2021
Accrued Liability	13 722 000	15 341 000	19 486 000	17 687 000	20 389 000

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Figures in Rand	2021	2020		
12. Provisions (continued)				
Long Service Awards				
Key Financial Assumptions				
A discount rate of 8.98% was applied with a general inflation rate (long-term) of 5.74% at a net effect discount rate of 3.07%. The 1st July 2021 salary increase was still under consideration at the time of preparing this report, the municipality has budgeted 6% annual salary increase for the 2021-2022 financial year and the salary cost includes this assumption for the purposes of this calculation				
Key Demographic Assumptions				
An average retirement age of 62 years was applied with a mortality rate of SA 85-90 (-1), rate of leave accumulation. The average expected remaining working-lifetime of eligible employees is estimated at 13.7 years				
Total expense recognized in the statement of financial performance				
Current service cost	3 223 682	1 658 928		
Interest cost	2 317 862	1 397 102		
Actuarial Loss/(Gain)	2 756 036	(421 170)		
	8 297 580	2 634 860		
Future changes in accrued long-term liability				
	30 June 2021	30 June 2022	30 June 2023	
Opening long term liability	-	24 385 500	30 019 381	32 915 884
Current service cost	-	3 223 682	3 694 867	4 053 990
Interest cost	-	2 317 862	2 749 324	3 149 071
Utilized during the year	-	(2 663 699)	(3 547 688)	(1 057 272)
Actuarial cost	-	2 756 036	-	-
	-	30 019 381	32 915 884	39 061 673
13. Payables from exchange transactions				
Trade payables	278 471 537	290 545 085		
Other payables	21 838 235	24 144 839		
Retention and sessions	184 980 152	169 941 017		
Deposits received	7 133 739	4 661 054		
Bonus provision	8 113 267	8 113 267		
	500 536 930	497 405 262		
14. Consumer deposits				
Electricity	4 624 379	4 371 415		
15. Revenue				
Service charges	85 340 370	94 840 932		
Interest received (trading)	12 936 559	10 878 102		
Actuarial gains	-	3 413 060		
Other income	82 986 496	1 839 088		
Interest received - investment	15 003 055	16 007 311		
Government grants & subsidies	1 502 648 813	1 303 813 770		
Public contributions and donations	21 980 000	-		
Fines, Penalties and Forfeits	3 834	-		
	1 720 899 127	1 430 792 263		

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15. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	85 340 370	94 840 932
Interest received (trading)	12 936 559	10 878 102
Actuarial gains	-	3 413 060
Other income	82 986 496	1 839 088
Interest received - investment	15 003 055	16 007 311
	196 266 480	126 978 493

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

Taxation revenue

Transfer revenue

Government grants & subsidies	1 502 648 813	1 303 813 770
Public contributions and donations	21 980 000	-
Fines, Penalties and Forfeits	3 834	-
	1 524 632 647	1 303 813 770

16. Service charges

Sale of water	72 866 533	81 909 151
Sewerage and sanitation charges	12 473 837	12 931 781
	85 340 370	94 840 932

17. Investment revenue

Interest revenue

Short term investments	13 594 755	14 336 728
Primary bank account	1 408 300	1 670 583
	15 003 055	16 007 311

18. Grants and subsidies paid

Other subsidies

Sekhukhune District Development Agency Grants	2 556 298	3 622 319
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The municipality did receive, for the 2020/2021 financial year, the conditional and unconditional grants to fund programs with special conditions attached to such funding allocations. The grants are the Municipal Infrastructure Grant, Water Services Infrastructure Grant, Expended Public Works Program, Finance Management Grant and Rural Transport Services Infrastructure Grant. The municipality however did not achieve 100% spending on programs funded by all conditional grant allocations in the current financial year. An application to roll-over the 2020/2021 unspent conditional grants was submitted to the National Treasury for consideration and approval.

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19. Government grants and subsidies		
Operating grants		
Equitable share	942 825 416	769 247 580
Expanded Public Works Programme Grant (EPWP)	6 294 000	2 665 000
Finance Management Grant (FMG)	2 200 000	1 788 045
Rural Roads Assets Management Grant (RRAMS)	2 309 332	2 062 917
Municipal Disaster Grant	-	766 926
National Department of Labour : SETA	1 201 523	708 098
	954 830 271	777 238 566
Capital grants		
Municipal Infrastructure Grant (MIG)	460 140 845	418 108 385
Rural Bulk Infrastructure Grant (RBIG)	58 643 774	69 820 470
Water Services Infrastructure Grant (WSIG)	29 027 423	38 646 349
Government grant (capital) 4	6 500	-
	547 818 542	526 575 204
	1 502 648 813	1 303 813 770

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	555 765 717	534 566 190
Unconditional grants received	942 825 416	769 247 580
	1 498 591 133	1 303 813 770

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 (MIG)

Balance unspent at beginning of year	47 086 615	16 168 634
Current-year receipts	466 015 000	465 195 000
Conditions met - transferred to revenue	(460 140 845)	(418 108 386)
Unapproved rolled over funds	(47 086 615)	(16 168 633)
	5 874 155	47 086 615

Conditions still to be met - remain liabilities (see note 11).

The Municipal Infrastructure Grant aims to eradicate municipal infrastructure backlogs in within the Sekhukhune District to ensure the provision of basic services such as water and sanitation.

Expanded Public Works Programme (EPWP)

Current-year receipts	6 294 000	2 665 000
Conditions met - transferred to revenue	(6 294 000)	(2 665 000)
	-	-

Conditions still to be met - remain liabilities (see note 11).

The Expanded Public Works Programme is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed residents of the Sekhukhune District. The programme provides an important avenue for labour absorption and income transfers to poor households, in the short to medium-term.

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Figures in Rand	2021	2020
19. Government grants and subsidies (continued)		
Water Services Infrastructure Grant (WSIG)		
Balance unspent at beginning of year	21 353 651	44 877 946
Current-year receipts	53 471 000	60 000 000
Conditions met - transferred to revenue	(29 026 756)	(38 646 349)
Unapproved rolled over funds	(21 353 651)	(44 877 946)
	24 444 244	21 353 651

Conditions still to be met - remain liabilities (see note 11).

