



MBHASHE LOCAL MUNICIPALITY (EC 121)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

Nature of business and principal activities

The Municipality is responsible for the following activities:-
- collection of rates in respect of property taxes;
- refuse and solid waste removal;
- construction and maintenance of access roads, storm water facilities and streetlights within its jurisdiction; and
- traffic control, issue of learners and drivers licences and renewal of drivers licences, law enforcement activities.

Mayoral Committee

Executive Mayor

Cllr Samkelo Janda

Speaker

Cllr Babalwa Majavu

Members of the Mayoral Committee

Cllr Nomvuyiseko Mgedesi (Chairperson: Local Economic Development)

Cllr Nombongo Apleni – (Chairperson: Municipal Financial Viability)

Cllr Fikiswa Ndaule (Chairperson: Good Governance and Public Participation)

Cllr Mirriam Kungeka Makapela – (Chairperson: Basic Service Delivery and Infrastructure Development)

Cllr Nolumanyano Ngomthi (Chairperson: Municipal Transformation and Institutional Development)

Cllr Nolundi Gxamntwana (Chairperson: Basic Service Delivery and Community Services)

Chief WHIP

Cllr Ludwe Mantshiyose

Councillors

Cllr Irene Nomachule Quvile

Cllr Mzikayise Saki

Cllr C. Zukile Gobinduku

Cllr Simphiwe Futshane

Cllr Mbulelo Manuel Sisulu

Cllr Thobela Nodliwa

Cllr Buyiswa Gaven

Cllr Anda Mpatuse

Cllr Kungeka Sigwayi

Cllr Ernest Fipaza

Cllr Nonyusile Ngolothi

Cllr Mnikelo Vincent Muru

Cllr Sonwabile Toyana

Cllr Luyanda Mpunzi

Cllr Siyabulela Mdabuka

Cllr Nosiphiwo Stafana

Cllr Nosipho Nancy Ntshontsho

Cllr Lungisa Mahobe

Cllr Phumelele Methu

Cllr Shepstone Thethemini Sitwayi

Cllr Noncedile Kopololo

Cllr Silulami Ndinisa

Cllr Lulamile Khumelwana

Cllr Boniswa Sithela

Cllr Nokanyo Magatya

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General Information

Cllr Wilson Genyane
Cllr Tamella Nokele
Cllr Phumzile Msaro
Cllr Theophilus Manelisi Nxusani
Cllr Patrick Patuxolo Zuma
Cllr Simothulele Labhatala
Cllr Nolusindiso Nkomonye
Cllr Xoliswa Morrin Tyodana
Cllr Pakama Patricia Kondile
Cllr Nomabandla Mkhedamo
Cllr Nosipho Ganda
Cllr Mangaliso Sabelo Jafta
Cllr Nozuko Ncumisa Sidlova
Cllr Fezeka Mbiko
Cllr Mpendulo Herbert Gweshu
Cllr Nkosinathi Nicholas Ndlodaka
Cllr Ntsikelelo Mahlathi
Cllr Noluvo Tyelinganye
Cllr Usivile Mboneli
Cllr Mzimkulu Tetyana
Cllr Yoliswa Grissel Mhlathi
Cllr Livingstone Matiti
Cllr Nyameka Mongezi
Cllr Asanda Matshobeni
Cllr Bongani Dumezweni
Cllr Lethu Madaka - Mdiniso
Cllr Zanele Mboxela

Grading of local authority

3

Municipal Manager

Mr M. Nako

Chief Finance Officer

Mr N. Nokwe

MFMA Section 79 Chairpersons

Cllr Nosipho Ganda (MPAC Chair)
Cllr Nomxolisi Nqwena
(Chairperson: Ethics & Members
Interest Committee)
Cllr Celiwe Genyane (Chairpeson:
Womens Caucus)

Registered office

454 Steatfield Road
Dutywa
5000

Postal address

P.O. Box 25
Dutywa
5000

Bankers

First National Bank (62231175953)

Auditors

Auditor General South Africa

Attorneys

Nginda Attorneys
Tonise Attorneys

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General Information

Vitshima Attorneys

Luthango Attorneys

Ximbi Ncolo

Siyathemba Sokutu Attorneys

Smith Tabata Attorneys

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Annual Financial Statements for the year ended 30 June 2022

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Abbreviations

AFS	Annual Financial Statements
EPWP	Extended Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
PPE	Property, Plant and Equipment
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPAC	Municipal Public Accounts Committee
MSIG	Municipal Systems Improvement Grant
SARS	South African Revenue Service
VAT	Value Added Tax

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The Annual Financial Statements set out on page 7, which have been prepared on the going concern basis, were approved by the Council on 31 August 2022 and were signed on its behalf by:

Mr M. Nako
Municipal Manager

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

the municipality is responsible for the following activities:-

- collection of rates in respect of property taxes;
- refuse and solid waste removal;
- construction and maintenance of access roads, storm water facilities and streetlights within its jurisdiction; and
- traffic control, issue of learners and drivers licences and renewal of drivers licences, law enforcement activities. and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had accumulated surplus of 835 380 234 rands and that the municipality's total assets exceed its liabilities by 835 380 234 rands.

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 a number of factors. The most significant of these is that the accounting officer continue to enforce strict cash flow management to oversee the operations. The municipality had an improved liquidity position due to the overcollection in revenue projections and also stringent cost containment measures, this has resulted in the municipal having ability to meet short term commitments within 30 days.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The Accounting Officer does not have any interest in the contract that the municipality has with various suppliers for procuring goods and/or services.

5. Borrowing potential

The current ratio is above 1. This signifies the progress made in the past financial year, with the municipality passing a more leaner budget with realistic targets. The cash and cash equivalents are more than trade payables as at 30 June 2022.

Our assets versus liabilities show that we have huge potential for borrowing which the municipality is currently not exploring. This option will only be taken to fund borrowings for income-generating assets with the objective of generating a commercial return.

Mr M. Nako
Municipal Manager

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Receivables from exchange transactions	8	638 157	385 039
Receivables from non-exchange transactions	9	237 544	2 403
VAT receivable	10	4 868 503	6 486 900
Consumer debtors	11	13 850 472	11 403 785
Cash and cash equivalents	12	256 581 099	181 519 351
		276 175 775	199 797 478
Non-Current Assets			
Investment property	2	33 511 900	33 511 900
Property, plant and equipment	3	622 087 464	618 661 639
Intangible assets	4	508 799	692 127
Heritage assets	5	11	11
		656 108 174	652 865 677
Total Assets		932 283 949	852 663 155
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	28 885 393	29 509 531
Employee benefit obligation	7	269 000	980 000
Unspent conditional grants and receipts	13	24 214 236	3 683 147
		53 368 629	34 172 678
Non-Current Liabilities			
Employee benefit obligation	7	5 687 000	4 970 000
Provisions	14	37 848 086	35 874 963
		43 535 086	40 844 963
Total Liabilities		96 903 715	75 017 641
Net Assets		835 380 234	777 645 514
Accumulated surplus		835 380 234	777 645 514
Total Net Assets		835 380 234	777 645 514

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue			
Service charges	17	2 638 039	3 490 932
Rental of facilities and equipment	18	2 001 021	1 654 342
Interest received (trading)		3 936 617	3 046 752
Other income	22	1 514 002	2 073 473
Interest earned		11 615 255	5 717 407
Assessment rates	24	16 241 570	11 621 773
Licence and permits	20	2 184 101	2 689 023
Grants and subsidies	25	329 775 209	390 794 134
Fines and penalties		1 416 415	1 083 420
Total revenue		371 322 229	422 171 256
Expenditure			
Employee related costs	26	(124 442 421)	(126 943 602)
Remuneration of Councillors	27	(19 978 435)	(22 045 391)
Depreciation and amortisation	28	(47 853 508)	(55 592 369)
Finance costs	30	(2 055 449)	(2 075 060)
Debt Impairment	31	(8 208 553)	(6 481 775)
Administrative and other expenditure	32	(93 957 049)	(96 858 079)
Total expenditure		(296 495 415)	(309 996 276)
Operating surplus		74 826 814	112 174 980
Profit/(Loss) on disposal of assets		(8 187)	(320 312)
Impairment loss	29	(17 083 912)	(453 042)
		(17 092 099)	(773 354)
Surplus for the year		57 734 715	111 401 626

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance as previously reported	677 663 846	677 663 846
Other prior year adjustments	(11 419 958)	(11 419 958)
Balance at 01 July 2020 as restated*	666 243 888	666 243 888
Changes in net assets		
Surplus/(Deficit) for the year	111 401 626	111 401 626
Total changes	111 401 626	111 401 626
Balance at 01 July 2021 restated	777 645 519	777 645 519
Changes in net assets		
Surplus/(Deficit) for the year	57 734 715	57 734 715
Total changes	57 734 715	57 734 715
Balance at 30 June 2022	835 380 234	835 380 234

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Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Sale of goods and services		17 837 303	15 203 917
Grants		348 668 878	385 834 160
Interest income		11 615 255	5 717 407
Other receipts		5 114 518	5 845 916
		<u>383 235 954</u>	<u>412 601 400</u>
Payments			
Employee costs		(144 061 304)	(145 189 494)
Suppliers		(95 842 474)	(115 054 561)
Finance costs		(82 326)	(204 801)
		<u>(239 986 104)</u>	<u>(260 448 856)</u>
Net cash flows from operating activities	34	<u>143 249 850</u>	<u>152 152 544</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(68 216 956)	(82 682 022)
Proceeds from sale of other asset		28 854	332 092
		<u>(68 188 102)</u>	<u>(82 349 930)</u>
Net increase/(decrease) in cash and cash equivalents		75 061 748	69 802 614
Cash and cash equivalents at the beginning of the year		181 519 351	111 716 738
Cash and cash equivalents at the end of the year	12	<u>256 581 099</u>	<u>181 519 352</u>

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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	500 000	-	500 000	2 638 039	2 138 039	47.1
Rental of facilities and plant equipment	1 850 000	-	1 850 000	2 001 021	151 021	47.2
Interest received (trading)	-	-	-	3 936 617	3 936 617	47.3
Other income	16 170 000	90 000	16 260 000	1 514 002	(14 745 998)	47.4
Interest received - investment	1 500 000	9 000 000	10 500 000	11 615 255	1 115 255	47.5
Total revenue from exchange transactions	20 020 000	9 090 000	29 110 000	21 704 934	(7 405 066)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7 500 000	-	7 500 000	16 241 570	8 741 570	47.6
Licenses and permits	600 000	700 000	1 300 000	2 184 101	884 101	47.7
Transfer revenue						
Government grants & subsidies	350 644 000	4 360 851	355 004 851	329 775 209	(25 229 642)	47.8
Fines, Penalties and Forfeits	650 000	620 000	1 270 000	1 416 415	146 415	47.9
Total revenue from non-exchange transactions	359 394 000	5 680 851	365 074 851	349 617 295	(15 457 556)	
Total revenue	379 414 000	14 770 851	394 184 851	371 322 229	(22 862 622)	
Expenditure						
Employee related costs	(119 166 762)	-	(119 166 762)	(124 442 421)	(5 275 659)	47.10
Remuneration of councillors	(24 861 406)	-	(24 861 406)	(19 978 435)	4 882 971	47.11
Depreciation and amortisation	(55 000 000)	(1 657 292)	(56 657 292)	(47 853 508)	8 803 784	47.12
Impairment loss/ Reversal of impairments	-	-	-	(17 083 912)	(17 083 912)	47.13
Finance costs	-	-	-	(2 055 449)	(2 055 449)	47.14
Debt impairment	(1 200 000)	-	(1 200 000)	(8 208 553)	(7 008 553)	47.15
General Expenses	(117 361 271)	(11 643 334)	(129 004 605)	(93 957 049)	35 047 556	47.16
Total expenditure	(317 589 439)	(13 300 626)	(330 890 065)	(313 579 327)	17 310 738	
Operating surplus	61 824 561	1 470 225	63 294 786	57 742 902	(5 551 884)	
Loss on disposal of assets and liabilities	-	-	-	(8 187)	(8 187)	
Surplus	61 824 561	1 470 225	63 294 786	57 734 715	(5 560 071)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	61 824 561	1 470 225	63 294 786	57 734 715	(5 560 071)	

