Mnquma Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

General Information

Legal form of entity	The entity functions as a local municipality, established under paragraph 151 of the constitution of the Republic of South Africa.
Nature of business and principal activities	Mnquma Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no.117 of 1998). The Municipality's operations are governed by Municipal Finance Management Act 56 of 2003 - Municipal Structure Act 117 of 1998 - Municipal Systems Act 32 of 2000 and various other acts and regulations.
Mayoral committee	
Executive Mayor	T Manxila-Nkamisa (start of term 22/11/2021)
	S Ncetezo (end of term 05/11/2021)
Speaker	ZM Mnqwazi (start of term 22/11/2021)
	T Bikitsha (end of term 05/11/2021)
Chief Whip	S Ncetezo (start of term 22/11/2021)
	Z Gade (end of term 05/11/2021)
Exco Councillors	L Mgandela (re-elected 22/11/2021)
	T Bikitsha (start of term 22/11/2021)
	M Qaba (start of term 22/11/2021)
	S Matutu (re-elected 22/11/2021)
	N Layiti (re-elected 22/11/2021)
	X Pupuma (re-elected 22/11/2021)
	N Sheleni (end of term 05/11/2021)
	N Plaatjie (end of term 05/11/2021)
	TP Ntanga (end of term 05/11/2021)
	N Thandaphi (end of term 05/11/2021)
Councillors	N Sigwadi (start of term 05/11/2021)
	Z Sobekwa (re-elected 05/11/2021)
	T Ntyinkala (re-elected 05/11/2021)
	N Baleka (start of term 05/11/2021)
	N Magwentshu (start of term 05/11/2021)
	M Ndima (start of term 05/11/2021)
	N Paliso (start of term 05/11/2021)
	M Xabela (start of term 05/11/2021)
	N Ntamo (start of term 05/11/2021)
	N Mena (start of term 05/11/2021)
	L Ngindana (start of term 05/11/2021)
	M Kabane (start of term 05/11/2021)
	N Mtintsilana (start of term 05/11/2021)
	Z Mawisa (start of term 05/11/2021)
	L Tetana (start of term 05/11/2021)
	M Magobiane (start of term 05/11/2021)
	S Maputeni (start of term 05/11/2021)
	V Nkehle (re-elected 05/11/2021)
	K Gobeni (re-elected 05/11/2021)
	T Ntshonga (re-elected 05/11/2021)
	Z Kwaza (start of term 05/11/2021)
	X Mjamba (start of term 05/11/2021)
	M Ntsali (start of term 05/11/2021)
	V Gazi (start of term 05/11/2021)
	B Zondani (start of term 05/11/2021)

General Information

T Mduli (start of term 05/11/2021)
P Mbovane (re-elected 05/11/2021)
W Ntongana (re-elected 05/11/2021)
M Tangana (start of term 05/11/2021)
N Ntolosi (re-elected 05/11/2021)
P Ndabambi (start of term 05/11/2021)
N Mbuku (start of term 05/11/2021)
T Jizana (start of term 05/11/2021)
N Mzongwana (start of term 05/11/2021)
N Futywana (start of term 05/11/2021)
Z Bomela (start of term 05/11/2021)
N Kendle (end of term 05/11/2021)
V Manxodidi (start of term 05/11/2021)
M Mkhilili (re-elected 05/11/2021)
N Nohesi (start of term 05/11/2021)
A Soyeza (start of term 05/11/2021)
N Nogaga-Mpumpula (start of term 05/11/2021)
M Masekwana (start of term 05/11/2021)
C Ncukana (start of term 05/11/2021)
T Gidigidi (start of term 05/11/2021)
N Filtane (start of term 05/11/2021)
Z Tyandela (start of term 05/11/2021)
L Maputuma (start of term 05/11/2021)
S Magandana (start of term 05/11/2021)
PB Goniwe (start of term 17/05/2022 replacing N Kendle)
NH Dali (start of term 27/05/2022 replacing S Magandana)
N Lusizi (end of term 05/11/2021)
NM Mpambani (end of term 05/11/2021)
SL Mafanya (end of term 05/11/2021)
Z Mkiva (end of term 05/11/2021)
ME Ntshonga (end of term 05/11/2021)
N Monakali (end of term 05/11/2021)
NN Nqolomlilo (end of term 05/11/2021)
Z Siyo (end of term 05/11/2021)
AA Krakri (end of term 05/11/2021)
LS Sobekwa (end of term 05/11/2021)
GN Nombila (end of term 05/11/2021)
B Kave (end of term 05/11/2021)
ZC Mfazwe (end of term 05/11/2021)
TZ Xhongwana (end of term 05/11/2021)
N Lusizi (end of term 05/11/2021)
KG Magwaca (end of term 05/11/2021)
NG Ndongeni (end of term 05/11/2021)
L Tsipa (end of term 05/11/2021)
NP Dube (end of term 05/11/2021)
M Ndungane (end of term 05/11/2021)
C Mtsi (end of term 05/11/2021)
SN Tshazi (end of term 05/11/2021)
WW Mbadlanyana (end of term 05/11/2021)
ZA Mqolo (end of term 05/11/2021)