The main goal of the Water Services Infrastructure Grant is to assist the municipality as the water authority to reduce the backlogs faced by the municipality in the provision of water and sanitation services within the district.

Finance Management Grant (FMG)

Balance unspent at beginning of year	653	653
Current-year receipts	2 200 000	1 785 000
Conditions met - transferred to revenue	(2 203 040)	(1 788 040)
Unapproved rolled over funds	(653)	-
	-	653

Conditions still to be met - remain liabilities (see note 11).

The main purpose of the finance management grant is to promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act (MFMA). The Grant is meant specifically to capacitate the officials in the budget and treasury office of the municipality through various training programmes in financial management and also to maintain the systems of financial management employed by the municipality in managing its finances.

Rural Roads Assets Management System Grant (RRAMS)

Balance unspent at beginning of year	369 423	5 340
Current-year receipts	2 310 000	2 427 000
Conditions met - transferred to revenue	(2 310 000)	(2 062 917)
Other	(369 423)	-
	-	369 423

Conditions still to be met - remain liabilities (see note 11).

The Rural Roads Asset Management System Grant seeks to assist the municipality to set up rural roads asset management systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.

Municipal Disaster Grant

Balance unspent at beginning of year	127 074	-
Current-year receipts	-	894 000
Conditions met - transferred to revenue	-	(766 926)
Unapproved rolled over funds	(127 074)	-
	-	127 074

Conditions still to be met - remain liabilities (see note 11).

The Municipal Disaster Relief Grant seeks to assist the municipality in responding to all the immediate needs and requirements arising in the unfortunate events of disaster as described in terms of the Disaster Management Act 57 of 2002.

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Figures in Rand	2021	2020
19. Government grants and subsidies (continued)		
Regional Bulk Infrastructure Grant (RBIG)		
Current-year receipts	50 506 249	69 820 470
Conditions met - transferred to revenue	(50 506 249)	(69 820 470)
	-	-

The main goal of the Regional Bulk Infrastructure Grant is to assist the municipality in facilitating the successful execution and implementation of bulk projects which are characterized by regional significance. The implementation of the grant is currently administered by the Department of Water and Sanitation on behalf on the municipality since the 2019/2020 financial year wherein the municipality will incur expenditure on projects funded through the grant and claim such expenditures from the department on a monthly basis..

National Department of Labour:SETA

Current-year receipts	1 201 523	708 098
Conditions met - transferred to revenue	(1 201 523)	(708 098)
	-	-

Conditions still to be met - remain liabilities (see note 11).

The main aim of this grant is to encourage the municipality to contribute to skills development, address critical and scarce skills shortages, and create jobs and employment opportunities for its employees.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 03 of 2017), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

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20. Employee related costs		
Basic	266 601 242	251 891 919
Medical aid - company contributions	14 111 376	10 558 741
UIF	1 478 266	1 494 963
SDL	2 823 363	2 767 765
Bargaining council	102 880	95 744
Leave pay provision charge	3 270 417	5 269 601
Group life	1 316 805	1 129 576
Pension Fund	39 615 200	38 971 309
Travel, motor car, accommodation, subsistence and other allowances	24 009 378	27 746 159
Overtime payments	32 763 849	36 220 474
Long-service awards	2 840 401	4 159 787
Housing benefits and allowances	2 273 271	2 369 844
Cellphone allowance	1 694 243	1 688 462
Shift and standby allowance	14 240 229	13 305 130
Uniform allowance	91 739	74 550
	407 232 659	397 744 024

Remuneration of municipal manager

Annual Remuneration	1 019 446	660 842
Travel Allowance	100 000	-
Cellphone allowance	26 000	-
Contributions to UIF, Medical and Pension Funds	17 153	90 826
Settlement - Lump Sum	-	735 313
Leave payout	-	67 865
Acting allowance	-	28 512
	1 162 599	1 583 358

The municipality did terminate the services of Ms Maseko N.T as the then municipal manager after a settlement agreement was reached between herself and the municipality and a settlement fee of about R 735 313.00 was paid by the municipality. Mr Mpho Mofokeng, as the then chief finance officer was appointed to act as the municipal manager. The services of Mr Mofokeng were subsequently terminated by the municipal council following the allegations of financial misconduct. Ms Molatelo Mabitsela was then appointed as the acting municipal manager from the 1st of August 2020 until the 31st of August 2020 and an acting allowance was paid to for the one month acting duration.

The municipality did, after the implementation of the recruitment policy, appoint Ms Maureen Ntshudisane as the current municipal manager from the 1st of September 2020.

Remuneration of chief finance officer

Annual Remuneration	609 688	221 895
Travel Allowance	56 000	-
Lumpsum payout - settlement fee	554 138	-
Contributions to UIF, Medical and Pension Funds	79 292	29 407
Cellphone allowance	15 992	13 938
Leave payout	76 728	-
Acting allowance	8 523	-
	1 400 361	265 240

The municipality did terminate the services of Mr Mpho Mofokeng as the chief finance officer of the municipality effectively on the 18th of February 2021 following the allegations of financial misconduct. A settlement agreement was then reached between the municipality and Mr Mofokeng at a cost of about R 554 138.00 to the municipality. Mr Mufamadi Colbert was then appointed as the acting chief finance officer and no acting allowance was paid for the duration of the acting period. The municipality has since been without a permanent chief finance officer with different officials occupying the position in an acting capacity.

Director - Community Services

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Figures in Rand	2021	2020
20. Employee related costs (continued)		
Annual Remuneration	282 625	849 209
Travel Allowance	24 000	-
Performance Bonuses	70 656	68 591
Contributions to UIF, Medical and Pension Funds	22 552	74 989
Other	-	47 061
Cellphone allowance	7 996	-
	1 150 832	1 039 850

Director Community Services

Annual Remuneration	-	604 702
Performance Bonuses	-	74 234
Contributions to UIF, Medical and Pension Funds	-	22 225
Other	-	48 410
Other	-	73 541
	823 112	1 478 647

Director Infrastructure and Water Services

Annual Remuneration	698 165	-
Travell Allowance	100 000	-
Contributions to UIF, Medical and Pension Funds	143 029	-
Cellphone allowance	19 990	-
Other	9 927	-
	971 111	-

The current director for the infrastructure and water services department Mr Matji M.P was appointed on the 1st of September 2020 following the resignation of Mr Masha as the then director of the department.