Statement of Financial Position

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Assets						
Current Assets						
Receivables from exchange transactions	385 039	-	385 039	638 157	253 118	47.17
Receivables from non-exchange transactions	2 403	-	2 403	237 544	235 141	47.18
VAT receivable	6 486 900	-	6 486 900	4 868 503	(1 618 397)	47.19
Consumer debtors	11 403 785	-	11 403 785	13 850 472	2 446 687	47.20
Cash and cash equivalents	296 552 607	4 667 705	301 220 312	256 581 099	(44 639 213)	47.21
	314 830 734	4 667 705	319 498 439	276 175 775	(43 322 664)	
Non-Current Assets						
Investment property	33 511 900	-	33 511 900	33 511 900	-	
Property, plant and equipment	654 053 905	8 570 225	662 624 130	622 087 464	(40 536 666)	47.22
Intangible assets	832 127	-	832 127	508 799	(323 328)	47.23
Heritage assets	11	-	11	11	-	
	688 397 943	8 570 225	696 968 168	656 108 174	(40 859 994)	
Total Assets	1 003 228 677	13 237 930	1 016 466 607	932 283 949	(84 182 658)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	1 720 000	11 643 334	13 363 334	28 885 392	15 522 058	47.24
Employee benefit obligation	980 000	-	980 000	269 000	(711 000)	47.25
Unspent conditional grants and receipts	3 683 147	-	3 683 147	24 214 236	20 531 089	47.26
	6 383 147	11 643 334	18 026 481	53 368 628	35 342 147	
Non-Current Liabilities						
Employee benefit obligation	4 970 000	-	4 970 000	5 687 000	717 000	47.25
Provisions	35 874 963	-	35 874 963	37 848 086	1 973 123	47.27
	40 844 963	-	40 844 963	43 535 086	2 690 123	
Total Liabilities	47 228 110	11 643 334	58 871 444	96 903 714	38 032 270	
Net Assets	956 000 567	1 594 596	957 595 163	835 380 235	(122 214 928)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	956 000 567	1 594 596	957 595 163	835 380 235	(122 214 928)	

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

The principal accounting policy adopted in the preparation of these annual financial statements are set out below. These accounting policies are consistent with the previous period, except for the policies relating to the new standards and interpretations under note 2.1.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. Amounts are rounded off to the nearest Rand.

1.2 Reporting entity

Mbhashe Local Municipality ("the municipality") is a low capacity local government institution covering Dutywa, Willowvale and Elliotdale in the Eastern Cape.

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Judgements, assumptions and estimates

The preparation of financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of GRAP that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year include:

- Impairment of debtors. Management is required to assess the debtors portfolio on an individual and collective basis and to determine an appropriate impairment based on the collection trends, type of consumer and the general economic environment.
- Provision for landfill sites. Management is required to base the provision for the rehabilitation of the landfill sites on appropriate supporting documentation and assumptions relating to available permitted airspace, airspace utilization factor and waste acceptance rate.
- Assessment of conditions related to unspent grants. Management must exercise judgment in assessing the extent to which the conditions pertaining to grants have been met in order to release an appropriate amount to revenue.
- Assets. Management are required to exercise judgment when assessing the fair value / deemed cost of an asset, the extent of any potential impairment, the useful lives and depreciation methods applied to assets.
- Intangible assets. Management is required to assess the useful life of intangible assets based on the period the asset is expected to generate net cash inflows or service potential.

Going concern assumption

These annual financial statements have been prepared on a going concern basis.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the re-classification is disclosed. Where accounting errors relating to prior years have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively in terms of the requirements of the standard, and the prior year comparatives are restated accordingly.

1.4 Value add tax

The municipality accounts for VAT on the payment basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1)(a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Investment property

Initial recognition

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Subsequent measurement and derecognition - cost model

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated on the straight line basis over its expected useful life to its estimated residual value. The depreciable amount is determined after taking into account an asset's residual value. If at any point the residual value exceeds the carrying amount of an investment property, no depreciation is calculated on that investment property. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful life of investment property is estimated to be 40 years.

Investment property is derecognised on disposal when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.6 Property, plant and equipment

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

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

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

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Property, plant and equipment (continued)

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.

Subsequent measurement and derecognition - cost model

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.

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 useful life
Buildings	Straight line	30 years
Other assets	Straight line	5 - 10 years
Infrastructure	Straight line	10 - 60 years
Community assets	Straight line	30 years

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

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

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

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

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

Derecognition of PPE

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.

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1.6 Property, plant and equipment (continued)

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.

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The municipality recognises an intangible asset in its statement of financial position only when it meets the definition of an intangible asset and it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be reliably.

Intangible assets are initially recognised at cost. An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

For intangible assets with indefinite useful life amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Initial recognition

The cost of an item of an asset 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 the municipality.

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

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life.

Amortisation

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated asset average lives

Item	Useful life
Computer software, other	3 to 5 years

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the surplus or deficit.

1.8 Budget information

Municipality is 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.

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1.8 Investments in controlled entities (continued)

General purpose financial reporting by the 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 economic classification linked to performance outcome objectives.

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

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.

1.9 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

The fair values cannot be measured due to nature of assets. The assets are shown in the financial statements at a nominal value of R11 for record keeping.

1.10 Related parties

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

Related parties include Councillors, key management personnel and close members of family.

Key management personnel includes the Municipal Manager, Chief Financial Officer and all other senior managers reporting directly to the Municipal Manager and supply chain officials.

Key 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 management in their dealings with the municipality.

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

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1.11 Events after reporting period

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.

1.12 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

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

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition

A financial assets/ financial liability shall be recognised in the statement of financial position when, and only when the municipality becomes a party to the contractual provisions of instrument.

Initial measurement financial assets and financial liabilities

When a financial asset/liability is recognised initially, the municipality shall measure it at its fair value plus, in the case of a financial asset/liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset/liability.

Subsequent measurement of financial assets and financial liabilities

The municipality shall measure all financial assets/liabilities after initial recognition using the following categories:

- financial instruments at amortised cost
- financial instrument at fair value

All financial assets measured at amortised cost, or cost, are subject to an impairment review in terms of GRAP 104: Financial Instruments. Financial assets are recognised using trade date accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost.

Receivables from exchange transactions

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

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1.12 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value and subsequently carried at amortised cost using the effective interest method. Cash includes cash on hand (including petty cash) and investments comprising cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. Trade and other payables from exchange transactions reflected on the face of the statement of financial position or in the notes thereto are classified as other financial liabilities.

Financial liabilities consist of trade payables and are initially measured at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the asset expires, is settled or waived, or it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another party.

An entity recognises financial assets using trade date accounting.

Financial liabilities

A financial liability is derecognised when and only when the financial liability is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived).

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Accounting Policies

1.12 Financial instruments (continued)

Impairment of financial assets

A financial asset measured at amortised cost or cost, is assessed at each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The municipality considers evidence of impairment at both a specific asset and collective asset level.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.13 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

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Accounting Policies

1.13 Statutory receivables (continued)

- 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.

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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1.14 Leases

Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and not guaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The municipality recognises the aggregate payments as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Municipality as lessee

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

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Operating leases - lessor

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

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

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

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

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

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1.14 Leases (continued)

Municipality as a lessor

Under a finance lease, the Municipality recognised the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight lined revenue and actual payment received will give rise to an asset. The Municipality recognised the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.15 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in surplus or deficit as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

Short term employee benefits (those payable within 12 months after the service is rendered) are measured on an undiscounted basis.

An accrual is recognised for the amount expected to be paid in terms of short term bonus or leave arrangements when the municipality has a present legal or constructive obligation to pay the amount as a result of a past service provided by an employee and the amount can be estimated reliably.

Liabilities for annual leave are recognised as they accrue to the employees. The liability is based on the total amount of leave days due to the employee and the total related remuneration package.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions to a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the surplus or deficit in the period in which the service is rendered by the relevant employees.

The municipality makes contributions to the following plans:

- South African Municipal Workers Union National Provident Fund
- Eastern Cape Group Municipal Pension Fund
- Eastern Cape Group Municipal Gratuity Fund

The municipality makes contributions to the following medical aid schemes:

- HOSMED
- Key Health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA Health

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1.15 Employee benefits (continued)

Other long term employee benefit

For other long term employee benefit the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries. Gains and losses arising from actuarial valuation is recognised in surplus or deficit in the year in which they occur.

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.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation.

The municipality has an unfunded other long term employee benefit that relates to long service awards.

1.16 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

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

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

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

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

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

Contingencies

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

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1.17 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.

1.18 Revenue from exchange transactions

Revenue from exchange transactions includes revenue from service charges, rental of facilities and equipment, other income and interest received on investments.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts. Revenue from the rendering of the services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements and receiving service. Tariffs are determined per category of property usage, and are levied at a fixed monthly rate based on the category of the customer.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Interest income is recognised using the effective interest rate method.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.19 Revenue from non-exchange transactions

Revenue from non-exchange transactions includes rates levied, licences and permits, fines and grants from other spheres of government.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised 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 if applicable, there has been compliance with the relevant legal requirements or restrictions.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable.

Fines constitute both spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. As a result, revenue from spot fines and summonses is recognised when payment is received.

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Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the definition and recognition criteria of an asset have been met.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached restrictions, the grants are recognised as revenue when received by the entity.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant. If the compliance with the restrictions have not been met, the revenue is deferred and recognised as a liability

Interest earned on investments arising from grants is recognised as interest earned in surplus or deficit.

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorised expenditure is accounted for as an expense in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

1.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

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1.25 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.26 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.27 Operating expenditure

These expenses are accounted for on accrual basis, in the financial statements these are disclosed as administrative costs on the face of the Statement of financial performance, then further disclosed in classes in the note for administrative costs. Expenditure such as debt write off, debt impairment, depreciation and amortisation as well as impairment losses relating to non current assets are disclosed seperately on the face of the Statement of financial performance.

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2022

2021

2. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	33 511 900	-	33 511 900	33 511 900	-	33 511 900

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	33 511 900	33 511 900

Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	33 511 900	33 511 900

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. Total amount for land is R27 986 900, Total amount for Buildings is R5 525 000.

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3. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	50 091 287	(32 116 096)	17 975 191	50 091 286	(30 326 957)	19 764 329
Other Assets	118 387 575	(81 609 223)	36 778 352	109 952 772	(73 193 048)	36 759 724
Infrastructure and community assets	969 151 381	(600 838 460)	368 312 921	943 582 288	(548 918 319)	394 663 969
Landfill site	30 551 609	(10 183 869)	20 367 740	30 551 609	(7 637 902)	22 913 707
WIP	178 653 260	-	178 653 260	144 559 910	-	144 559 910
Total	1 346 835 112	(724 747 648)	622 087 464	1 278 737 865	(660 076 226)	618 661 639

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land and Buildings	19 764 329	-	-	-	(1 789 138)	-	17 975 191
Other Assets	36 759 724	8 465 714	(37 041)	91 629	(8 501 674)	-	36 778 352
Infrastructure and community assets	394 663 969	-	-	25 566 263	(34 833 400)	(17 083 911)	368 312 921
Landfill site	22 913 707	-	-	-	(2 545 967)	-	20 367 740
WIP	144 559 910	59 751 242	-	(25 657 892)	-	-	178 653 260
	618 661 639	68 216 956	(37 041)	-	(47 670 179)	(17 083 911)	622 087 464

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land and Buildings	21 553 468	-	-	-	(1 789 139)	-	19 764 329
Other assets	37 863 437	7 914 538	(320 056)	-	(8 245 713)	(452 482)	36 759 724
Infrastructure and community assets	381 958 570	-	-	55 511 725	(42 806 326)	-	394 663 969
Landfill site	25 459 674	-	-	-	(2 545 967)	-	22 913 707
WIP	125 304 151	74 767 484	-	(55 511 725)	-	-	144 559 910
	592 139 300	82 682 022	(320 056)	-	(55 387 145)	(452 482)	618 661 639

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3. Property, plant and equipment (continued)

Carrying values of Construction Projects that are taking significant longer to complete (Longer than the initial planned date)

BUILDINGS

MBH/PSP/015/2014-15: Mbhashe Infrastructure Offices	37 289 773	-
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COMMUNITY ASSETS