General Information

	ML Mtalo (end of term 05/11/2021) NL Zaba (end of term 05/11/2021) NQ Sukwana (end of term 05/11/2021) N Jiya (end of term 05/11/2021) Y Mngonyama (end of term 05/11/2021) NH Skelenge (end of term 05/11/2021) SM Molosi (end of term 05/11/2021) MW Mbeki (end of term 05/11/2021) A Finca (end of term 05/11/2021) L Mbentsula (end of term 05/11/2021) S Lilise (end of term 05/11/2021) AB Madikane (end of term 05/11/2021) T Makeleni (end of term 05/11/2021)
Traditional leaders to participate in Mnquma Municipal Council	
	NVG Dondashe (re-elected 10/12/2021) NS Ngxiya (end of term 05/11/2021) VL Mbasa (end of term 05/11/2021) WM Mahlangeni (end of term 05/11/2021) BL Ntleki (end of term 05/11/2021) ZM Dyantyi (end of term 05/11/2021) M Magodla (end of term 05/11/2021) N Nyhila (end of term 05/11/2021) D Mpangele (end of term 05/11/2021) BB Vuso (end of term 05/11/2021) M Nguza (end of term 05/11/2021) P Nguza (end of term 05/11/2021)
Grading of local authority	Grade 3
Chief Finance Officer (CFO)	M Matomane
Accounting Officer	S Mahlasela
Registered office	Corner King and Umtata Street Butterworth 4960
Postal address	P.O. Box 36 Butterworth 4960
Bankers	First National Bank
Auditors	Auditor General of South Africa Registered Auditors
Preparer	The annual financial statements were internally compiled by: M Matomane
Teelephone	(047) 401 2400
E-mali Address	mmatomane@mnquma.gov.za/ sekhom23@gmail.com

General Information

Jurisdiction

Mnquma Local Municipality is located in the south-eastern part of the Eastern Cape province. This Category B Municipality falls under the jurisdiction of the Amathole District Municipality and comprises an amalgamation of the the former Butterworth, Ngqamakhwe (previously Ngqamakhwe) and Centane Traditional Regional Councils. Mnquma Local Municipality shares borders with 3 other local municipalities: Mbhashe, Intsika Yethu and Great Kei. It also includes a number of previously administered rural areas.

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PAYE	Pay As You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

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 judgments 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 01 July 2022 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 Department of Local Government and Traditional Affairs for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Department of Local Government and Traditional Affairs has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The annual financial statements set out on pages 7 to 84, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed by him:

S Mahlasela
Municipal Manager

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	45&2	2 778 158	3 052 896
Receivables from non-exchange transactions	3	42 869 350	39 752 654
VAT receivable	45&4	7 657 210	4 539 572
Receivables from exchange transactions	5	1 451 349	1 190 534
Cash and cash equivalents	6	160 435 015	127 688 779
		215 191 082	**176 224 435**
Non-Current Assets			
Investment property	7	145 019 657	147 135 936
Property, plant and equipment	45&8	773 126 251	787 185 677
Intangible assets	45&12	1 563 857	1 185 011
Heritage assets	45&13	116 752	78 959
		919 826 517	**935 585 583**
Total Assets		**1 135 017 599**	**1 111 810 018**
Liabilities			
Current Liabilities			
Payables from exchange transactions	45&9	42 119 253	42 347 583
Employee benefit obligation	52	1 615 000	1 351 000
Unspent conditional grants and receipts	45&10	7 255 335	7 968 526
Provisions	14	1 322 778	1 283 954
		52 312 366	**52 951 063**
Non-Current Liabilities			
Employee benefit obligation	52	11 518 000	12 548 000
Total Liabilities		**63 830 366**	**65 499 063**
Net Assets		**1 071 187 233**	**1 046 310 955**
Reserves			
Revaluation reserve	45&11	292 789 894	368 915 419
Accumulated surplus	45	778 397 339	677 395 536
Total Net Assets		**1 071 187 233**	**1 046 310 955**