Director Planning and Economic Development

Annual Remuneration	968 990	969 493
Car Allowance	156 000	156 000
Contributions to UIF, Medical and Pension Funds	126 079	118 236
Other allowance	25 843	82 129
Cellphone allowance	23 988	-
	1 300 900	1 325 858

Chief Audit Executive

Annual Remuneration	-	892 078
Car Allowance	-	90 000
Performance Bonuses	-	65 872
Contributions to UIF, Medical and Pension Funds	-	129 501
Other	149	48 138
Leave payout	102 108	-
	-	1 225 589

The municipality has been without a chief audit executive following the resignation of Mr Marobane N on the 21st of March 2020. Ms Makgolane J is currently occupying the position in an acting capacity. The leave payout of the former chief audit executive Ms Marobane N was paid during the current financial year.

Acting Municipal Manager

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20. Employee related costs (continued)

Acting Allowance	18 093	29 112
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Ms Mabitsela M has acted as the municipal manager from the 1st of August 2020 until the 31st of August 2020 and an acting allowance was paid.

Acting Chief Finance Officer

Acting allowance	9 267	-
Cellphone Allowance	3 998	-
Contributions to UIF, Medical and Pension Funds	173	-
	13 438	-

The municipality has been without a permanent chief finance officer from the 1st of August 2020 following the termination of employment of Mr Mofokeng M as the then chief finance officer. Several officials of the budget and treasury office of the municipality has been occupying the position in an acting capacity. The council resolved on the 7th of May 2021 to second the appointment of Mr Nkadimeng H.L., the deputy chief finance officer of the Makhuduthamaga Local Municipality in the district, as the acting chief finance officer of the municipality.

Acting Director Infrastructure and Water Services

Acting Allowance	-	874 290
Car Allowance	-	38 281
Contributions to UIF, Medical and Pension Funds	-	161 087
	-	1 073 658

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20. Employee related costs (continued)		
Acting Chief Audit Executive		
Acting Allowance	9 474	145 630
Other	-	4 339
Other	-	4 797
	9 474	154 766

Ms Makgolane J is currently the acting chief audit executive of the municipality and an acting allowance is paid.

Acting Director Community Services

Annual Remuneration	-	342 608
Contributions to UIF, Medical and Pension Funds	-	80 981
Other	-	56 608
	-	480 197

The position of the senior manager for the community services is currently filled on a fixed term contract and no acting allowance was incurred by the municipality in the current financial year

Acting Director Corporate Services

Acting Allowance	14 196	-
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Mr Kabini L is currently the acting senior manager for the corporate services department of the municipality at no cost to the municipality

21. Remuneration of councillors

Executive Major	854 680	821 923
Chief Whip	276 591	594 736
Mayoral Committee Members	6 231 767	6 657 134
Speaker	759 478	760 769
Councillors	6 920 280	6 632 152
	15 042 796	15 466 714

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21. Remuneration of councillors (continued)

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

Executive Mayor: Cllr Ramaila KS

Annual Remuneration	694 573	723 835
Cellphone Allowance	44 400	43 800
Contributions to UIF, Medical and Pension Funds	206 233	54 288
	945 206	821 923

Council Speaker: Cllr Manamela MM

Annual Remuneration	645 384	648 255
Cellphone Allowance	44 400	43 800
Contributions to UIF, Medical and Pension Funds	75 217	48 619
Other	-	20 095
	765 001	760 769

Chief Whip: Cllr Lepota TJ

Annual Remuneration	312 393	326 243
Car Allowance	139 484	188 072
Cellphone Allowance	44 400	32 700
Contributions to UIF, Medical and Pension Funds	27 147	22 957
Other	-	24 764
	523 424	594 736

Mayoral Committee Members

Annual Remuneration	3 485 729	3 415 415
Car Allowance	2 124 547	2 436 155
Cellphone allowance	344 000	373 700
Contributions to UIF, Medical and Pension Funds	341 112	257 407
Other	-	174 457
	6 295 388	6 657 134

22. Depreciation and amortisation

Property, plant and equipment	94 331 387	107 361 215
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23. Impairment of assets

Impairments

Property, plant and equipment	39 654 158	44 550 684
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The municipality has assessed the slow moving projects and immovable assets for existence of impairment conditions. The recoverable amount of the asset was based on its fair value less its value in use.

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24. Finance costs		
Discounting of provisions	3 618 972	3 991 882
25. Debt impairment		
Debt impairment	-	21 630 741
26. Bulk purchases		
Water	162 186 318	115 165 701
27. Contracted services		
VIP Sanitation	76 969 790	58 983 449
28. General expenses		
Advertising	1 038 181	540 579
Auditors remuneration	5 461 473	6 864 299
Bank charges	380 588	297 281
Cleaning	543 840	-
Computer expenses	8 600	163 365
Consulting and professional fees	28 140 811	42 707 318
Audit committee expenses	545 338	522 524
IT support	3 080 995	1 300 043
Entertainment	90 296	35 573
Accommodation	297 376	373 306
Hire charges	64 814	729 082
Insurance	6 168 451	5 760 586
Workman Compensation fund	4 718 041	130 713
Packaging	-	21 200
Fuel and oil	16 973 207	17 291 141
Printing and stationery	1 613 689	1 195 085
Protective clothing	4 362 986	1 559 888
Security (Guarding of municipal property)	41 688 937	43 785 180
Software expenses	4 347 968	4 031 182
Staff welfare	216 737	25 301
Subscriptions and membership fees	3 627 328	79 468
Telephone and fax	3 217 801	3 857 216
Transport and freight	302 148	(412 630)
Training	1 541 850	1 172 800
Travel - local	304 196	650 238
Electricity	53 158 155	43 172 300
Other expenses	9 110 628	2 540 931
Tankering costs	-	15 529 045
Catering services	1 189 904	787 818
Staff recruitment	23 689	186 119
Meter reading	1 892 081	8 815 341
Bursaries	235 083	695 925
Audio-visual services	1 928 567	4 593 836
	196 273 758	209 002 053

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29. Auditors' remuneration		
Fees	5 461 473	5 215 784
Consulting	-	1 648 515
	5 461 473	6 864 299

30. Operating lease

The municipality has entered into the following operating lease agreements as at the end of the current financial year, 30th June 2021.