MBH/PSP/0015/2014/15: Construction of Ward 25 Sports Field	35 285 362	-
MBH/PSP/0015/2014/15: Construction of Ward 01 Sports Field	5 288 141	-
MBH/PSP/0015/2014/15: Construction of Ward 13 Sports Field	8 534 571	-
MBH/COM/0028/2015-16: Fencing of Dutywa and Willowvale Landfill Sites	742 500	-
MBH/PSP/0005/2017-18 & MBH/MIG/0032/2020-21: Construction of Ngumbela Sports Facility	14 054 126	-
	63 904 700	-

INFRASTRUCTURE

MBH/PSP/0005/2017-18: Construction of Lower Falakahla to Singeni Access Road	2 264 543	-
MBH/MIG/GR/0012/2015-16: Construction of Xhora Mouth to Ndalatha Bridge	14 300 788	-
MBH/PSP/0015/2014/15: Construction of Vinindwa to Mazizini Bridge	3 682 079	-
MBH/COM/0027/2015-16: Upgrade of Elliotdale Landfill Site	3 847 962	-
R/EC/3392/08/09: Construction of Msikithi Access Road	1 726 950	-
MBH/PSP/0005/2017-18: Mpume to Gate Access Road	2 214 052	-
MBH/MIG/022/2012-13: Construction of Vinindwa to Mazizini Access Road	5 000 580	-
MBH/PSP/0005/2017-18: Upgrading of Govern Mbeki Internal Streets	5 122 104	-
MBH/PSP/0005/2017-18: Phelandaba Access Road	5 576 543	-
MBH/PSP/0005/2017-18: Matolweni Access Road	3 868 893	-
MBH/PSP/0005/2017-18: Sibiyane Access Road	890 769	-
MBH/PSP/0005/2017-18: Construction of Langeni to Riverview Access Road	461 606	-
	48 956 869	-

The delay on the completion of the above projects was caused by mainly the impact of Covid 19 and the occurrence of heavy rains have also contributed the delay.

Upgrade of Govan Mbeki Internal Street - Contract was terminated due to poor performance the Item was sent to the council the council - there will be appointment of a new service provider. The main cause even here is that the project started during those times of heavy Covid 19.

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. Intangible assets

	2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying amount
Computer software	2 793 127	(2 284 328)	508 799

Reconciliation of intangible assets - 2022

Computer software

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4. Intangible assets (continued)

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	896 046	(203 919)	692 127

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5. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Mayoral Chain and Gown	2	-	2	2	-	2
Historical monuments	9	-	9	9	-	9
Total	11	-	11	11	-	11

Reconciliation of heritage assets 2022

Heritage assets which fair values cannot be reliably measured: (Para .94)

Mayoral Chain and Gown
Historical monuments

	Opening balance	Total
	2	2
	9	9
	11	11

Reconciliation of heritage assets 2021

Heritage assets which fair values cannot be reliably measured: (Para .94)

Mayoral Chain and Gown
Historical monuments

	Opening balance	Total
	2	2
	9	9
	11	11

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5. Heritage assets (continued)

Heritage assets which fair values cannot be reliably measured

Graves, Caves and Memorial Sites

The Municipality's heritage assets consists of graves, grave sites, traditional dwelling and caves. Their fair value cannot be reliably measured. Fair value cannot be determined reliably due to nature of the assets. The assets have been allocated a nominal value of 9 for record keeping.

Following is the list of heritage assets:

. Graves (Gcaleka's Grave, King Hintsa's Grave and King Sarhili's Grave)

Memorial sites (Nqadu Great Place, Fort Bowker and Fort Malan Memorial) . Caves (Sinqumeni Caves, Ngqamakhwe Rock Art and Ludiza Cave) . Mhlakaza's House

Nongqawuse's House.

Mayoral Chain and Gown

The other heritage assets is the Mayoral Chain and Gown, value to a total amount of R2

6. Operating lease liability

Operating leases - as lessee (expense)

Minimum lease payments due

-Within one year

260 069.80 1 560 419

-In second to fifth year

- 390 105

At the Statement of Financial Position date, where the municipality is a lessee under operating leases, it will have an operating lease liability.

Operating lease payments represent rentals payable by the municipality for rental of its office equipment. No contingent rental is payable.

The municipality is party to one lease commitment, which is a lease of a photocopiers.

The total period for the lease is 36 months which technically started in October 2019. There is no escalation, and the municipality does not have right to retain or purchase the machines after the end of the lease term.. This means that after the lease term machines will be returned back to Nashua. The municipality may not sublease these machines to another entity in order to make profit or surplus.

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Figures in Rand	2022	2021
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7. Employee benefit obligations

Defined benefit plan

The municipality has an unfunded defined benefit plan that relates to long service awards. Benefits in the form of additional leave days and cash rewards accrue to employees based on the number of years of experience.

An actuarial valuation was performed using generally accepted actuarial principles

The reporting municipality and those charged with the governance of the municipality are responsible for determining the assumption used in valuations of this nature and should give evidence of their approval of the assumptions.

The disclosures shown below assumes that actuarial gain and losses are recognised immediately as required in terms of GRAP 25.

Defined benefit obligation

Opening balance	5 950 000	5 547 000
Benefits payment	(980 000)	(425 000)
Net expense recognised in the statement of financial performance	986 000	828 000
	5 956 000	5 950 000

Amount recognised in surplus and deficit

Current service cost	778 000	754 000
Current interest cost	517 000	366 000
Actuarial (gains) losses	(309 000)	(292 000)
	986 000	828 000

Amount recognised in statement of financial position

Current Employee Benefit Obligation	269 000	980 000
Non - Current Employee Benefit Obligation	5 687 000	4 970 000
	5 956 000	5 950 000

Reconciliation of net statement of financial position amount

Opening balance	5 950 000	5 547 000
Expected return	986 000	828 000
Expected benefit payments	(980 000)	(425 000)
	5 956 000	5 950 000

Key assumptions

Discount rates used	11.16 %	9.44 %
General earnings inflation rate (long - term)	7.33 %	5.84 %

GRAP 25 stipulates that the choice of discount rate should be derived from government bond yields consistent with the estimated term of the employee benefits liabilities. However, where there is no deep market in government bonds with sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 11.16% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability - weighted index - linked yield is 4.07%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2022. The duration of the liability was estimated to be 9.75 years.

The results of the valuation are sensitive to the assumptions chosen.

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Employee benefit obligations (continued)		
Sensitivities		
1% increase in discount rate	5 591 000	5 598 000
Decreases in defined benefit obligation Percentage	6.0 %	6.0 %
	-	-
1% decrease in discount rate	6 365 000	6 346 000
Increases in defined benefit obligation Percentage	7.0 %	7.0 %
	-	-
1% increase in salary inflation	6 349 000	6 330 000
Increases in defined benefit obligation Percentage	7.0 %	6.0 %

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The municipality makes contributions to the following plans:

- South African Municipal Workers Union National Provident Fund
- Eastern Cape Municipal Pension Fund
- Eastern Cape Municipal Gratuity Fund

The municipality makes contributions to the following medical aid schemes:

- HOSMED
- Key health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA Health

These contributions have been expensed.

8. Receivables from exchange transactions

Prepayments	451 801	210 759
Staff Debtors	186 356	174 280
	638 157	385 039

Staff debtors are made of rental income for municipal buildings rented by officials of the municipality which are not yet received from these tenants as at 30 June 2022. In addition to the prepayment made to Target Line for guns, there is another prepayment that occurred in the current year, its for the bullet proof (bought from a separate supplier) not yet received as at 30 June 2022.

9. Receivables from non-exchange transactions

Other receivables from non-exchange transactions	237 544	2 403
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Receivables from non-exchange transactions

Balance as at 30 June 2022	Opening balance	Movement	Amount written off	Closing balance
SARS debtor (PAYE)	2 403	218 795	-	221 198
Recoverable contribution to CRF Fund	-	16 346	-	16 346

The amount of R221 198 relates to unallocated payments due to the municipality as reflected in the SARS PAYE Statement of Account.

Contribution to CRF Fund was erroneously paid by the municipality on behalf of a Councillor

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Figures in Rand	2022	2021
10. VAT receivable		
VAT	4 868 503	6 486 900
11. Consumer debtors		
Gross balances		
Rates	42 547 278	38 054 345
Refuse	8 140 386	1 978 079
	50 687 664	40 032 424
Less: Allowance for impairment		
Consumer debtors impairment	(36 837 192)	(28 628 639)
Net balance		
Rates	42 547 278	38 054 345
Refuse	8 140 386	1 978 079
Provision for debt impairment	(36 837 192)	(28 628 639)
	13 850 472	11 403 785
Included in above is receivables from exchange transactions		
Refuse	8 140 386	1 978 079
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	42 547 278	38 054 345
Gross balance	50 687 664	40 032 424
Rates		
Current (0 -30 days)	397 549	811 054
31 - 60 days	729 539	818 617
61 - 90 days	804 584	791 421
91 - 120 days	40 615 606	35 633 253
	42 547 278	38 054 345
Refuse		
Current (0 -30 days)	287 130	330 942
31 - 60 days	314 304	326 700
61 - 90 days	308 741	324 680
91 - 120 days	7 230 211	995 757
	8 140 386	1 978 079
General and specific impairment	(36 837 192)	(28 628 639)

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Figures in Rand	2022	2021
11. Contingencies (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	707 203	431 185
31 - 60 days	406 673	457 419
61 - 90 days	423 081	446 188
91 - 120 days	21 820 525	17 927 085
	<u>23 357 482</u>	<u>19 261 877</u>
Less: Allowance for impairment	(22 393 055)	(18 335 025)
	964 427	926 852
Industrial/ commercial		
Current (0 -30 days)	(898 177)	417 856
31 - 60 days	441 412	394 639
61 - 90 days	423 136	380 443
91 - 120 days	13 847 598	9 621 027
	<u>13 813 969</u>	<u>10 813 965</u>
Less: Allowance for impairment	(13 813 969)	(10 293 613)
	-	520 352
National and provincial government		
Current (0 -30 days)	875 653	292 956
31 - 60 days	195 758	293 259
61 - 90 days	267 108	289 469
91 - 120 days	12 177 693	9 080 898
	<u>13 516 212</u>	<u>9 956 582</u>
Total		
Current (0 -30 days)	684 679	1 141 996
31 - 60 days	1 043 843	1 145 317
61 - 90 days	1 113 325	1 116 101
91 - 120 days	47 845 817	36 629 010
	<u>50 687 664</u>	<u>40 032 424</u>
Less: Allowance for impairment	(36 837 192)	(28 628 639)
	13 850 472	11 403 785
Less: Allowance for impairment		
Impairment provision	(36 837 192)	(28 628 639)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(28 628 639)	(22 146 864)
Contributions to allowance	(8 208 553)	(6 481 775)
	(36 837 192)	(28 628 639)
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	34 333	5 497
Main bank account	194 757 074	152 629 453
Short-term deposits	61 789 692	28 884 401
	<u>256 581 099</u>	<u>181 519 351</u>

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Figures in Rand 2022 2021

12. Risk management (continued)

The municipality had the following bank and investment accounts:

Account number / description (Continued)	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank Limited- Call Account - Account number 62562355373	109 125	106 663	104 641	109 125	106 663	104 641
First National Bank Limited - Call Account - Account number 62562352410	8 595	12 470	12 439	8 595	12 470	12 439
First National Bank Limited - Call Account - Account number 62562829188	-	222 672	110 411	-	222 672	110 411
First National Bank Limited - Call Account - Account number 62562827364	-	41 217	86 293	-	41 217	86 293
First National Bank Limited - Call Account - Account number 62562354002	-	99 419	97 583	-	99 419	97 583
First National Bank Limited - Cheque account - Account number 62231175953	186 065 455	144 104 264	5 255 557	194 757 074	152 587 381	6 516 402
First National Bank - Call Account - Account Number 62857917010	-	355 884	-	-	355 884	-
First National Bank Limited - Call Account - Account Number 62015966099	-	4 004	4 810	-	4 005	4 811
First National Bank Limited - Call Account - Account Number 62231177769	-	15 285 222	12 134 285	-	15 285 222	12 134 285
First National Bank Limited - Money Market Account - Account Number 62231195323	-	94 403	92 884	-	94 403	92 884
First National Bank - Call Account - Account Number 62232870487	-	246 567	167 563	-	246 567	167 563
First National Bank - 7 Day Interest Plus - Account Number 74321424942	40 289 328	1 755 952	87 105 341	40 289 328	1 755 951	87 105 340
First National Bank - Call Account - Account Number 74813155287	21 382 645	10 652 340	5 279 778	21 382 645	10 652 340	5 279 778
Cash on hand	-	-	-	34 333	5 497	4 309
Total	247 855 148	172 981 077	110 451 585	256 581 100	181 469 691	111 716 739

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Annual Financial Statements for the year ended 30 June 2022

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13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

MIG	22 932 860	799 345
Library Grant	1 281 376	1 202 921
TETA SETA Grant	-	4 620
INEP	-	1 676 261
	24 214 236	3 683 147

Movement during the year

Balance at the beginning of the year	3 683 147	8 643 121
Additions during the year	74 826 975	71 833 161
Income recognition during the year	(52 658 466)	(76 793 135)
Unapproved roll overs	(1 637 420)	-
	24 214 236	3 683 147

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

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

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

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

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14. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	35 874 963	1 973 123	37 848 086

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	34 004 704	1 870 259	35 874 963

Environmental rehabilitation provision

The Waste Act, through the DWAF minimum requirements for landfilling, sets out the regulatory requirements for properly close and maintain all active and inactive landfill sites. Under Environmental Law, there is a requirement or closure and post closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage. Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and on-going environmental monitoring, site inspection and maintenance.