* See Note 15 & 45

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	5 467 186	5 065 670
Rental of facilities	17	5 340 908	5 003 847
Interest on outstanding debtors	18	15 772 706	15 034 312
Income from agency fees	19	2 761 725	2 704 230
Licences and permits	20	1 283 734	1 059 738
Other income	4523	681 697	1 291 481
Interest received - investment	24	7 019 122	4 024 378
Closing stock adjustment		-	243 241
Total revenue from exchange transactions		**38 327 078**	**34 426 897**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	68 891 619	60 384 416
Transfer revenue			
Government grants & subsidies	26	372 625 337	410 778 751
Public contributions and donations	40	56 176	26 041 965
Traffic Fines	27	9 707 860	6 588 050
Staff recoveries	22	668 870	-
Unclaimed monies forfeited	4521	992 673	641 974
Total revenue from non-exchange transactions		**452 942 535**	**504 435 156**
Total revenue		**491 269 613**	**538 862 053**
Expenditure			
Employee related costs	45&28	(192 269 961)	(188 692 090)
Remuneration of councillors	29	(26 973 997)	(29 163 877)
Depreciation and amortisation	45&30	(104 785 457)	(121 046 143)
Impairment loss/ Reversal of impairments	31	(4 860 924)	(3 446 566)
Finance costs	32	(1 460 000)	(1 081 000)
Debt Impairment	45&33	(37 340 422)	(28 180 787)
Bulk purchases	34	(2 881 170)	(4 900 752)
Loss on disposal of assets	35	(21 827 368)	(14 348 592)
Repairs and maintenance	36	(4 122 681)	(9 112 036)
Obsolete inventory written-off		(18 567)	-
General expenses	45&37	(73 082 196)	(73 263 059)
Total expenditure		**(469 622 743)**	**(473 234 902)**
Surplus for the year from continuing operations		**21 646 870**	**65 627 151**
Actuarial gains / (losses)	52	3 122 098	723 715
Surplus for the year		**24 768 968**	**66 350 866**

* See Note 15 & 45

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	461 452 974	486 480 587	947 933 561
Correction of error	(118 914)	32 232 220	32 113 306
Balance at 01 July 2020 as restated*	**461 334 060**	**518 712 807**	**980 046 867**
Changes in net assets			
Correction of error	-	(86 751)	(86 751)
Transfer from Revaluation Reserve to Accumulated Surplus	(92 418 640)	92 418 640	-
Net income (losses) recognised directly in net assets	(92 418 640)	92 331 889	(86 751)
Surplus (deficit) for the year	-	66 350 866	66 350 866
Total recognised income and expenses for the year	(92 418 640)	158 682 755	66 264 115
Total changes	(92 418 640)	158 682 755	66 264 115
Restated* Balance at 01 July 2021	**368 915 419**	**677 395 562**	**1 046 310 981**
Changes in net assets			
Correction of error	-	107 312	107 312
Derecognition of revaluation reserve on immovable assets write-off.	(10 962 440)	10 962 440	-
Transfer from Revaluation Reserve to Accumulated Surplus	(65 163 086)	65 163 086	-
Net income (losses) recognised directly in net assets	(76 125 526)	76 232 838	107 312
Surplus (deficit) for the year	-	24 768 968	24 768 968
Total recognised income and expenses for the year	(76 125 526)	101 001 806	24 876 280
Total changes	(76 125 526)	101 001 806	24 876 280
Balance at 30 June 2022	**292 789 894**	**778 397 368**	**1 071 187 262**
Note(s)	11		

* See Note 15 & 45

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		23 942 025	17 339 535
Grants		371 912 146	415 757 372
Interest income		7 019 122	4 024 378
Other receipts		46 909 020	53 272 357
		449 782 313	490 393 642
Payments			
Employee costs		(221 408 986)	(217 045 719)
Suppliers		(79 912 406)	(83 374 551)
		(301 321 392)	(300 420 270)
Net cash flows from operating activities	38	**148 460 921**	**189 973 372**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(114 298 377)	(110 332 397)
Proceeds from sale of property, plant and equipment	8	281 618	1 708 469
Purchase of other intangible assets	12	(1 660 133)	(3 942 282)
Purchases of heritage assets	13	(37 793)	-
Net cash flows from investing activities		**(115 714 685)**	**(112 566 210)**
Net increase/(decrease) in cash and cash equivalents		**32 746 236**	**77 407 162**
Cash and cash equivalents at the beginning of the year		127 688 779	50 281 617
Cash and cash equivalents at the end of the year	6	**160 435 015**	**127 688 779**