Leasing of Office Space (Bareki Mall in Groblersdal)

The municipality has initially entered into a lease agreement with Bumazi Properties (pty) Ltd for the leasing of office space at Bareki Mall, the initial lease agreement was subsequently extended by 24 months from the 1st of August 2019 to the 31st of July 2021. The municipality has exercised its option to further extend the leasing of the municipal offices by 12 months from the 1st of August 2021 until the 31st of July 2022.

Leasing of Office Space (Galito's Building in Marble Hall)

The municipality has also entered into another lease agreement with Bouble Barell Security Services cc for some office space in Marble Hall, the initial lease agreement was for a duration of 12 months from the 19th of November 2019 until the 31st of October 2020. The municipality has exercised its option to extend the lease agreement by 12 months from the 1st of November 2020 until the 31st of October 2021.

Leasing of Office Space (Ephraim Mogale Local Municipality)

The municipality entered into a lease agreement with the Ephraim Mogale Local Municipality for the leasing of the office space for a period of 60 months starting from the 1st of February 2017.

Leasing of Office Space (Moutse West)

Another lease agreement was entered into between the municipality and Mr Sedaki Frank Ndala for the leasing of office space in 453 De Beersput. The duration of the lease was for a period of 36 months from the 1st of September 2018 until the 31st of August 2021.

Leasing of Office Space (Makhuduthamaga Satellite Fire Station)

A lease agreement was entered into between the municipality and the Trustees of the Diocese of ST Marks The Evangelist for the leasing of the Makhuduthamaga Satellite Fire Station for a period of twelve months starting from the 1st of December 2019 until the 30th of November 2020. The lease term was extended by 11 months from the 1st of December 2020 until the 31st of October 2021.

Leasing of municipal fleet (Emergency Vehicles)

Another lease agreement was entered into by the municipality and Amasondo Fleet Services for the leasing of emergency vehicles for a period of 36 months effectively from the 13th of February 2016. The lease agreement was partly extended to the 25th of October 2021.

Leasing of Photocopier Machine (8 Photocopier Machines & Manitenance)

A lease agreement was entered into with Anaka Group wherein 8 photocopier machines are leased by the municipality for a period of 36 months with effect from the 1st of May 2021.

There were no future minimum sub-lease payments expected to be received by the municipality as at the 30th of June 2021. The municipality also did not received for the current financial year any minimum sublease payments.

Future minimum lease payments

Not later than one year	1 723 031	35 331 693
Later than one year but not later than five years	1 617 634	8 751 556
	3 340 665	44 083 249

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31. Cash generated from operations		
Surplus	623 364 331	362 031 407
Adjustments for:		
Depreciation and amortisation	94 331 387	107 361 215
Impairment loss	39 654 158	44 550 684
Debt impairment	-	21 630 741
Movements in operating lease assets and accruals	499 863	2 094 916
Movements in provisions	3 634 845	(1 812 258)
Donations	(21 980 000)	-
Actuarial gains	5 151 036	-
Provision for landfill written back	-	(12 441 973)
Loss on sale of assets and liabilities	998 642	503 734
Settlement discount	(76 595 446)	-
Bad debts written off	66 913	2 630 289
revaluation loss	(100 000)	-
Changes in working capital:		
Inventories	(886 117)	(9 155 493)
Receivables from exchange transactions	(46 973 745)	(42 217 004)
Other receivables from non-exchange transactions	12 297 542	(4 633 419)
Prepayments	(349 730)	(3 627 328)
Payables from exchange transactions	(1 476 208)	(71 720 220)
VAT	39 003 535	18 803 894
Unspent conditional grants and receipts	(38 619 017)	7 881 798
Consumer deposits	252 964	163 843
	632 274 953	422 044 826

32. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Cash and cash equivalents	237 402 088	237 402 088
Receivables from exchange transactions	43 291 823	43 291 823
Receivables from non-exchange transactions	148 346 770	148 346 770
Residual interest in Sekhukhune Development Agency	1 000	1 000
	429 041 681	429 041 681

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(328 628 171)	(328 628 171)

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32. Financial instruments disclosure (continued)		
2020		
Financial assets		
	At amortised cost	Total
Loans to economic entities	1 000	1 000
Trade and other receivables from exchange transactions	124 776 059	124 776 059
Other receivables from non-exchange transactions	55 589 365	55 589 365
Cash and cash equivalents	62 380 477	62 380 477
	242 746 901	242 746 901
Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transactions	(428 931 928)	(428 931 928)
33. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	348 083 252	606 957 466
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	182 502 923
Total capital commitments		
Already contracted for but not provided for	348 083 252	606 957 466
Not yet contracted for and authorised by accounting officer	-	182 502 923
	348 083 252	789 460 389
Authorised operational expenditure		
Already contracted for but not provided for		
• Goods and services	3 665 918	5 567 101
Total operational commitments		
Already contracted for but not provided for	3 665 918	-
Total commitments		
Total commitments		
Authorised capital expenditure	348 083 252	789 460 389
Authorised operational expenditure	3 665 918	-
	351 749 170	789 460 389

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, and government grants.

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34. Contingencies

Sekhukhune District Municipality vs APS MP (pty) Ltd

The matter between the municipality and APS MP (pty) Ltd was a result of the misinterpretation of the two cession agreements signed in by the two parties on the 31st of January 2013 and 27th February 2013. APS MP (pty) Ltd is claiming from the municipality damages to the value of R 1 905 887.40. The pleadings have been exchanged between the two parties, and the matter currently awaits trial.