The reported liability is based on estimates and assumptions with respect to events extending over the lifespan of the site using the best information available as at 30 June 2022..

The liability reported herein has been recognised based on estimates of future expenses, long term inflation rates and discount rates..

Dutywa, Willowvale and Elliotdale landfill sites

Based on the recent report done by the Environmental Expert, the expected useful life of the three landfill sites is 10 years respectively.

The most critical assumptions used in arriving to the figures that are disclosed for the provision of rehabilitation of the three sites were as follows:

A service provider would be used for the work to be done , not municipal personnel. It should be noted that part of the work done or to be done with regard to rehabilitation can be or is done by municipal personnel (Capping layers). In that case work to be done is accounted for using other GRAP Standards and necessary influencing the provision. For example an entity can have some of the necessary machinery used during rehabilitation such as dozers and trucks as it is the case with MLM. This then influence the cost price for rehabilitation work to be done since municipal personnel would be used. The average rate of inflation in South Africa over the last 10 years has been +/- 5.5% and that is the rate that has been used in provision figures that have been calculated and adjusted for retrospectively up to 30 June 2021.

The accounting for depreciation has been done on straight line basis..

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Figures in Rand	2022	2021
15. Payables from exchange transactions		
Trade payables	6 396 717	9 729 696
Debtors with credit balances	1 637 044	2 315 450
Accrued leave pay	10 406 934	10 404 635
Accrued bonus (13th Cheque)	5 517 689	5 166 436
Agency fees (Licensing Authority)	300 880	-
Contract retentions	4 597 615	1 893 314
Payroll control accounts	28 514	-
	28 885 393	29 509 531
16. Revenue		
Service charges	2 638 039	3 490 932
Rental of facilities and equipment	2 001 021	1 654 342
Interest received (trading)	3 936 617	3 046 752
Other income	1 514 002	2 073 473
Interest received - investment	11 615 255	5 717 407
Property rates	16 241 570	11 621 773
Licences and permits	2 184 101	2 689 023
Government grants & subsidies	329 775 209	390 794 134
Fines and Penalties	1 416 415	1 083 420
	371 322 229	422 171 256
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	2 638 039	3 490 932
Rental of facilities and equipment	2 001 021	1 654 342
Interest received (trading)	3 936 617	3 046 752
Other income (Refer to note 19)	1 514 002	2 073 473
Interest earned - investments	11 615 255	5 717 407
	21 704 934	15 982 906
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	16 241 570	11 621 773
Licence and permits	2 184 101	2 689 023
Transfer revenue		
Government grants & subsidies	329 775 209	390 794 134
Fines and penalties	1 416 415	1 083 420
	349 617 295	406 188 350
17. Service charges		
Refuse removal	2 638 039	3 490 932
18. Rental of facilities and equipment		
Premises		
Premises	1 868 253	1 545 056
Rental of Halls	125 422	27 635
Rentals of Billboards	7 346	81 651
	2 001 021	1 654 342

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Figures in Rand	2022	2021
19. Fines, Penalties and Forfeits		
Law Enforcement Fines	1 416 415	1 083 420
20. Agent Disclosure in Principal-Agent Relation		
Receipts Received from License Fees	9 758 147	8 422 389
Amount Paid over to Department of Transport	(7 603 218)	(6 608 667)
Commission received by Municipality	(1 854 048)	(1 813 722)
	300 881	-
<p>The municipality has an arrangement with the Department of Transport to collect license fees on their behalf.</p> <p>In determining that whether the municipality is an agent in this arrangement , All the provision of paragraph 25 of GRAP 109 have to be met.</p> <p>unless there are other legislative requirements that govern terms and conditions of the transaction. In that paragraph 25(a) is not considered. It is of noting that paragraph 25(c) is not met in this arrangement, that is, the municipality is not exposed to variability of results of the transaction.</p> <p>It is then worth noting that the municipality is receiving a commission fee of 19% in this arrangement and 81% is paid over to Registering Authority (Department of Transport).</p>		
21. Licence and permits		
Licence and permits	2 184 101	2 689 023
22. Other income		
Administrative Fees	671 951	1 500 043
Building Plans	437 479	352 610
Burial and cemetery	3 050	6 860
Sundry income	401 522	213 960
	1 514 002	2 073 473
23. Interest received - external investments		
Interest revenue		
Interest on bank accounts and investment balances	11 615 255	5 717 407

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
24. Property rates		
Rates charged		
Assessment rates	16 241 570	11 621 773
Valuations		
Residential	285 643 000	285 643 000
Agriculture	50 900 000	50 900 000
Business	355 698 592	355 698 592
Government	1 114 221 000	1 114 221 000
Industrial	10 098 000	10 098 000
Multi - purpose centres	23 708 000	23 708 000
Public benefirt organisations	35 176 000	35 176 000
Public service infrastructure	1 277 000	1 277 000
Vacant land	81 123 000	81 123 000
	1 957 844 592	1 957 844 592

The Applicable general rates for current financial period and its comparative year is as follows:

A general rate of 0.00712 (2021: 0.00712) is applied to residential property valuations to determine assessment rates.
A general rate of R 0.00946 (2021: R 0.00946) is applied to business property valuations to determine assessment rates.
A general rate of R 0.01064 (2021: R 0.01064) is applied to government property valuations to determine assessment rate
A general rate of R 0.00827 (2021: R 0.00827) is applied to Vacant Sites valuations to determine assessment rates

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
25. Government grants and subsidies		
Operating grants		
Equitable share	270 297 000	314 001 000
Covid 19 Grant	-	835 148
Integrated Electrification Programme	838 186	11 903 957
Finance Management Grant	1 720 000	1 699 999
TETA SETA	384 245	-
OTP Grant	6 819 743	-
Municipal Infrastructure Grant	44 434 140	58 064 655
LG SETA Grant	238 350	130 161
Library subsidies	421 545	12 214
Extended Public Works Programme	4 622 000	4 147 000
	329 775 209	390 794 134

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	52 658 466	76 793 134
Unconditional grants received	277 116 743	314 001 000
	329 775 209	390 794 134

Equitable Share

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

OTP Grant

Current-year receipts	6 819 744	-
Current year expenditure	(6 819 744)	-
	-	-

This is a grant received from the Office of The Premier (OTP). The purpose of it is to revitalise small towns. It is not a conditional Grant as per the AGSA it does not meet the definition of conditional Grant/Subsidy as stated in GRAP 23.

Covid 19 Grant

Balance unspent at beginning of year	-	835 148
Conditions met - transferred to revenue	-	(835 148)
	-	-

Conditions still to be met - remain liabilities (see note 13).

All amount of Covid 19 Grant was fully spent in the previous financial year, there is no Covid 19 Grant receipt in the current financial year..

Municipal Infrastructure Grant

Balance unspent at beginning of year	799 345	-
Current-year receipts	67 367 000	58 864 000
Conditions met - transferred to revenue	(44 434 140)	(58 064 655)
Unapproved roll-over	(799 345)	-
	22 932 860	799 345

Conditions still to be met - remain liabilities (see note 13).

Finance Management Grant

MBHASHE LOCAL MUNICIPALITY (EC 121)

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Figures in Rand	2022	2021
25. Government grants and subsidies (continued)		
Current-year receipts	1 720 000	1 700 000
Conditions met - transferred to revenue	(1 720 000)	(1 700 000)
	-	-

Library Grant

Balance unspent at beginning of year	1 202 921	715 135
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(421 545)	(12 214)
	1 281 376	1 202 921

Conditions still to be met - remain liabilities (see note 13).

This Grant is for the cost of running the Library services which are under Community services department.

EPWP

Current-year receipts	4 622 000	4 147 000
Conditions met - transferred to revenue	(4 622 000)	(4 147 000)
	-	-

TETA SETA GRANT

Balance unspent at beginning of year	4 620	4 620
Current-year receipts	379 625	-
Conditions met - transferred to revenue	(384 245)	-
	-	4 620

Conditions still to be met - remain liabilities (see note 13).

This Grant from TETA SETA is for assisting permanent employees in furthering their studies..

Integrated Electrification Programme Grant

Balance unspent at beginning of year	1 676 261	7 088 218
Current-year receipts	-	6 492 000
Conditions met - transferred to revenue	(838 186)	(11 903 957)
Unapproved roll-over	(838 075)	-
	-	1 676 261

Conditions still to be met - remain liabilities (see note 13).

The roll over applied for which related to 2019/2020 received grant was rejected. Only applied for roll over that related to the 2020/2021 received grant was approved and fully spent.

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Employee related costs		
Bargaining council contributions	33 588	31 664
Basic	73 031 777	64 379 802
Bonus (13th cheque)	5 337 809	8 486 989
Casual employees	10 807 954	12 419 766
Cellphone Allowance	4 299 100	6 108 786
Leave related costs	450 521	906 758
Long-service awards	442 207	938 610
Medical aid - company contributions	6 622 154	6 539 067
Overtime payments	1 356 261	594 630
Performance & Structured bonus	1 255 743	-
Post-employment benefits	13 114 302	15 373 905
Residential allowance	2 873 142	3 201 734
Stand by Allowances	331 820	387 665
Travel, motor car, accommodation, subsistence and other allowances	3 792 611	6 801 015
Unemployment Insurance Fund	693 432	773 211
	124 442 421	126 943 602

Remuneration of Municipal Manager

Annual remuneration	1 207 636	1 139 787
Backpay	106 913	-
Bonus (Structured)	44 480	44 480
Performance bonus	167 771	-
Contributions to UIF, medical and pension funds	21 383	12 054
Travel, motor car, accommodation, subsistence and other allowance	417 372	394 755
Acting allowance	-	9 797
	1 965 555	1 600 873

Mr M. Nako was appointed as Municipal Manager from December 2017. Miss T Bacela acted as Municipal Manager in February 2021.

Remuneration of Chief Finance Officer

Annual remuneration	838 801	658 414
Backpay	64 938	-
Bonus (Structured)	70 269	25 000
Performance bonus	100 359	-
Travel, motor car, accommodation, subsistence and other allowance	308 019	242 365
Contributions to UIF, medical and pension funds	16 556	38 117
Acting allowance	-	4 201
	1 398 942	968 097

Mr N Nokwe was appointed as Chief Finance Officer from September 2020. Mr Jam Jam acted partly in 2020/2021 financial year.