* See Note 15 & 45

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note 53
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	6 000 000	-	**6 000 000**	5 467 186	**(532 814)**	
Rental of facilities	5 000 000	-	**5 000 000**	5 340 908	**340 908**	
Interest on outstanding debtors	14 673 000	-	**14 673 000**	15 772 706	**1 099 706**	
Income from agency fees	4 000 000	-	**4 000 000**	2 761 725	**(1 238 275)**	A
Licences and permits	1 500 000	-	**1 500 000**	1 283 734	**(216 266)**	B
Other income	1 894 000	-	**1 894 000**	681 697	**(1 212 303)**	C
Interest received - investment	4 000 000	-	**4 000 000**	7 019 122	**3 019 122**	D
Total revenue from exchange transactions	**37 067 000**	**-**	**37 067 000**	**38 327 078**	**1 260 078**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	60 000 000	16 000 000	**76 000 000**	68 891 619	**(7 108 381)**	
Transfer revenue						
Government grants & subsidies	385 762 000	2 309 000	**388 071 000**	372 625 337	**(15 445 663)**	
Public contributions and donations	-	-	**-**	56 176	**56 176**	E
Traffic fines	8 000 000	-	**8 000 000**	9 707 860	**1 707 860**	F
Staff recoveries	-	-	**-**	668 870	**668 870**	G
Monies forfeited	-	-	**-**	992 673	**992 673**	H
Total revenue from non-exchange transactions	**453 762 000**	**18 309 000**	**472 071 000**	**452 942 535**	**(19 128 465)**	
Total revenue	**490 829 000**	**18 309 000**	**509 138 000**	**491 269 613**	**(17 868 387)**	
Expenditure						
Employee related costs	(215 751 000)	-	**(215 751 000)**	(192 269 961)	**23 481 039**	I
Remuneration of councillors	(29 744 000)	-	**(29 744 000)**	(26 973 997)	**2 770 003**	
Depreciation and amortisation	(110 026 000)	-	**(110 026 000)**	(104 785 457)	**5 240 543**	
Impairment loss/ Reversal of impairments	-	(4 860 924)	**(4 860 924)**	(4 860 924)	**-**	
Finance costs	(20 000)	(1 440 000)	**(1 460 000)**	(1 460 000)	**-**	
Debt Impairment	(46 073 000)	(86 939 076)	**(133 012 076)**	(37 340 422)	**95 671 654**	J
Bulk purchases	(5 900 000)	2 970 000	**(2 930 000)**	(2 881 170)	**48 830**	
General expenses	(72 584 904)	8 415 006	**(64 169 898)**	(73 082 196)	**(8 912 298)**	L
Total expenditure	**(480 098 904)**	**(81 854 994)**	**(561 953 898)**	**(443 654 127)**	**118 299 771**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual		
Operating surplus	**10 730 096**	**(63 545 994)**	**(52 815 898)**	**47 615 486**	**100 431 384**		-
Gain/(Loss) on disposal of assets	-	(21 827 368)	**(21 827 368)**	(21 827 368)	**-**		-
Repairs and maintenance	(14 900 096)	(544 071)	**(15 444 167)**	(4 122 681)	**11 321 486**	K	
Obsolete inventory written-off	-	(18 567)	**(18 567)**	(18 567)	**-**		-
	(14 900 096)	**(22 390 006)**	**(37 290 102)**	**(25 968 616)**	**11 321 486**		-
Surplus before taxation	**(4 170 000)**	**(85 936 000)**	**(90 106 000)**	**21 646 870**	**111 752 870**		-
Surplus for the year from continuing operations	**(4 170 000)**	**(85 936 000)**	**(90 106 000)**	**21 646 870**	**111 752 870**		-
Actuarial gains	-	3 122 098	**3 122 098**	3 122 098	**-**		-
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(4 170 000)**	**(82 813 902)**	**(86 983 902)**	**24 768 968**	**111 752 870**		-