Sekhukhune District Municipality vs Concerned Residents of Flag Boshielo

The residents of Flag Boshielo did make an application to the High Court in Pretoria by means of a notice motion of an order directing the municipality to immediately provide a minimum of 25 litres of free basic water per person to all residents of Elandskraal, Morarela, Mbuzini, Dichoeung and Tsantsabela villages. There was a contempt of court that was brought on an urgent application against the municipality on the 14th of September 2017, the application was dismissed on the basis that the minister of water affairs must respond to the court orders granted against the municipality, currently the municipality awaits a ruling based on the monthly affidavits submitted.

Sekhukhune District Municipality vs Hexagon Technologies and Project Enterprises

Hexan Technologies and Project Enterprises claims damages of about R 7 421 365.80 from a breach of contract by the municipality in respect of a project for the construction of the VIP toilets around areas of Makhuduthamaga, Fetakgomo, as per the plaintiff the damages were as a result of the failure by the municipality to make payments in terms of the contract price adjustments, the municipality denies the claims and liabilities from the company with amendments to its pleadings, judgment is currently pending on the matter .

Sekhukhune District Municipality vs Magohlo

The plaintiff claims R 820 000.00 in compensation for injuries sustained due to the municipality's alleged negligence in that there was a hole during the construction of a road in Jane Furse which was unsecured and marked. A notice of intention to defend has been served by the municipality. The plaintiff has requested for the discovery of documents and a discovery affidavit was filed and the matter may be set down for trial at any time.

Sekhukhune District Municipality vs Mophamo Kobuhla JV

The plaintiff claims that the municipality is indebted to it in the sum of R 19 566 832.74 for the Moutse East and West Bulk Water Supply awarded tender. The municipality denies the liability on this claim as it did not enter into any contractual agreement with Mophamo Kobuhla JV on this particular tender. The municipality has filed a notice of intention to defend the matter and delivered request for discovery of documents on which the claim is based by the plaintiff. The municipality is currently awaiting discovery affidavit from the plaintiff after which the matter will be enrolled for trial.

Contingent assets

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The municipality is currently engaged in a litigation process to recover a total amount of R 22 210 223.00 from contractors whom the quarantees which were declared invalid or fraudulent by the Standard Bank were received and used by the municipality during the processes of awarding the bids to such contractors.

The result of the litigation process could not be determined with certainty by the 30th of June 2021, however the status of the court proceedings provide evidence of circumstances which might possibly assist the court to rule in favour of the municipality.

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35. Related parties

Relationships

Accounting Officer	Municipal Manager
Controlled entities	Sekhukhune Development Agency
Local government controlling body	South African Local Government Association
Members of the municipal council	Refer to note 22
Members of key management	Refer to note 21

Related party balances

Annual membership fees

South African Local Government Association	3 977 058	3 627 328
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Transfers and Subsidies

Sekhukhune Development Agency	5 176 753	4 200 000
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Members of key management

Municipal Manager: Ms Ntshudisane M	1 162 599	1 583 358
Chief Financial Officer: Mr Mofokeng M	1 400 361	265 240
Senior Manager Corporate Services: Mr Lekgoro PS	407 829	1 039 850
Senior Manager Infrastructure and Water Services: Mr Matji M	962 112	-
Senior Manager Community Services: Mr Masemola S	1 150 832	823 112
Senior Manager Planning and Economic Development: Ms Mabitse M	1 318 993	1 325 858
Chief Audit Executive: Mr Marobane N	102 257	1 225 589
Acting Chief Financial Officer: Mr Nkadimeng HL	13 438	-
Acting Senior Manager Corporate Services: Mr Kabini L	14 196	-
Acting Chief Audit Executive: Ms Makgolane R	9 474	-

Remuneration of councillors 2020/2021

	Annual remuneratio n	Travel allowance	Cellphone allowance	Pension, Medical, UIF, SDL	Sitting allowance	Total
Cllr Ramaila KS (Executive Mayor)	694 573	-	44 400	206 233	-	945 206
Cllr Manamela MM (Council Speaker)	645 383	-	44 400	75 217	-	765 000
Cllr Mokganyetji M (Chief Whip)	312 393	139 484	44 400	27 147	-	523 424
Cllr Mahlangu B	462 817	384 214	44 400	40 220	-	931 651
Cllr Nchabeleng T	242 348	163 424	23 566	29 356	-	458 694
Cllr Matlala M	462 817	195 456	44 400	39 824	-	742 497
Cllr Nkosi S	462 817	364 654	44 400	40 361	-	912 232
Cllr Mmakola M	534 758	107 970	44 400	45 265	-	732 393
Cllr Mafefe O	307 533	183 332	44 400	65 282	-	600 547
Cllr Mogofe M	33 085	18 650	7 400	2 954	-	62 089
Cllr Sefela R	422 214	207 733	44 400	72 217	-	746 564
Cllr Manganeng M	259 038	283 523	40 800	22 495	-	605 856
Cllr Mnisi S	259 038	215 591	40 800	22 401	-	537 830
Cllr Maila S	198 511	171 533	44 300	17 513	-	431 857
Cllr Matsetela M	198 511	172 264	44 300	17 557	-	432 632
Cllr Moimana M	198 511	120 047	44 300	17 277	-	380 135
Cllr Mtsweni B	198 511	74 700	44 300	17 254	-	334 765
Cllr Phala M	-	37 027	20 400	334	34 197	91 958
Cllr Motlape M	-	42 353	20 400	341	39 712	102 806
Cllr Mehlaphe S	-	52 542	20 400	402	41 920	115 264
Cllr Mahlangu J	-	30 093	20 400	297	29 784	80 574
Cllr Makeke G	-	74 190	20 400	358	41 919	136 867
Cllr Mosotho M	-	-	20 400	181	3 310	23 891
Cllr Mathebe C	-	14 826	10 200	98	9 927	35 051
Cllr Mabatane M	13 399	5 093	20 400	282	-	39 174
Cllr Rankoe T	90 587	33 955	20 400	925	-	145 867
Cllr Dolamo M	10 440	59 187	20 400	273	-	90 300