Remuneration of Senior Manager - Community Services

Annual remuneration	944 187	893 024
Backpay	80 620	-
Performance bonus	151 814	-
Travel, motor car, accommodation, subsistence and other allowance	319 216	297 675
Contributions to UIF, medical and pension funds	18 020	11 029
	1 513 857	1 201 728

Ms NP Mlungu was appointed as director from July 2018

Remuneration of Senior Manager Corporate Services

MBHASHE LOCAL MUNICIPALITY (EC 121)

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Employee related costs (continued)		
Annual remuneration	781 776	773 863
Performance bonus	156 560	-
Backpay	76 745	-
Bonus (Structured)	36 000	15 000
Travel, motorcar, accomodation, subsistence and other allowances	386 089	336 753
Contributions to UIF, medical and pension funds	17 292	46 424
	1 454 462	1 172 040

Ms Mahlathi-Nkuhlu was appointed as Senior Manager from April 2020

Remuneration of Senior Manager Infrastructure Services

Annual remuneration	871 150	820 694
Backpay	79 507	-
Bonus (Structured)	60 000	60 000
Travel, motor car, accommodation, subsistence and other allowances	315 593	294 874
Contributions to UIF, Medical Aid and Pension Fund	17 074	24 251
Performance bonus	74 859	-
	1 418 183	1 199 819

Mr S.Z.I Msipha was appointed as Senior Manager from May 2019

Remuneration of Senior Manager Operations

Annual remuneration	888 285	837 123
Backpay	80 620	-
Bonus (Structured)	74 411	55 901
Performance bonus	151 814	-
Travel, motor car, accomodation, subsistence and other allowances	331 703	304 739
Contributions to UIF, Medical and Pension Funds	18 205	10 569
	1 545 038	1 208 332

Mrs T Bacela was appointed as Senior Manager Operations from July 2018

Remuneration of Senior Manager Planning and Development

Annual remuneration	871 150	820 694
Backpay	79 507	-
Performance bonus	87 335	-
Bonus (Structured)	60 000	60 000
Travel, motor car, accommodation, subsistence and other allowance	316 769	295 522
Contributions to UIF, medical and pension funds	23 225	44 655
	1 437 986	1 220 871

Mr A Mashaba was appointed as Senior Manager from May 2019.

27. Remuneration of Councillors

Mayor	832 889	860 859
Speaker	668 544	688 688
Executive Committee Members	2 829 869	3 416 739
Chief WHIP	495 471	645 645
Council remuneration	12 942 620	14 596 205
Councillors' allowance	2 209 042	1 837 255
	19 978 435	22 045 391

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
28. Depreciation and amortisation		
Property, plant and equipment	47 853 508	55 592 369
29. Impairment of assets		
Impairments		
Property, plant and equipment	17 083 912	453 042
The main classes of assets affected by impairment losses are:		
Infrastructure and Community Assets, mainly roads and bridges.		
30. Finance costs		
Interest paid on trade and other payables	82 326	204 801
Change in landfill site provision	1 973 123	1 870 259
	2 055 449	2 075 060
31. Debt impairment		
Contributions to debt impairment provision - consumer debtors	8 208 553	6 481 775

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
32. Administrative and other expenditure		
Accounting and Professional fees	3 658 002	3 773 782
Advertising	853 662	1 320 928
Audit committee fees	961 317	588 733
Auditors remuneration	3 820 924	3 660 231
Bank charges	564 844	536 967
Catering	2 211 399	1 108 635
Consumables	24 328	270 110
Cleaning	426 448	810 244
Conferences and seminars	342 699	819 782
Electricity	1 775 542	1 962 320
Fuel and oil	7 758 630	6 550 771
Hiring charges	1 017 008	3 954 981
Insurance	2 154 098	1 870 949
Indigent subsidies	710 815	252 917
IT Expenses	3 196 709	2 102 681
Lease rentals on operating lease	1 610 578	1 795 431
Legal costs	1 586 529	2 824 713
Library expenses	427 261	12 214
Motor vehicle expenses	726 970	222 674
Other expenses	813 328	712 205
Postage and courier	625	100
Printing and stationery	957 221	1 122 613
Project maintenance costs	10 089 685	10 102 302
Protective clothing	2 069 613	286 116
Promotions and Branding	305 520	423 994
Refuse	1 246 411	806 989
Repairs and maintenance	23 801 229	27 031 276
Safety Plan	520 400	227 000
Security (Guarding of municipal property)	4 288 868	7 061 922
Skills development	918 711	987 399
Special programme	933 372	165 303
Subscription and membership fees	1 531 614	2 076 244
Telephone and fax	643 338	674 254
Tourism development	38 000	221 500
Traditional leaders	297 871	422 924
Travel - local	5 511 153	2 716 707
Training and development	1 714 068	943 791
Ward Committees	2 388 261	4 301 393
Water	2 059 998	2 134 984
	93 957 049	96 858 079

33. Auditors' remuneration

Audit fees	3 820 924	3 660 231
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MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
34. Cash generated from operations		
Surplus	57 734 715	111 401 626
Adjustments for:		
Depreciation and amortisation	47 853 508	55 592 369
Gain on sale of assets and liabilities	8 187	320 312
Impairment deficit	17 083 912	453 042
Debt impairment	8 208 553	6 481 775
Movements in retirement benefit assets and liabilities	6 000	403 000
Movements in provisions	1 973 123	1 870 259
Changes in working capital:		
Receivables from exchange transactions	(253 118)	1 191 410
Consumer debtors	(10 655 240)	(10 780 325)
Other receivables from non-exchange transactions	(235 141)	-
Payables from exchange transactions	(624 143)	(16 040 453)
VAT	1 618 397	1 544 011
Unspent conditional grant and receipts	20 531 089	(4 959 974)
Other non cash movements due to error adjusting journals	8	4 675 492
	143 249 850	152 152 544

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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35. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	638 157	638 157
Receivables from non - exchange transactions	237 544	237 544
Consumer debtors	13 850 472	13 850 472
Cash and cash equivalents	256 581 099	256 581 099
	271 307 272	271 307 272

Financial liabilities

	At amortised cost	Total
Accrued bonus	5 517 689	5 517 689
Accrued leave pay	10 406 934	10 406 934
Contract retentions	4 597 615	4 597 615
Provisions	37 848 086	37 848 086
Trade payables	6 396 616	6 396 616
Unspent conditional grant	24 214 236	24 214 236
Employee benefit obligation	5 956 000	5 956 000
Debtors with credit balances	1 637 044	1 637 044
Payroll control accounts	28 514	28 514
Agency fees (Licensing Authority)	300 880	300 880
	96 903 614	96 903 614

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

35. Financial instruments disclosure (continued)

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	10 877 927	10 877 927
Receivables from non - exchange transactions	2 403	2 403
Consumer debtors	11 403 785	11 403 785
Cash and cash equivalents	181 519 351	181 519 351
	203 803 466	203 803 466

Financial liabilities

	At amortised cost	Total
Accrued bonus	5 166 436	5 166 436
Staff leave accrual	10 404 635	10 404 635
Contract retentions	1 893 314	1 893 314
Provisions	35 874 963	35 874 963
Trade payables	9 729 699	9 729 699
Unspent conditional grant	3 683 147	3 683 147
Employee benefit obligation	5 950 000	5 950 000
Debtors with credit balances	2 315 450	2 315 450
	75 017 644	75 017 644

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Land and buildings	1 421 816	8 671 694
• Infrastructure	57 401 197	24 922 760
• Community Assets	23 667 108	21 973 792
	82 490 121	55 568 246

MBHASHE LOCAL MUNICIPALITY (EC 121)

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Notes to the Annual Financial Statements

Figures in Rand		2022	2021
37. Contingencies			
Contingent liabilities			
The municipality is currently party to the following Court Cases:			
	Nature of Contingent Liability	2022	2021
Umhlaba Consulting Group vs Mbhashe LM	Breach of contract	172 196	172 196
Jo Van Der Merwe Quantity Surveyor vs Mbhashe LM	MVA	-	19 634
Changing tides 1153 vs Mbhashe LM	Breach of contract	2 290 415	2 290 415
Ligwa Moringa Co. vs Mbhashe LM	Breach of contract	650 000	650 000
L. Mrasi vs Mbhashe LM	Damages claim arising from alleged unlawful detention.	1 200 000	1 200 000
Mziwonke Manxiwa vs Mbhashe Local Municipality	Damages claim arising from alleged unlawful demolition of a house.	762 525	762 525
V.Madotyeni vs Mbhashe LM	Assault	988 000	988 000
M. Magalela vs Mbhashe LM	Unlawful arrest	-	500 000
S.Sondli vs Mbhashe LM	Damages claim arising from alleged unlawful demolition of a house.	488 488	488 488
V.Nosilela vs Mbhashe LM	Damages claim arising from alleged unlawful demolition of a house.	905 492	905 492
S.Manxiwa vs Mbhashe LM	Damages claim arising from alleged unlawful demolition of a house.	1 659 043	1 659 043
Z.Majebe vs Mbhashe LM	Damages claim arising from alleged unlawful demolition of a house.	864 861	864 861
M.H. Kepe vs Mbhashe LM	Eviction , Placement	-	500 000
M.M Mkwedi vs Mbhashe LM	Impounded vehicle	-	189 920
M.M. Nguqu vs Mbhashe LM	Unlawful search & Seizure	200 000	200 000
Centre Point Developers vs Mbhashe LM	Breach of contract	18 000 000	18 000 000
M. Mlonyeni vs Mbhashe LM	Unlawful arrest & prosecution	3 000 000	3 000 000
B. Mbem vs Mbhashe LM	Assault & Unlawful arrest	400 000	400 000
M. Silekwa vs Mbhashe LM	Assault & Unlawful arrest	400 000	400 000
T. Zimela vs Mbhashe LM	Assault & unlawful arrest	400 000	400 000
A. Mqikela vs Mbhashe LM	Assault & unlawful arrest	400 000	400 000
G. Sondlo vs Mbhashe LM	Assault & Unlawful arrest	750 000	750 000
Embo Media vs Mbhashe LM	Breach of contract	220 000	-
S. Dinca vs Mbhashe LM	Assault	200 000	200 000

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand		2022	2021
37. Contingencies (continued)			
N & S Bacela vs Mbashe Local Municipality	Demolition of property	10 000	10 000
N.E Rulashe vs Mbashe LM	Damages, loss of profit	296 000	296 000
Balintulo vs Mbashe Local Municipality	Breach of contract	3 112 651	3 112 651
Luyanda Tshona vs Mbashe Local Municipality	Unlawful arrest	700 000	700 000
Nkamela Mphuthumi vs Mbashe Local Municipality	Unlawful arrest	800 000	800 000
C.Siwndla vs Mbashe Local Municipality	Illegal demolition	284 750	284 750
S. Danti vs Mbashe Local Municipality	Damages Claim	400 000	400 000
P. Sinqola vs Mbashe Local Municipality	Damages from MVA	16 061	16 061
M Ngqeleni vs Mbashe Local Municipality	Damages from MVA	28 422	28 422
N. Jele vs Mbashe Local Municipality	Damages from MVA	6 026	6 026
N. Mbana vs Mbashe Local Municipality	Pothole Damages	1 700 000	1 700 000
Nomveliso Faniso vs Mbashe Local Municipality	Damages Claim for unlawful removal of containers	-	200 000
Kebede Deseleng vs Mbashe Local Municipality	Damages Claim for unlawful removal of containers	-	200 000
Boxer Superstore vs Mbashe Local Municipality	Fire Damages	-	37 200 000
C. Ekeneziee vs Mbashe Local Municipality	Damages Claim for unlawful removal of containers	-	200 000
All Green Consultants vs Mbashe Local Municipality	Breach of Contract	578 158	-
Golden Security vs Mbashe Local Municipality	Damages for Breach of Contract	3 583 486	-
Salusiwe Nomoyi vs Mbashe Local Municipality		400 000	-
Bongani Masika vs Mbashe Local Municipality	MVA	31 320	-
Gay Gegson Ratau Khaile vs Mbashe Local Municipality	Discrimination	1 174 801	-
		47 072 695	80 094 484

The following are litigations against the Municipality for which no estimate is available:

Mawethu Sakwe vs Mbashe Local Municipality

Mangathi Community vs Mbashe Local Municipality

Mputhi Community vs Mbashe Local Municipality

B.S. Matshabane vs Mbashe Local Municipality

Seven Days Trading 5 (Pty) Ltd vs Mbashe Local Municipality

Nkosinathi Ndlodaka vs Mbashe Local Municipality

N.S. Nombambela vs Mbashe Local Municipality

M. Macholi vs Mbashe Local Municipality

SAMWU obo Qunta, Baliso vs Mbashe Local Municipality

A.M Msindwana vs Mbashe Local Municipality

MLM// MMM Mbuli

MBHASHE LOCAL MUNICIPALITY (EC 121)

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Figures in Rand 2022 2021

37. Contingencies (continued)

State vs Ntlokwinendaba & Mbambo

Colmate Construction vs Mbashe Local Municipality

L. Ntshona vs Mbashe Local Municipality

A detailed register of litigation matters is maintained and available for inspection at the Municipality's registered office.