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	7 216 000	-	**7 216 000**	2 778 158	**(4 437 842)**	M
Receivables from non-exchange transactions	16 227 000	-	**16 227 000**	42 869 350	**26 642 350**	N
VAT receivable	11 665 675	-	**11 665 675**	7 657 210	**(4 008 465)**	O
Receivables from exchange transactions	6 948 000	-	**6 948 000**	1 451 349	**(5 496 651)**	P
Cash and cash equivalents	101 928 000	-	**101 928 000**	160 435 015	**58 507 015**	Q
	143 984 675	**-**	**143 984 675**	**215 191 082**	**71 206 407**	
Non-Current Assets						
Investment property	150 130 000	-	**150 130 000**	145 019 657	**(5 110 343)**	
Property, plant and equipment	910 363 000	20 959 000	**931 322 000**	773 126 251	**(158 195 749)**	R
Intangible assets	-	1 600 000	**1 600 000**	1 563 857	**(36 143)**	
Heritage assets	-	120 000	**120 000**	116 752	**(3 248)**	
	1 060 493 000	**22 679 000**	**1 083 172 000**	**919 826 517**	**(163 345 483)**	
Total Assets	**1 204 477 675**	**22 679 000**	**1 227 156 675**	**1 135 017 599**	**(92 139 076)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	42 604 000	-	**42 604 000**	42 119 253	**(484 747)**	
Employee benefit obligation	1 500 000	-	**1 500 000**	1 615 000	**115 000**	
Unspent conditional grants and receipts	-	-	**-**	7 255 335	**7 255 335**	S
Provisions	1 283 954	-	**1 283 954**	1 322 778	**38 824**	
	45 387 954	**-**	**45 387 954**	**52 312 366**	**6 924 412**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Non-Current Liabilities					
Employee benefit obligation	10 966 000	-	**10 966 000**	11 518 000	**552 000**
Total Liabilities	**56 353 954**	**-**	**56 353 954**	**63 830 366**	**7 476 412**
Net Assets	**1 148 123 721**	**22 679 000**	**1 170 802 721**	**1 071 187 233**	**(99 615 488)**
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Revaluation reserve	-	-	**-**	292 789 894	**292 789 894**
Accumulated surplus	-	-	**-**	778 397 339	**778 397 339**
Total Net Assets	**-**	**-**	**-**	**1 071 187 233**	**1 071 187 233**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

Accounting Policies

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

Standards Issued and Effective
• GRAP 1 - Presentation of Financial Statements
• GRAP 2 - Cash Flow Statements
• GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors
• GRAP 4 - The Effects of changes in Foreign Exchange Rates
• GRAP 5 - Borrowing Costs
• GRAP 6 - Consolidated and Separate Financial Statements
• GRAP 7 - Investments in Associates
• GRAP 8 - Interests in Joint Ventures
• GRAP 9 - Revenue from Exchange Transactions
• GRAP 10 - Financial Reporting in Hyperinflationary Economies
• GRAP 11 - Construction Contracts
• GRAP 12 - Inventories
• GRAP 13 - Leases
• GRAP 14 - Events After the Reporting Date
• GRAP 16 - Investment Property
• GRAP 17 - Property Plant and Equipment
• GRAP 18 - Segment Reporting
• GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets
• GRAP 20 - Related Party Disclosures
• GRAP 21 - Impairment of non-cash-generating assets
• GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
• GRAP 24 - Presentation of Budget Information in Financial Statements
• GRAP 25 – Employee Benefits
• GRAP 26 - Impairment of cash-generating assets
• GRAP 27 - Agriculture
• GRAP 31 - Intangible Assets
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• GRAP 100 - Discontinued Operations
• GRAP 103 - Heritage Assets
• GRAP 104 - Financial Instruments
• GRAP 105 - Transfer of functions between entities under common control
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Interpretations - Approved and effective
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• IGRAP 12 - Jointly Controlled Entities - Non-Monetary Contributions
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• IGRAP 17 - Service Concession Arrangements where Grantor Controls Significant Residual Interest
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• IGRAP 20 - Accounting for Adjustments to Revenue

Interpretations – Approved and not yet effective
• IGRAP 7 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
• IGRAP 21 -The Effect of Past Decisions on Materiality

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables are assessed individually and grouped together where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The Impairment is calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios will be similar to the historical payment ratios.

In determining the recoverability of receivables from non-exchange and receivables from exchange transactions, the municipality considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further credit provision required in excess of the debtor's impairment. On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Fair value estimation

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

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

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges of property, plant and equipment. This estimate is based on industry norm. This estimate is based on industry norm. This estimate is based on the pattern in which an assets future economic benefits or service potential are expected to be consumed by the municipality.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 52.

Effective interest rate

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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.

1.4 Investment property (continued)

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, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	5 - 100 years

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- All properties held to earn market related rentals or for capital appreciation, or for both and are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.
- Land held without determined future use.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Subsequent measurement

After initial recognition, infrastructure, community assets and operational buildings are measured using the revaluation method. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value. When an asset is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

The revaluation surplus in equity relating to a specific item infrastructure, community assets and operational buildings is transferred directly to retained earnings when the asset is derecognised.