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35. Related parties (continued)						
Cllr Thokoane M	10 440	-	20 400	257	-	31 097
Cllr Madutlela K	10 440	47 433	20 400	317	-	78 590
Cllr Diale M	10 440	117 344	20 400	520	-	148 704
Cllr Nkadimeng L	10 440	60 213	20 400	299	-	91 352
Cllr Matlala F	13 399	17 250	20 400	301	-	51 350
Cllr Ranoto P	13 399	10 577	20 400	291	-	44 667
Cllr Sebothoma R	10 440	90 651	20 400	491	-	121 982
Cllr Phaladi R	276 468	147 028	44 320	23 749	-	491 565
Cllr Mabelane M	80 147	122 950	20 400	881	-	224 378
Cllr Mamogale M	-	155 251	20 400	805	56 260	232 716
Cllr Maisela R	13 358	-	20 400	414	24 270	58 442
Cllr Kgapola M	80 147	50 513	20 400	859	-	151 919
Cllr Radigoana M	13 357	98 189	20 400	491	43 023	175 460
Cllr Mokgotho L	-	162 607	20 400	678	62 879	246 564
Cllr Malapane S	-	88 970	20 400	456	31 990	141 816
Cllr Mamokgopa L	-	64 358	20 400	367	25 373	110 498
Cllr Makola J	-	79 762	20 400	644	34 198	135 004
Cllr Makofane I	-	183 196	20 400	1 174	60 673	265 443
Cllr Makua M	-	71 028	20 400	413	56 260	148 101
Cllr Motseni N	10 440	59 199	20 400	329	-	90 368
Cllr Maloka M	10 440	28 961	20 400	260	-	60 061
Cllr Moloko M	198 511	109 390	44 300	17 259	-	369 460
Cllr Mashabela M	-	79 270	20 400	412	47 435	147 517
Cllr Ramautswa K	198 511	69 470	44 400	17 252	-	329 633
Cllr Matsepe C	-	3 778	-	50	9 929	13 757
Cllr Matseke R	82 713	54 107	18 500	7 426	-	162 746
	7 050 374	5 123 336	1 463 086	838 459	653 059	15 128 314

Remuneration of councillors 2019/2020	Annual remuneratio n	Travel allowance	Cellphone allowance	Pension, Medical, UIF, SDL	Sitting allowance	Total
Cllr Ramaila K.S (Executive Mayor)	723 835	-	43 800	180 692	-	948 327
Cllr Manamela M.M (Council Speaker)	648 254	-	43 800	75 350	-	767 404
Cllr Lepota T.J (Chief Whip)	326 243	188 072	32 700	52 539	-	599 554
Cllr Mahlangu M	464 466	410 261	43 800	41 581	-	960 108
Cllr Nchabeleng T	445 773	364 738	43 800	60 069	-	914 380
Cllr Matlala M	464 467	275 979	43 800	41 161	-	825 407
Cllr Nkosi S	464 467	357 826	43 800	41 711	-	907 804
Cllr Mmakola M	491 271	161 484	43 800	42 783	-	739 338
Cllr Mafefe O	256 262	157 335	44 380	51 272	-	509 249
Cllr Sefala R	424 604	234 732	43 800	72 656	-	775 792
Cllr Manganeng M	259 957	333 321	40 800	23 374	-	657 452
Cllr Mnisi S	259 958	233 371	40 800	23 073	-	557 202
Cllr Maila S	199 207	172 461	44 280	18 150	-	434 098
Cllr Matsetela M	199 207	166 142	44 280	18 031	-	427 660
Cllr Moimana M	199 207	120 999	44 280	17 861	-	382 347
Cllr Mtshweni B	199 207	75 416	44 280	17 788	-	336 691
Cllr Phala M	-	26 221	20 400	336	22 064	69 021
Cllr Motlape M	-	42 857	20 400	364	31 993	95 614
Cllr Mehlape S	-	40 538	20 400	418	27 580	88 936
Cllr Mahlangu J	-	26 726	20 400	324	22 064	69 514
Cllr Makeke G	-	41 805	20 400	351	26 478	89 034
Cllr Mosotho M	-	34 831	20 400	394	17 652	73 277
Cllr Mathebe C	-	28 651	20 400	357	23 167	72 575
Cllr Mabatane M	13 399	20 922	20 400	364	-	55 085
Cllr Rankoe T	90 587	21 970	20 400	1 117	-	134 074
Cllr Dolamo M	10 440	3 639	20 400	313	-	34 792

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35. Related parties (continued)						
Cllr Thokoane M	10 440	-	20 400	309	-	31 149
Cllr Madutlela K	10 440	30 801	20 400	395	-	62 036
Cllr Diale M	10 440	39 547	20 400	422	-	70 809
Cllr Nkadimeng L	10 440	35 431	20 400	371	-	66 642
Cllr Matlala F	13 399	15 079	20 400	367	-	49 245
Cllr Sebothoma R	10 440	66 546	20 400	528	-	97 914
Cllr Phaladi R	251 732	69 067	42 290	21 716	-	384 805
Cllr Mabelane M	67 302	96 016	20 400	1 032	7 426	192 176
Cllr Mamogale M	-	102 810	20 400	728	37 510	161 448
Cllr Maisela R	-	-	20 400	298	18 755	39 453
Cllr Kgapola M	80 147	73 592	20 400	1 086	-	175 225
Cllr Radingwana M	-	42 749	20 400	395	35 303	98 847
Cllr Mokgotho L	-	79 248	20 400	587	33 097	133 332
Cllr Malapane S	-	145 482	20 400	760	29 787	196 429
Cllr Mamokgopa L	-	89 835	20 400	551	19 857	130 643
Cllr Makola J	-	63 155	20 400	486	23 168	107 209
Cllr Makofane I	-	129 298	20 400	1 066	38 613	189 377
Cllr Makua M	-	29 478	20 400	343	26 477	76 698
Cllr Motseni N	10 440	50 212	20 400	419	-	81 471
Cllr Maloka M	10 440	10 583	20 400	321	-	41 744
Cllr Moloko M	182 601	89 253	40 590	16 338	-	328 782
Cllr Mashabela M	-	53 671	17 000	362	25 374	96 407
Cllr Ramautswa K	122 065	40 524	25 900	10 867	-	199 356
Cllr Mokganyetji M	157 631	70 623	33 300	14 062	-	275 616
Cllr SihlanguT	37 216	23 916	3 400	4 770	-	69 302
Cllr Mamekoa R	20 243	23 706	3 690	4 492	-	52 131
Cllr Mhlanga C	74 662	113 517	17 097	7 222	-	212 498
Cllr Ranoto P	13 399	14 015	20 400	361	-	48 175
	7 234 288	5 138 451	1 481 467	873 083	466 365	15 193 654