Contingent assets

The following are cases where the Municipality is a claimant:

The municipality is currently party to the following Court Cases:

	Nature of the Contingent Asset	2022	2021
Fraudulent payment (Telkom) reported to SAPS	Fraudulent payment	18 484	18 484
Mbashe Local Municipality vs Medichex	Fraudulent deductions	1 207 469	1 207 469
Mbashe LM vs Various Ratepayers	Contravention of by-laws	1 650 000	1 650 000
Mbashe LM vs Various Tenants	Forensic investigation into land ownership	1 100 000	1 100 000
Mbashe LM vs M. Mbambo	Illegal demolition - Case finalised in favour of Mbashe LM	98 227	-
Mbashe LM vs S. Gobeni	Illegal demolition	10 979	85 000
		4 085 159	4 060 953

The following are Litigations the Municipality is the claimant, for which no estimate is available:

Mbashe LM vs Landisile Mithi and Others

Mbashe LM vs Hostel owners

MBHASHE LOCAL MUNICIPALITY (EC 121)

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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38. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include Councillors, key management personnel and close members of family.

Key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager and supply chain officials.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public.

Related party balances

Assessment Rates - Owing/(Owed to) by related parties

C.Genyane	364	(75)
M Sibingibingi	2 207	359
L Matiti	24 729	13 852
Jafta MS (KK Supermarket)	209 737	-
N Quvile	49 314	-

Balances of amounts received from related parties for sale of land

M Peter	63 600	63 600
Sinazo Dyasi	82 400	82 400
M Mbomvu	20 000	20 000
M Mcotsho	40 000	40 000
N N Ndlodaka	59 000	59 000
B Majavu	78 600	78 600
M Noyila	15 000	15 000
T Tshika	95 200	91 700
M Nako	-	68 800

In the prior years the municipality sold land to the community. Included in deposit received are the above amounts from councillors and employees of the municipality.

The land has not been transferred to the buyers, the municipality is still busy with the process of transferring the properties to the relevant buyers.

Related party transactions

During the year the Municipality rendered services to various Councillors residing within its jurisdiction. These services include rates and refuse charges.

Please refer to Note 25 for a detail of remuneration of Councillors.

During the year the Municipality actively monitored the amounts outstanding by Councillors and sent communications to remind all Councillors to ensure that all accounts are paid to date. And the Municipality did not have any write off of the

Below is a list of Sale of land Purchase prices and balance outstanding as at 30 June 2022 that relates to Related parties as disclosed above.

Sale of land Purchase prices and balance outstanding as at 30 June 2022

	Purchase price	Payments received	Balance outstanding
Thembinkosi Tshika (ERF: 1133, ERF: 1132, ERF: 1131)	95 200	(95 200)	-
Mninawa Peter (ERF: 469D)	68 800	(63 600)	5 200
Nkosinathi Nicholas Ndlodaka (ERF: 463D)	69 000	(69 000)	-
Mazola Mbomvu (ERF)	74 000	(20 000)	54 000
Mbongi Noyila (ERF: 472D)	75 300	(15 000)	60 300
Babalwa Majavu (ERF: 477)	68 800	(78 600)	(9 800)
M Mcotsho	52 800	(40 000)	12 800
Sinazo Dyasi (ERF 497)	74 500	(82 400)	(7 900)
	578 400	(463 800)	114 600

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Notes to the Annual Financial Statements

Figures in Rand

38. Related parties (continued)

Key management information

Position	Name	Description
Municipal Manager	Mr M Nako	Employed in terms of Section 54(a) of MSA
Chief Financial Officer	Mr N. Nokwe	Employed in terms of Section 56 of MSA
Senior Manager Infrastructure Services	Mr SZI Msipha	Employed in terms of Section 56 of MSA
Senior Manager Corporate Services(Acting)	Mrs N Mahlathi Nkuhlu	Employed in terms of Section 56 of MSA
Senior Manager Community Services	Mrs NP Mlungu	Employed in terms of Section 56 of MSA
Senior Manager Operations	Mrs T Bacela	Employed in terms of Section 56 of MSA
Senior Manager Planning and Development	Mr A Mashaba	Employed in terms of Section 56 of MSA

Remuneration of key management and Council

Councillors and Mayoral committee members paid during 2021/2022 financial year

2022

Name	Solidarity fund	Basic salary	Backpay	Travel, accomodation , subsistence and other reimbursive claims	Structured housing allowance	Structured travel allowance	Cellphone allowance paid as part of monthly salary	SDL, Group life or funeral cover	Total
Mayor - Cllr S. Janda	8 278	381 367	11 160	-	440 362	-	7 400	17 931	866 498
Speaker - Cllr B. Majavu	6 622	657 384	11 160	-	-	-	7 400	14 633	697 199
Chief WHIP - L. Mantshiyose	6 208	478 120	17 352	150 406	-	-	7 400	13 971	673 457
Cllr N Ganda (MPAC Chairperson)	2 620	448 987	17 352	1 246	-	-	7 400	8 370	485 975
Cllr C. Genyane (Womens`s Caucus Chairperson)	3 462	249 558	22 081	85 385	-	-	7 400	7 697	375 583
Cllr N. Nqwena (Ethics and Members Interest Chairperson)	-	223 878	25 481	76 979	-	-	19 918	7 376	353 632

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38. Related parties (continued)

Cllr N. Mgedesi (Memeber of Mayoral Committee)	-	290 256	88 715	-	-	-	7 400	4 712	391 083
Cllr N. Apleni (Memeber of Mayoral Committee)	-	195 105	17 352	3 822	-	-	7 400	3 047	226 726
Cllr F. Ndaule (Memeber of Mayoral Committee)	-	195 105	17 352	758	-	-	7 400	3 047	223 662
Cllr M.K Makapela (Memeber of Mayoral Committee)	3 362	382 578	17 352	109 467	-	-	7 400	9 636	529 795
Cllr N.N Ngomthi (Memeber of Mayoral Committee)	3 464	335 634	17 352	-	-	-	7 400	8 706	372 556
Cllr I.N Quvile	-	158 918	6 001	-	-	-	25 900	3 060	193 879
Cllr M. Saki	-	158 918	6 001	1 137	-	-	7 400	2 572	176 028
Cllr Z. Gobinduku	-	158 918	6 001	578	-	-	7 400	2 572	175 469
Cllr S. Futshane	-	158 918	6 001	1 137	-	-	7 400	2 503	175 959
Cllr M.M Sisulu	668	158 918	6 001	578	-	-	7 400	2 572	176 137
Cllr T Nodliwa	-	153 242	6 001	6 922	-	-	7 400	2 560	176 125
Cllr B Gaven	-	158 918	6 001	-	-	-	7 400	2 572	174 891
Cllr A. Mpatuse	-	147 566	6 001	12 488	-	-	7 400	2 498	175 953
Cllr K Sigwayi	-	158 918	6 001	758	-	-	7 400	2 538	175 615
Cllr E Fipaza	-	158 918	6 001	3 597	-	-	7 400	2 572	178 488
Cllr N Ngolothi	-	158 918	6 001	758	-	-	7 400	2 572	175 649
Cllr M.V Muru	-	158 918	6 001	1 336	-	-	7 400	2 503	176 158
Cllr S. Toyana	-	158 918	6 001	4 258	-	-	7 400	2 486	179 063
Cllr L Mpunzi	-	158 918	6 001	957	-	-	7 400	2 538	175 814
Cllr S Mdabuka	-	158 918	6 001	1 137	-	-	7 400	2 572	176 028
Cllr N Stafana	-	158 918	6 001	1 137	-	-	3 700	2 535	172 291
Cllr N.N Ntshontsho	-	158 918	6 001	867	-	-	7 400	2 503	175 689
Cllr L Mahobe	-	204 581	6 001	73 105	-	-	7 400	6 939	298 026
Cllr P Methu	-	158 918	6 001	4 598	-	-	7 400	2 572	179 489
Cllr S.T Sitwayi	2 620	204 581	6 001	72 449	-	-	7 400	6 758	299 809
Cllr N. Kopolo	-	158 918	6 001	379	-	-	7 400	2 572	175 270
Cllr S Ndinisa	-	203 951	6 001	66 302	-	-	7 400	6 933	290 587
Cllr L Khumelwana	-	158 918	6 001	-	-	-	7 400	2 503	174 822
Cllr B Sithela	-	158 918	6 001	1 336	-	-	7 400	2 503	176 158
Cllr N Magatya	-	215 416	6 001	67 098	-	-	7 400	7 048	302 963
Cllr W Genyane	-	158 918	6 001	1 336	-	-	7 400	2 503	176 158
Cllr T Nokele	-	158 918	6 001	578	-	-	7 400	2 572	175 469

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38. Related parties (continued)

Cllr P Msaro	-	158 918	6 001	379	-	-	7 400	2 572	175 270
Cllr T.M Nxusani	-	158 918	6 001	417	-	-	7 400	2 572	175 308
Cllr P.P Zuma	-	147 566	6 001	14 878	-	-	7 400	2 515	178 360
Cllr S Labhatala	-	147 566	6 001	11 351	-	-	7 400	2 549	174 867
Cllr N Nkomonye	3 464	230 261	6 001	75 241	-	-	7 400	8 137	330 504
Cllr X.M Tyodana	3 464	295 321	6 001	706	-	-	7 400	7 844	320 736
Cllr N Gxamntwana	-	337 830	17 352	758	-	-	7 400	4 313	367 653
Cllr P.P Kondile	2 620	204 581	6 001	66 681	-	-	7 400	23 187	310 470
Cllr N. Mkhedamo	3 463	299 447	6 001	289	-	-	7 400	8 170	324 770
Cllr Mr M Takani	-	79 717	-	26 572	-	-	-	4 327	110 616
Cllr Mr L Matiti	-	151 694	6 001	-	-	-	7 400	5 495	170 590
Cllr Mr WM Solontsi	-	79 717	-	26 572	-	-	-	4 391	110 680
Cllr Miss YG Mhlathi	-	248 180	6 001	28 757	-	-	7 400	7 293	297 631
Cllr M Mbomvu	6 208	188 925	-	62 975	-	-	-	9 299	267 407
Cllr Mrs N Tyelingane	-	204 581	6 001	66 302	-	-	7 400	6 939	291 223
Cllr Mr M Tshaka	-	34 054	-	11 351	-	-	-	3 383	48 788
Cllr Miss TP Mtyapi	-	106 289	-	-	-	-	-	4 665	110 954
Cllr Mr P Makeleni	-	106 289	-	417	-	-	-	4 444	111 150
Cllr Mr NN Ndlodaka	-	248 177	9 401	31 106	-	-	-	7 416	296 100
Cllr Mr S Mdikinda	-	45 405	-	-	-	-	-	3 406	48 811
Cllr Ms N Banjwa	-	106 289	-	-	-	-	-	4 665	110 954
Cllr Miss F Mbiko	-	265 206	6 001	3 345	-	-	41 818	9 516	325 886
Cllr Mr L Ganda	-	106 289	-	-	-	-	15 918	6 759	128 966
Cllr SC Livi	-	106 289	-	417	-	-	-	4 419	111 125
Cllr NB Sirunu Ntanga	-	51 081	-	17 027	-	-	-	3 753	71 861
Cllr S Mwahla	2 620	79 717	-	26 572	-	-	-	4 187	113 096
Cllr V Matiwane	2 620	79 717	-	26 989	-	-	-	4 391	113 717
Cllr P Rulumeni	2 620	79 717	-	26 572	-	-	-	4 391	113 300
Cllr NM Mlandu	3 464	105 397	-	35 132	-	-	-	5 589	149 582
Cllr N Ncetani	-	79 717	-	26 989	-	-	-	4 341	111 047
Cllr MM Mcotho	-	188 925	-	62 975	-	-	-	9 335	261 235
Cllr XP Baleni	2 620	79 717	-	28 215	-	-	-	4 512	115 064
Cllr M Tetyana	-	204 581	6 001	66 302	-	-	7 400	6 939	291 223
Cllr T Tshika	-	106 289	-	-	-	-	-	4 444	110 733
Cllr M Peter	-	79 717	-	26 572	-	-	-	4 436	110 725
Cllr XO Willie	-	105 397	-	35 132	-	-	-	5 589	146 118
Cllr B Jamnda	-	79 717	-	26 572	-	-	-	4 316	110 605