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

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5-7 Years
Office equipment	Straight line	5-7 Years
Infrastructure Roads and Storm Water	Straight line	3-100 Years
Buildings	Straight line	25-30 Years
Recreational facilities	Straight line	25-30 Years
Security	Straight line	3-5 Years
Halls	Straight line	25-30 Years
Libraries	Straight line	25-30 Years
Parks and Gardens	Straight line	30 Years
Other community assets	Straight line	25-30 Years
Specialised vehicles	Straight line	10-15 Years
Other Vehicles	Straight line	4-7 Years
Watercraft	Straight line	5-15 Years
Bins and Containers	Straight line	10-15 Years

Accounting Policies

1.5 Property, plant and equipment (continued)

Specialised Plant and Equipment	Straight line	10-15 Years
Other items of Property, plant and Equipment	Straight line	3-20 Years
Computer equipment	Straight line	2-10 Years
Plant and Machinery	Straight line	3-20 Years
Landfill Site	Straight line	10-55 Years
Leased vehicles	Straight line	4-7 Years
Leased office Equipment	Straight line	5-7 Years

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

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

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

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

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

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

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

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

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in municipality or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software	Straight line	2 - 5 years

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

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 13).

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.

1.8 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation municipality. However, the increase is recognised in municipality or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in municipality or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in municipality or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation municipality in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.9 Financial instruments

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

Classification

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

Financial assets	**Category**
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and bank	Financial asset measured at fair value
Short-term deposits (Call accounts)	Financial asset measured at fair value

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

Financial liability	**Category**
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Accounting Policies

1.9 Financial instruments (continued)

Impairment and uncollectibility of financial assets

Financial assets measured at amortised cost:

The carrying amount of the asset is reduced through the use of an allowance account and the previously recognised impairment loss is reversed by adjusting the allowance account.

Presentation

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

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

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

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

1.10 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

Accounting Policies

1.11 Inventories (continued)

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

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

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

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

Inventories are accounted for on the perpetual inventory system.

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year.

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in municipality or deficit.

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

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

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

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Accounting Policies

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

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

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach, the selection depends on the availability of data and nature of the impairment.

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

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

Service units approach

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in municipality or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.14 Employee benefits

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

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

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

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

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

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

1.14 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to 1be settled.

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid. Termination benefits are employee benefits payable as a result of either:
- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits. Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

1.15 Provisions and contingencies (continued)

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 51.

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in municipality or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation municipality or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in municipality or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in municipality or deficit; and
  - an increase in the liability is recognised in municipality or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in municipality or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to municipality or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in municipality or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in municipality or deficit as a finance cost as it occurs.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.17 Revenue from exchange transactions

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

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

1.17 Revenue from exchange transactions (continued)

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

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

1.18 Revenue from non-exchange transactions

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

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

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

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

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

1.18 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Where settlement discount or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discount or reductions being taken up by debtors.

Gifts and donations, including goods in-kind

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

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Unspent conditional grants

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.19 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Expenses will be recognized when these are incurred and measured at cost excluding VAT.

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

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

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

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

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

1.25 Segment information

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

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

Measurement

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

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

1.26 Budget information

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

1.26 Budget information (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 a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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

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

1.27 Related parties

In terms of GRAP 20 for related party disclosure, a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

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

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

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

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

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

1.28 VAT

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting, however South African Revenue Services has registered and permitted the municipality to use the payment basis.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. Inventories

Consumable stores	1 218 158	1 043 096
Assets held for distribution	1 560 000	2 009 800
	2 778 158	**3 052 896**

In the current year an amount of R 4 069 756 (2021: R 2 306 916) was expensed with respect to consumable stores consumed.

Inventory held for distribution

Assets held for distribution relate to land on which RDP houses are built, pre-1994 houses, Zizamele plots sold to individuals and other developed land which are awaiting transfers.

No inventory was pledged as security.

3. Receivables from non-exchange transactions

Traffic fines	24 567 510	15 714 810
Allowance for impairment - Traffic fines	(24 562 750)	(15 710 050)
Property rates	132 733 450	157 174 352
Allowance for impairment - Property rates	(90 194 916)	(117 426 458)
Other receivables	326 056	-
	42 869 350	**39 752 654**

Property rates		
Current 0 - 30 days	10 393 047	18 128 180
31 - 60 days	4 920 901	5 345 456
61 - 90 days	4 916 566	5 087 390
91 - 120 days	4 679 769	5 846 246
121 - 150 days	3 678 692	2 764 509
> 150 days	104 144 475	120 002 571
	132 733 450	**157 174 352**

Traffic fines		
Current 0 - 30 days	219 000	444 300
31 - 60 days	751 900	455 300
61 - 90 days	1 169 300	647 900
91 - 120 days	1 062 400	538 100
121 - 150 days	906 700	-
> 150 days	20 458 370	13 629 210
	24 567 510	15 714 810