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36. Prior-year adjustments

The municipality did process the following prior period adjustments in the 2019/2020 financial year:

Expenditure recognized inclusive of VAT

The expenditure on the invoices recognized as accruals by the 30th of June 2020 was erroneously recognized into the general ledger inclusive of VAT to the amount of R 7 682 372.03. The error was corrected retrospectively through a prior period journal in the 2019/2020 financial year. The 2019/2020 expenditure was reduced by this amount, VAT input increased by the same amount, the accumulated surplus was also adjusted accordingly.

Disclosure on Commitments

The amounts disclosed as commitments in the 2019/2020 annual financial statements did differ with the commitment register as provided by management for audit purposes. The total contracted commitments amount of capital projects was erroneously disclosed as R 606 957 466.00 in the 2019/2020 annual financial statements, the error was corrected retrospectively by disclosing a correct amount of R 635 536 376.00 through an adjustment in the disclosure note on commitments for the prior year as audited.

Regional Bulk Infrastructure Grant

The reconciliation of the amounts received and spent for the implementation of the capital infrastructure projects funded through the Regional Bulk Infrastructure Grant was disclosed incorrectly. The reconciliation was corrected with no amounts disclosed as unspent grants as at the 30th of June 2021. The grant is an allocation In-kind to the municipality through the Department of Water and Sanitation as the administrator of the grant.

Reversal of VAT input

An incorrect journal entry was passed into the VAT input general ledger in the 2019/2020 financial year to the amount of R 1 927 283.05. The error was corrected retrospectively through a reversal of the incorrect journal initially processed.

Misclassification - General Expenses

The expenditure on the acquisition of computer equipment to the amount of R 151 627.06 was erroneously recognised as general expenses in the 2019/2020 financial year. The effect of the error was an overstatement of the total operational expenditure and understatement of the property, plant and equipment as disclosed in the annual financial statements. The error was corrected retrospectively by reducing the general expenses and recognising the two computer items as property, plant and equipment in the 2019/2020 financial year.

Misclassification - Repairs and Maintenance

The expenditure incurred on the acquisition of items of property, plant and equipment to the amount of R 2 308 313.79 was incorrectly recorded and disclosed as repairs and maintenance expenditure in the 2019/2020 annual financial statements. The effect of the error was an overstatement of the total operational expenditure and understatement of the property, plant and equipment as disclosed in the annual financial statements. The error was corrected retrospectively by reducing the repairs and maintenance expenditure and recognizing the items of property, plant and equipment in the 2019/2020 financial year.

Misclassification - Bulk Water Purchases

The expenditure incurred on the acquisition of items of property, plant and equipment to the amount of R 4 380 237.99 was incorrectly recorded and disclosed as bulk water purchases in the 2019/2020 financial year. The effect of the error was an overstatement of the total operational expenditure and understatement of the property, plant and equipment as disclosed in the annual financial statements. The error was corrected retrospectively by reducing the bulk water expenditure and recognizing the items of property, plant and equipment in the 2019/2020 financial year.

Disposal of Assets

The municipality did disclose, for the 2019/2020 financial year the property, plant and equipment note inclusive of a server that was in a poor condition and should have been derecognized. The effect of the error was an overstatement of the property, plant and equipment and understatement of the total operational expenditure in the 2019/2020 financial year. The error was corrected retrospectively by derecognizing the server and reporting a loss on disposal in the 2019/2020 financial year.

VAT Receivables

The VAT input on three capital payments was different to the VAT amounts as per the invoices. The effect of the error was an overstatement of the VAT receivables amount and accumulated surplus by an amount of R 5 804 666.62 combined. The error was corrected retrospectively by reducing the VAT input in the 2019/2020 financial year.

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36. Prior-year adjustments (continued)

Accruals

The accrual listing for the 2019/2020 financial year was understated by the omission of the two outstanding invoices to the value of R 1 976 229.40 as at the 30th of June 2020. The effect of the error was an understatement of the payables from exchange transactions and the understatement of the total operational expenditure and property, plant and equipment in the 2019/2020 financial year. The error was corrected retrospectively by increasing the trade payables from exchange transactions and increasing the total operational expenditure, the acquired pupmp was also recognized as an asset in the prior year.

Inventory

The municipality did incorrectly disclose some of the inventory items as expenditure in the statement of financial performance for the 2019/2020 financial year. The inventory inventory module currently recognizes the tranfer of inventory items from the main store to the sub-stores as expenditure in a form of inventory issues, some of these items were not issued or consumed at the sub-stores but correctly accounted and reported as inventory as at the 20th of June 2020. There were no year end journals processed to reverse the expenditure on such issues as at the end of the 2019/2020 financial year, as a result the expenditure was overstated and inventory understated by the value of such inventory items.

Water Inventory Losses

The calculation for the water inventory losses as disclosed in the 2019/2020 annual financial statements was incorrectly overstated by R 1 902 276.00. The error was corrected retrospectively through a prior period journal.

Misclassification - Repairs and Maintenance

The repairs and manitenance expenditure for the 2019/2020 financial year incorrectly included an amount of R 9 279 026.97 for the acquisition of items of property, plant and equipment. The repairs and maintenance expenditure was overstated and the carrying value of the property, plant and equipment was understated.