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38. Related parties (continued)

Cllr B Siswana	2 620	106 289	-	-	-	-	-	4 575	113 484
Cllr SD Kalityi	-	185 129	-	62 730	-	-	-	9 308	257 167
Cllr B Dumezweni	-	158 918	6 001	-	-	-	7 400	2 572	174 891
Cllr MH Gweshu	-	158 918	6 001	-	-	-	7 400	2 572	174 891
Cllr Z Magazi	-	158 918	6 001	-	-	-	7 400	2 572	174 891
Cllr NN Sidlova	-	158 918	6 001	379	-	-	7 400	2 512	175 210
Cllr L Madaka	-	158 918	6 001	758	-	-	7 400	2 572	175 649
Cllr A Matshobeni	-	158 918	6 001	2 015	-	-	7 400	2 572	176 906
Cllr MJ Jafta	-	158 918	6 001	-	-	-	7 400	2 572	174 891
Cllr U Mboneli	-	141 891	6 001	31 782	-	-	7 400	2 628	189 702
Cllr N Mongezi	-	158 918	6 001	379	-	-	7 400	2 435	175 133
Cllr N Jonas	-	106 289	-	-	-	-	-	4 665	110 954
Cllr M Takani	-	113 513	-	-	-	-	-	1 673	115 186
Cllr X Gabada	-	106 289	-	-	-	-	-	4 665	110 954
Cllr T Bomvu	-	106 289	-	-	-	-	-	4 665	110 954
Cllr M Jiya	2 620	106 289	-	-	-	-	-	4 665	113 574
Cllr P Mayiji	2 620	79 717	-	26 572	-	-	-	3 347	112 256
Cllr NN Mboxela	2 620	79 717	-	26 572	-	-	-	4 391	113 300
Cllr LM Soshankane	2 620	79 717	-	26 572	-	-	-	4 391	113 300
Cllr VN Kwedinana	2 620	79 717	-	26 572	-	-	-	4 341	113 250
Cllr S Mrobo	-	106 289	-	1 404	-	-	-	4 444	112 137
Cllr LL Sangqu	2 620	79 717	-	26 572	-	-	-	4 391	113 300
Cllr NA Tyali	2 620	79 717	-	26 572	-	-	-	4 291	113 200
Cllr N Mahlali	-	198 905	6 001	68 669	-	-	7 400	6 883	287 858
Cllr W Namba	2 620	79 717	-	26 989	-	-	-	4 315	113 641
Cllr NO Nogayise	2 620	79 717	-	26 572	-	-	-	4 391	113 300
Cllr P Mamba	4 366	79 717	-	26 572	-	-	-	4 391	115 046
Cllr NE Mbane	-	51 081	-	17 027	-	-	-	3 753	71 861
Cllr M Sibingibingi	6 208	188 925	-	62 965	-	-	-	10 134	268 232
Cllr P Bungu	-	106 289	-	-	-	-	-	4 565	110 854
Cllr S Mantshingilane	-	79 717	-	26 572	-	-	-	4 316	110 605
	-	-	-	-	-	-	-	-	-

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38. Related parties (continued)

Remuneration of Senior Managers

2022

Position	Basic salary	Self structured bonus	Performance Bonus	Contributions to UIF, medical and pension fund	Travel, motor car, accommodation, subsistence and other allowance	Backpay	Total
Municipal Manager	1 207 636	44 480	167 771	21 383	417 372	106 913	1 965 555
Chief Financial Officer	838 801	70 269	100 359	16 556	308 019	64 938	1 398 942
Senior Manager Community Services	944 187	-	151 814	18 020	319 216	80 620	1 513 857
Senior Manager Corporate Services	781 776	36 000	156 560	17 292	386 089	76 745	1 454 462
Senior Manager Infrastructure Services	871 150	60 000	74 859	17 074	315 593	79 507	1 418 183
Senior Manager Operations	888 285	74 411	151 814	18 205	331 703	80 620	1 545 038
Senior Manager Planning and Development	871 150	60 000	87 335	23 225	316 769	79 507	1 437 986
	6 402 985	345 160	890 512	131 755	2 394 761	568 850	10 734 023

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2021

38. Related parties (continued)

2021

Position	Acting Allowance	Basic salary	Self structured bonus	Contributions to UIF, medical and pension fund	Travel, motor car, accommodation, subsistence and other allowance	Total
Municipal Manager	9 797	1 139 787	44 480	12 054	394 755	1 600 873
Chief Financial Officer	4 201	658 414	25 000	38 117	242 365	968 097
Senior Manager Community Services	-	893 024	-	11 029	297 675	1 201 728
Senior Manager Corporate Services	-	773 863	15 000	46 424	336 753	1 172 040
Senior Manager Infrastructure Services	-	820 694	60 000	24 251	294 874	1 199 819
Senior Manager Operations	-	837 123	55 901	10 569	304 739	1 208 332
Senior Manager Planning and Development	-	820 694	60 000	44 655	295 522	1 220 871
	13 998	5 943 599	260 381	187 099	2 166 683	8 571 760

MBHASHE LOCAL MUNICIPALITY (EC 121)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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39. Prior period errors

1. During the current year Audit it was communicated by the Auditors that VAT receivable should not be included in list of items disclosed as Financial Assets. The correction then affected the comparative amount which was R6 486 900 under the note of Financial Instruments. The correction only affected the disclosure note.

2. During the current year Audit it was noted that Hawker Stalls that were procured from Loyiso Consultants were not fully delivered and the Municipality has raised a Contingent Asset, through physical verification only 60 were counted in Dutywa Town, and only 26 were counted in Elliotdale Town and none existed in Willowvale Town. The municipality has procured and paid for 315 Hawker Stalls. A decision to capitalise the ones that were verified was reached by Mbhashe Management following a recommendation/ to a finding raised by Auditors. Since those Assets were procured during the period between 2016 to 2018 a restatement had to be made. The adjustment is affecting WIP by R3 940 560.42, Fruitless and wasteful expenditure R10 492 887.99, Community/Infrastructure Assets by R3 940 560.42 and Accumulated depreciation by R1 230 031.34 (R967 327.14 plus R 262 704.2)

3. During the Audit of predetermined objectives it was noted that there were completed Infrastructure Assets that were still showing under Work in progress in the Fixed Asset Register, then municipality reviewed the entire Work in progress and further discovered that there are infrastructure assets that were actually completed in the prior years that are still reflecting under WIP due to non submission of completion certificates by PMU department to Assets Unit for capitalisation of those completed Assets. The adjustment affects Community and Infrastructure Assets, Work in progress and Depreciation. The list of projects and their capitalisation amounts is as follows:

- (i) Manqosini Bridge - 2019/2020 capitalisation amount R1 124 478.13
- (ii) Phase 4 of Dutywa Pavement(Interlocking Side Walks) - 2019/2020 capitalisation R357 470.

4. During the current year Audit it was noted that an amount written off in the previous year did not align with amount that is on the Council resolution that was signed on the 23 August 2021, the amount that was previously written off was (R53 794 923), the amount that is per the resolution signed in August 2021 is R53 814 923.

5. Commitment Register has also to be adjusted in order to take into account the effects of those prior year capitalised projects, and also to include projects that were previously omitted in the Commitment Register.

6. There was a disclosure of comparative amount of the Principal Agency fees which was previously omitted in the note for relationship that exist between the municipality and the department of transport, which is for the collection of revenue on behalf of the department of transport, the municipality receives 19% of the collected revenue. The comparative amount are disclosed in Note 20

The correction of the error(s) results in the effects of adjustments which are as follows:

Statement of financial position

Increase in Infrastructure and community assets - costs	-	5 422 509
Increase Infrastructure and community assets - Accumulated depreciation	-	(1 274 209)
Decrease in Work in progress	-	(15 870 991)
Increase in Prepayments	-	-
Decrease in Accumulated surplus for 30 June 2021	-	11 722 690

Statement of financial performance

Increase in Depreciation expense	-	(302 732)
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Commitments

Increase in Infrastructure Assets Commitments	-	(10 130)
Increase in Community Assets Commitments	-	6 924 161

Restated opening balance

	-	6 914 031
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Irregular expenditure

Opening balance	-	21 140 100
Adjustments made	-	(20 000)
Restated opening balance	-	21 120 100

It was noted that an amount written off in the previous year did not align with amount that is on the Council resolution that was signed on the 23 August 2021. The difference was R20 000.

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40. Risk management

Financial risk management

The Municipality is exposed to the following risks:

- market risk (including interest rate risk);
- credit risk; and
- liquidity risk

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the Council. The municipality does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Council has the ultimate responsibility for liquidity risk management, and has established an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and cash flow requirements.

The municipality manages liquidity risk by maintaining adequate reserves and banking facilities. The Finance Department monitors the cash flow requirements on a regular basis.

The Municipality's investment portfolio consists of short term deposits and current accounts with a notice period of 30 days or less. Due to the short term nature of the portfolio a maturity analysis is not required.

Interest rate risk

Market risk is the risk that changes in market prices, such as interest rates will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk consists primarily of interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipality does not enter into long term financing arrangements thereby minimising the interest rate cash flow risk exposures on long-term financing.

The exposure to interest rate risk is limited as the municipality's investment portfolio is entirely cash based. The Municipality's primary focus is not to generate interest income but rather to preserve the capital value of the funds. There has been no change since the previous financial year to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. Due to the nature of the entity's operations, the municipality has an obligation to provide services to all qualifying people in its area. As such, the municipality is not able to select only creditworthy counterparts.

Potential concentrations of credit rate risk consist mainly of investments, trade receivables and cash and cash equivalents.

Trade receivables comprise of a large number of consumers, dispersed across different industries and geographical areas. Trade receivables are presented net of an allowance for impairment.

The existing trade receivable portfolio has historically been significantly impaired as a result of a number of contributing factors, including an inaccurate and unreliable customer database. The municipality has started the process of cleansing its trade receivable portfolio to ensure completeness of its trade receivables. All policies affecting trade receivables have been reviewed and updated to assist the municipality in the cleansing process. Refer note 15 for more detailed information on the composition of the trade receivables portfolio.

Except for trade receivables which have already been impaired, the following financial assets are exposed to limited credit risk at year end:

Cash and cash equivalents (including investments) are held with the following counter parties:	2022	2021
First National Bank	247 855 148	172 981 078

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41. Unauthorised expenditure

Unauthorised expenditure relates to expenditure incurred which is in excess of the budgeted amount on the individual votes. No unauthorised expenditure that have been identified during the year.

42. Fruitless and wasteful expenditure

Opening balance	419 827	215 044
Fruitless and wasteful expenditure - current year	82 326	204 783
Fruitless and wasteful expenditure relating to prior year - identified during the current year Audit	10 492 888	-
	10 995 041	419 827

Details / incidents of fruitless and wasteful expenditure relating to this period only

Paid for but not delivered Hawker Stalls	10 492 888	-
SARS penalties	-	189 110
Interest levied by Workmen`s Compensation on late payment of COIDA prior year assessments	78 542	-
Interest on overdue accounts (Eskom)	3 784	15 673
	10 575 214	204 783

No fruitless and wasteful expenditure was recovered during the year, And no fruitless and wasteful that has been written off by Council during the year.

The increase in the current year is due to the amount prepaid for undelivered Hawker Stalls in the previous years starting from 2016 to 2018. The issue at stake is the uncertainty on whether the service provider will still deliver or repay the amount that was paid for unaccounted Hawker Stalls. The municipality has started the legal route in order to recover either the Hawker Stalls or the amount paid..