Other receivables		
Current 0 - 30 days	8 612	-
121 - 150 days	6 077	-
> 150 days	311 367	-
	326 056	**-**

4. VAT receivable

VAT	7 657 210	4 539 572

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Receivables from exchange transactions

Gross balances		
Refuse	28 423 369	40 834 428
Rentals	723 361	14 996 362
Other receivables	36 298	-
	29 183 028	**55 830 790**
Less: Allowance for impairment		
Refuse	(27 072 033)	(39 698 564)
Rentals	(659 646)	(14 941 692)
	(27 731 679)	**(54 640 256)**
Net balance		
Refuse	1 351 336	1 135 864
Housing rental	63 715	54 670
Other receivables	36 298	-
	1 451 349	**1 190 534**
Reconciliation of allowance for impairment		
Balance at the beginning of the year	54 640 256	45 937 626
Contributions to allowance	4 712 020	10 643 582
Bad debts written-off	(31 620 597)	(1 940 952)
	27 731 679	**54 640 256**
Refuse		
Current (0 -30 days)	1 397 721	703 409
31 - 60 days	648 411	687 543
61 - 90 days	658 988	681 150
91 - 120 days	629 248	676 074
121 - 150 days	610 826	668 716
> 150 days	24 478 175	37 417 536
	28 423 369	**40 834 428**
Housing rental		
Current (0 -30 days)	432 394	456 881
31 - 60 days	13 975	398 386
61 - 90 days	13 893	396 149
91 - 120 days	13 806	393 191
121 - 150 days	12 916	389 321
> 150 days	236 377	12 962 434
	723 361	**14 996 362**
Other receivables		
Current (0 -30 days)	28 385	-
> 150 days	7 913	-
	36 298	**-**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Bank balances	1 456 288	4 523 153
Short-term deposits	158 978 727	123 165 626
	160 435 015	**127 688 779**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	**30 June 2021**	**30 June 2020**	**30 June 2022**	**30 June 2021**	**30 June 2020**
FNB - Cheque Primary Bank Account: 62237497872	1 362 661	4 508 858	2 032 843	1 456 288	4 523 153	1 928 233
FNB - MIG Call Acc: 62240253542	45 895	6 556 970	28 012	45 895	6 556 970	28 012
FNB - FMG: 62240252768	1 562	1 109	1 501	1 562	1 109	1 501
FNB - Call Account: 62240252198	18 563 667	12 728 766	13 430 414	18 563 667	12 728 766	13 430 414
FNB - INEP: 62326177559	6 727	5 189	1 274	6 727	5 189	1 274
FNB - EPWP: 62345680195	1 635	1 099	1 763	1 635	1 099	1 763
FNB - LG SETA: 62380069437	790 075	351 698	1 070 221	790 075	351 698	1 070 221
FNB - Salaries Account: 74737909900	1 874 456	1 543 796	1 457 292	1 874 456	1 543 796	1 457 292
FNB - ENATIS: 62772809904	527 449	382 332	2 168 198	527 449	382 332	2 168 198
FNB - DSRAC: 62823144233	1 443 511	1 090 391	782 212	1 443 511	1 090 391	782 212
FNB - Short-term Investment: 62823142774	130 707 738	100 504 276	29 412 479	130 707 738	100 504 276	29 412 479
FNB - DEDEAT: 62910424944	5 016 012	-	-	5 016 012	-	-
Total	**160 341 388**	**127 674 484**	**50 386 209**	**160 435 015**	**127 688 779**	**50 281 599**

7. Investment property

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	133 445 786	-	133 445 786	133 445 786	-	133 445 786
Buildings	72 208 949	(60 635 078)	11 573 871	72 208 949	(58 518 799)	13 690 150
Total	**205 654 735**	**(60 635 078)**	**145 019 657**	**205 654 735**	**(58 518 799)**	**147 135 936**

Reconciliation of investment property - 2022

	Opening balance	**Depreciation**	**Total**
Land	133 445 786		133 445 786
Buildings	13 690 150	(2 116 279)	11 573 871

Reconciliation of investment property - 2021

	Opening balance	**Depreciation**	**Total**
Land	133 445 786		133 445 786
Buildings	16 650 021	(2 959 871)	13 690 150

7. Investment property (continued)

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.

The municipality has land and buildings, including vacant land that is classified as investment property. In terms of the Local Government Municipal Properties Rates Act (Act 6 of 2004), the municipality is required to perform a general valuation once every four (4) years which previously occurred in June 20219.