Mistatement - Depreciation

The total amount of the expenditure on depreciation for the 2019/2020 financial year was understated by R 6 763 168. 27 being the depreciation on the items of property, plant and equipment which were incorrectly recorded and disclosed as wirk in progress, repairs and maintenance. The error was corrected retrospectively.

Mistatement - Accumulated Depreciation

The total amount of the expenditure on accumulated depreciation for the 2019/20 opening balance was understated by R 14 174 722.94 being the depreciation for the capital projects which were completed in the prior but nit yet transferred out of the WIP.

Mistatement - Cost

Some projects were erroneously recorded and disclosed as WIP in the 2019/2020 financial year at an amount of R 3 524 244.49 . It was discovered through the physical verification processes that these were not capital projects and instead they should have been expensed. The error was corrected retrospectively.

Completed projects were disclosed as Work In Progress instead of being capitalized

Projects were erroneously recorded and disclosed as WIP in the 2019/2020 financial year at an amount of R 226 193 726.45. It was discovered through the physical verification processes that these projects were completed and were not capitalized in their respective years.

Worksmen Compensation fund

In the prior year trade payables were understated due to mistatement on the Worksmen Compensation fund. Correction the error resulted in increase in payables by R 19 233 038, Increase in general expenses by R 3 174 011.

Related Party Transactions

In the prior year the related party transactions were mistated by the omission of the remuneration of councillors, SALGA annual membership fee and the employee related cost of the section 57 employees to a total of R 29 283 193.00. The error was coorrected through an adjustment to the realated party note in the prior year.

Bulk Water Supply

Settlement of the bulk water supply discount as per the memorandum of understanding between the municipality and the Lepelle Northern Water signed for implementation in the 2019/20 financial year to the amount of R 29 273 225.18 was

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36. Prior-year adjustments (continued)

incorrectly recorded and reported in the 2020/21 financial year. The error was corrected through a journal in the prior year.

37. Risk management

Financial risk management

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

Liquidity risk

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

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.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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37. Risk management (continued)

Market risk

Interest rate risk

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

38. 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.

The ability of the municipality to continue as a going concern is dependent on continued funding by National Treasury as per the DORA over MTREF period. Therefore, there are no reasons to believe that funding may be stopped in the foreseeable future.

39. Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date the financial statements are authorized for issue. Two types of events can be identified, (i) those that provide evidence of events that existed at the reporting date being the adjusting events after the reporting date and those that are indicative of conditions that arose after the reporting date as the non-adjusting events after the reporting date.

No events were reported between the reporting the and the date the annual financial statements were authorized for issue.

40. Unauthorised expenditure

Opening balance as previously reported	398 303 183	248 904 203
Opening balance: Restated	398 303 183	248 904 203
Add: Unauthorized expenditure - current year	11 782 032	149 398 980
Closing balance	410 085 215	398 303 183

The municipality did incur in total, for the 2020/2021 financial year, an amount of R 11 782 032 in unauthorized expenditure as at the end of the financial year. R 3 486 061.65 of the total expenditure is an overspending on the municipality's legal fees in a form of the court summons which were not budgeted for in the financial year. R 8 295 970.32 was also the overspending on fuel consumption for the municipal fleet.

41. Fruitless and wasteful expenditure

Opening balance as previously reported	46 222 760	28 089 166
Opening balance: Restated	46 222 760	28 089 166
Add: Fruitless and wasteful expenditure - current year	344 154	18 591 126
Closing balance	46 425 661	46 222 760

The municipality did incur, for the 2020/2021 financial year, an amount of R 344 154.00 in fruitless and wasteful expenditure. The reported expenditure amount comprises of the fraudulent payments which were discovered and reported during the financial year. Investigations are currently being conducted by the financial misconduct board of the municipality. The cases were also reported to the South African Police Services for investigation and full recovery of the monies involved.

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42. Irregular expenditure		
Opening balance	987 512 656	819 876 397
Add: Irregular Expenditure - current year	-	167 636 259
Opening balance: Restated	987 512 656	987 512 656
Less: Amounts recoverable (not condoned)	214 237 255	167 636 259
Closing balance	1 201 749 911	987 512 656
Details of irregular expenditure – current year		
		-
43. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	3 977 058	3 627 328
Amount paid - current year	(3 977 058)	(3 627 328)
	-	-
Material losses (Water distribution)		
Current year water loss in kilolitres	12 224 655	10 547 557
Amount paid - current year	90 751 416	51 623 011
Audit fees		
Current year fees	5 228 629	6 077 278
Amount paid - current year	(5 228 629)	(6 077 278)
	-	-
PAYE and UIF		
Current year subscription / fee	79 574 576	68 975 502
Amount paid - current year	(79 649 216)	(68 975 502)
	(74 640)	-
Pension and Medical Aid Deductions		
Current year subscription / fee	83 930 675	80 679 826
Amount paid - current year	(83 874 453)	(80 675 178)
	56 222	4 648

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Matsetela ML	3 391	1 618	5 009
Cllr Matseke RT	646	11 723	12 369
	4 037	13 341	17 378

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Nchabeleng TL	155	52	207
Cllr Matsetela ML	2 312	703	3 015
	2 467	755	3 222

44. Deviation from supply chain management regulations

Section 36 of the Municipal Supply Chain Regulations states that the accounting officer may dispense with the official procurement processes established by the applicable supply chain policy and procure any required goods or services through any convenient process which may include direct negotiations, but only in (i) In an emergency, (ii) If such goods or services are produced or available from a single service provider, (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile, (iv) acquisitions of animals for zoos or (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

The municipality did incur the following expenditures in line with section 36 of the Municipal Supply Chain Regulations during the 2020/2021 financial year.

Description		
Deviation as per section 36(1)(i) of the SCM regulations	1 799 750	884 150
Deviation as per section 36(1)(ii) of the SCM regulations	55 520	47 914
Deviation as per section 36(1)(v) of the SCM regulations	4 317 235	1 750
	6 172 505	933 814