43. Irregular expenditure

Opening balance	21 120 100	53 814 923
Add: Irregular Expenditure - current year movement	6 042 688	21 120 100
Less: Irregular expenditure - written off by council	(27 162 788)	(53 814 923)
	-	21 120 100

Council has referred Irregular expenditure to EMPAC for investigation, in 2020/2021 MPAC has subsequently investigated and recommended to Council to do write off amounting R53 794 923 and it was then written off after Council approval. The expenditure movement for 2021/2022 (R6 042 688) and movement of 2020/2021 ((R21 120 100) opening balance) of those Irregular contracts that were approved by Council were also written off as stated in the Council resolution of 2020/2021.

Details of irregular expenditure – current year

BAC composition - Non-compliance with SCM	<u>6 042 688</u>
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Analysis of Irregular Expenditure Balance - current year

Recurring from prior years	<u>6 042 688</u>
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44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA Fees

Opening balance	1 534 093	(1 199 213)
Current year subscription / fee	(1 534 093)	1 199 213
	-	-

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

Contract awarded to close family members of person in the service of the state

1. During the current financial year awards amounting to R456 227,52 were made to FOR THE COMMUNITY TRADING ENTERPRISE. The owner/director of Community trading Enterprise Mr.V. Razyana is a spouse of Mrs X.O Willie who works at the Mbhashe Local Municipality as Cllr from 2016-2021.

2. During the current financial year awards amounting to R1 092 363,17 were made to MKOKO TRANSPORT. The owner/director of M koko Transport Mr. S. Mkoko is a spouse of Mrs N. Mkoko who works at the Mbhashe Local Municipality as Record officer.

3. During the current financial year awards amounting to R27 830 were made to NATHISITH'ZIZIPO MULTI TRADERS. The owner/director of Nathisithi Ziziphomulti traders Mrs. N. Mbasa is a spouse of Mr T. Mbasa who works at the Mbbhashe Local Municipality as Driver Supervisor

4. During the current financial year awards amounting to R1 649 150.76 were made to SMS ICT CHOICE. The owner/director of ICT Choice Mr. S. Maqula is a spouse of Mrs N. Maqula who works at the Department of Human Settlements.

4. During the financial year awards amounting to R1 047 717.91 were made to UKWENZA AYIKOKWETHU TRADING ENTERPRISE. The owner/director of Ukwenza Ayikokwethu Enterprise Mrs N. Msipha is a spouse of Mr Z. Msipha who works at the Mbhashe Local Municipality as Senior Manager Infrastructure.

Audit fees

Current year subscription / fee	4 458 908	4 209 266
Amount paid - current year	(4 458 908)	(4 209 266)
	-	-

PAYE and UIF

Current year subscription / fee	21 848 707	19 039 460
Amount paid - current year	(21 848 707)	(19 039 460)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	28 393 470	27 588 608
Amount paid - current year	(28 393 470)	(27 588 608)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor L MATITI	446	10 000	10 446
Councillor Sibingibingi (10001855)	597	(238)	359
	1 043	9 762	10 805

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned. Refer to note 45

Incident

Other exceptional cases(Impractical)	374 251	99 485
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45. Deviation from supply chain management regulations

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

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

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46. Segment information

General information

Identification of segments

The Mbashe Local Municipality reportable segments have been identified in accordance with GRAP 18. The segments of Mbashe Local Municipality have been identified as those activities of the municipality that generate economic benefits or service potential whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance and for which separate financial information is available.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making strategic decisions including the allocation of resources after also considering the economic and basic needs of communities as translated into the IDP. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The Mbashe Local Municipality divided into three units which are Dutywa, Willowvale and Elliotdale. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments between the three units are sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Property rates	Levies charged for owning registered property within Mbashe Jurisdiction
Refuse removal	Collecting waste, and providing waste management services to communities with Mbashe local governance jurisdiction
Property rentals	Renting out municipal properties to earn income
Traffic Police and Law Enforcement	Maintenance of law and order, and enforcing Municipal Bylaws
Libraries	Offering library services to communities of Mbashe Local Municipality
Cemeteries	For provision of burial sites, and maintenance thereof
Licensing	Offering license services
Roads	Provision and maintenance of roads Infrastructure and community assets
Tourism	Tourism development within the Mbashe area
Fleet Management Services	Management of Mbashe Fleet including yellow fleet used in the maintenance of internal roads

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46. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Property rates	Refuse removal	Property rentals	Traffic Police	licensing	Total
Revenue						
Revenue from non-exchange transactions	16 241 570	-	-	1 416 415	2 184 101	19 842 086
Revenue from exchange transactions	-	2 638 039	2 001 021	-	-	4 639 060
Total segment revenue	16 241 570	2 638 039	2 001 021	1 416 415	2 184 101	24 481 146
Interest revenue						15 551 872
Other unallocated revenue 1						329 775 209
Other unallocated revenue 2						1 514 002
Total revenue reconciling items						346 841 083
Municipality's revenue						371 322 229
Expenditure						
Salaries and wages	2 969 636	19 286 863	-	2 240 824	996 128	25 493 451
Depreciation and amortisation	-	3 202 840	-	216 310	2 189	3 421 339
General expenses	134 010	1 788 210	625 105	820 856	140 595	3 508 776
Debt impairment	8 208 553	-	-	-	-	8 208 553
Total segment expenditure	11 312 199	24 277 913	625 105	3 277 990	1 138 912	40 632 119
Total segmental surplus/(deficit)						(16 150 973)
Total revenue reconciling items						330 690 110
Interest expense						(2 055 449)
Unallocated expenses						(253 807 847)
Loss on disposal of assets						(8 187)
Impairment loss						(17 083 912)
Municipality's surplus (deficit) for the period						57 734 715

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	Property rates	Refuse removal	Property rentals	Traffic Police	licensing	Total
46. Segment information (continued)						
Assets						
Segment assets	13 850 472	25 295 291	33 511 900	1 215 074	6 995	73 879 732
Unallocated assets						858 404 218
Total assets as per Statement of financial Position						932 283 950
Liabilities						
Debtors with credit balances	1 637 044	-	-	-	300 880	1 937 924
Unallocated liabilities						94 965 791
Total liabilities as per Statement of financial Position						96 903 715
						Total
Other information						
Non current assets additions						68 216 956
Cash flows from operating activities						143 249 850
Cash flows from investing activities						(68 188 102)
2021						
Revenue						
Revenue from non-exchange transactions	11 621 772	-	-	1 083 420	2 689 023	15 394 215
Revenue from exchange transactions	-	3 490 932	1 654 342	-	-	5 145 274
Total segment revenue	11 621 772	3 490 932	1 654 342	1 083 420	2 689 023	20 539 489
Interest revenue						8 764 159
Other unallocated revenue 1						382 029 975
Other unallocated revenue 2						2 073 473
Total revenue reconciling items						392 867 607

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46. Segment information (continued)

Entity's revenue						413 407 096
Expenditure						
Salaries and wages	3 085 839	19 501 353	-	9 673 788	2 568 509	34 829 489
Depreciation and amortisation	-	502 790	1 789 138	76 082	-	2 368 010
General expenses	604 482	2 643 746	371 740	351 511	118 043	4 089 522
Debt impairment	6 481 775	-	-	-	-	6 481 775
Total segment expenditure	10 172 096	22 647 889	2 160 878	10 101 381	2 686 552	47 768 796
Total segmental surplus/(deficit)						(27 229 307)
Total revenue reconciling items						392 867 607
Interest expense						(2 075 060)
Unallocated expenses						(278 617 567)
Loss on disposal of assets						(320 312)
Impairment loss						(453 042)
Entity's surplus (deficit) for the period						111 401 626
Assets						
Segment assets	-	4 428 106	-	595 000	-	5 023 106
Unallocated assets						858 132 937
Total assets as per Statement of financial Position						863 156 043
Liabilities						
Segment liabilities	2 315 450	-	-	-	-	2 315 450
Unallocated liabilities						72 702 194
Total liabilities as per Statement of financial Position						75 017 644

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46. Segment information (continued)

	Total
Other information	
Non current assets additions	82 682 022
Non-cash items excluding depreciation and amortisation	
Cash flows from operating activities	152 152 543
Cash flows from investing activities	(82 682 022)

47. Budget differences

Material differences between budget and actual amounts

47.1 Budget is based on anticipated amount to be collected, while actual is based on current year billed amount.

47.2 We collected more than what we anticipated, the relaxing of Covid rules contributed positively, the variance is not significant though. We have also improved on rental collection strategies.

45.3 This relates to interest raised on outstanding debtors as per the municipality's Credit Control and Debt Collection Policy. We don't budget for this kind of interest as we can't budget for not to be paid by customers/consumers.

47.4 The reason for a significant negative variance is that we budget for VAT refunds in this item, these are then reallocated to VAT account so that a correct closing balance of the VAT receivable can be disclosed..

47.5 Our Budget was based on the Actual interest earned from July 2021 to January 2022, the municipality managed to invest longer than anticipated due to monies that were not spent on conditional grants.

47.6 Budget is based on anticipated amount to be collected, while actual is based on current year billed amount.

47.7 Favourable variance is due to the fact that more people managed to renew their licenses due to relaxation of Covid rules.

47.8 The unfavourable variance is as a result of unspent conditional grants amounting to R24 million (MIG and Library Grant).

47.9 The unfavourable variance in terms of revenue is due to the fact that we had fewer than anticipated people contravening our By-Laws and traffic rules. Our budget was more aligned to previous year amount.

47.10 The contributing factors to the unfavourable variance is the unbudgeted for overtime, backpays of salary increments and not adjusting budget for performance bonuses that were paid.

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47. Budget differences (continued)

47.11 The contributing factors to the favourable variance is the fact that during election every councillor was ordinary, a month after that salaries were done on a pro - rata basis.

47.12 The reason for the favourable variance is the fact that some assets are fully depreciated. And some were impaired just after Interim FS, therefore no depreciation was calculated on all those that could not be used further after the heavy rains.

47.13 This nature of expenditure is as a result of the unforeseen, therefore municipality does not budget for this kind of expenditure, it is also non - cash item.

47.14 This type of expenditure relates to interest charged on overdue accounts, and another portion is the change in the discounting factor of the landfill site rehabilitation provision. Municipality does not budget to fail to pay creditors within prescribed time-frames.

47.15 The municipality under provided on debt impairment because we had anticipated that more customers will pay their long overdue accounts once the debt collector engages them.

47.16 The reason for the favourable variance as far as cost containment measures are concerned is the fact that some user departments were affected by Covid rules although they were later relaxed, and second contributor was the national break taken from procurement of goods and services

47.17 The actual amount includes prepayment for guns that were delivered and rental due from municipal staff, and another prepayment that occurred in current financial year, the municipality is in the process of concluding on the amount paid for the prepayment of guns since it will no longer need the guns.

47.18 Actual amount relates to the credit amount from SARS for the EMP 201, and one amount that was erroneously contributed to the pension of a Councillor.

47.19 The municipality budgeted for VAT refunds under other income on the SOFP and the actual amount relates to the VAT receivable at year-end

47.20 Actual amount has taken impairment into consideration for debtors. The municipality expects to collect the whole amount billed when budgeting.

47.21 The budgeted amount was based on the balance from previous financial year, however in the current year there was no addition amount of equitable share received as opposed to the previous financial year where the municipality received an extra amount of R50 million.

47.22 The budget amount is based on the previous year audited carrying amount , the actual amount is also taking into effect current year depreciation, and additions in the current year were much lesser than the previous financial year, majority of projects were not completed.

47.23 The budget amount included previous year audited carrying amount while the actual amount is carrying amount for the current year, therefore variance is made of depreciation which is budgeted for under Income Statement.

47.24 At year-end the transactions relating to June 2022 were processed, however because on the bank side they were only paid in July 2022 we had to raise them as part of our accrual list. The variance is caused by the fact that the municipality had planned to pay every invoice that belonged to 2021/22 by the end of June 2022.

47.25 On the budget these are provided for under the personnel costs.

47.26 The contributing factors to the variance is unspent MIG and Library Grant.

47.27 The variance is the change in the provision as a result of change in discount factor of the Landfill site rehabilitation provision.