The investment property held in the books of the municipality is not actively traded as the mandate of the municipality also includes local economic development. As such properties may be earmarked for local economic development. Thus, their trade value will be based on the proposal that impacts positively on economic growth. Land that is sitting as investment properties is not depreciated, only the buildings component of the investment properties is depreciated.

8. 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	50 394 300	-	50 394 300	50 394 300	-	50 394 300
Buildings	34 705 273	(14 554 111)	20 151 162	41 825 746	(19 474 291)	22 351 455
Plant and machinery	46 315 038	(14 413 957)	31 901 081	42 384 090	(13 349 206)	29 034 884
Furniture and fixtures	6 034 359	(4 584 135)	1 450 224	6 497 195	(5 369 813)	1 127 382
Motor vehicles	14 809 403	(3 424 720)	11 384 683	7 382 139	(2 948 811)	4 433 328
Computer equipment	7 732 037	(2 244 135)	5 487 902	4 911 200	(3 247 134)	1 664 066
Infrastructure	1 687 752 513	(1 143 924 234)	543 828 279	1 709 387 372	(1 120 082 806)	589 304 566
Community assets	126 848 939	(41 745 498)	85 103 441	116 439 023	(35 121 036)	81 317 987
Other property, plant and equipment	205 733	(154 312)	51 421	202 262	(164 304)	37 958
Work in progress	23 373 758	-	23 373 758	7 519 751	-	7 519 751
Total	**1 998 171 353**	**(1 225 045 102)**	**773 126 251**	**1 986 943 078**	**(1 199 757 401)**	**787 185 677**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Transfers made	Depreciation	Impairment loss	Total
Land	50 394 300	-	-	-	-	-	-	50 394 300
Buildings	22 351 455	-	(1 390 111)	982 589	-	(1 792 771)	-	20 151 162
Plant and machinery	29 034 884	6 040 741	(633 956)	-	-	(2 540 588)	-	31 901 081
Furniture and fixtures	1 127 382	621 177	(107 441)	-	-	(190 894)	-	1 450 224
Motor vehicles	4 433 328	8 206 708	(421 913)	-	-	(833 440)	-	11 384 683
Computer equipment	1 664 066	4 946 972	(307 408)	-	-	(815 728)	-	5 487 902
Infrastructure	589 304 566	-	(19 237 068)	66 818 567	-	(89 461 942)	(3 595 844)	543 828 279
Community assets	81 317 987	-	(9 843)	10 803 916	-	(5 743 539)	(1 265 079)	85 103 441
Other property, plant and equipment	37 958	23 700	(1 246)	-	-	(8 991)	-	51 421
Work in progress	7 519 751	106 657 516	-	(78 605 072)	(12 198 437)	-	-	23 373 758
	787 185 677	**126 496 814**	**(22 108 986)**	**-**	**(12 198 437)**	**(101 387 893)**	**(4 860 923)**	**773 126 251**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Transfers made	Depreciation	Impairment loss	Total
Land	50 394 300	-	-	-	-	-	-	50 394 300
Buildings	17 683 625	392 280	(491 731)	6 334 091	-	(1 566 810)	-	22 351 455
Plant and machinery	6 193 894	25 356 309	(688 529)	-	-	(1 826 698)	(92)	29 034 884
Furniture and fixtures	1 007 787	340 018	(35 233)	-	-	(184 219)	(971)	1 127 382
Motor vehicles	3 316 802	1 894 793	(211 121)	-	-	(567 146)	-	4 433 328
Computer equipment	2 073 046	37 515	(25 247)	-	-	(421 248)	-	1 664 066
Infrastructure	642 676 088	-	(14 382 358)	69 517 739	-	(105 153 235)	(3 353 668)	589 304 566
Community assets	44 997 835	25 756 209	-	16 204 585	-	(5 548 813)	(91 829)	81 317 987
Other property, plant and equipment	13 267	27 675	-	-	-	(2 984)	-	37 958
Work in progress	43 048 568	76 842 644	-	(92 056 415)	(20 315 046)	-	-	7 519 751
	811 405 212	**130 647 443**	**(15 834 219)**	**-**	**(20 315 046)**	**(115 271 153)**	**(3 446 560)**	**787 185 677**

8. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Saturday, 15 June 2019. Revaluations were performed by independent valuer, Mr Stafford Leyds [Professional Associated Valuer (Registered In Terms of Section 2 of the Property Valuers Professions Act, 2000), of SAPIG Prop Dev CC. SAPIG Prop Dev CC is not connected to the municipality.

Infrastructure, community assets and operational buildings are re-valued independently every 4 years.

The valuation was performed using the following methods:
a) Comparable Sales Approach:
This approach the analysis of recent comparable sales of physically and legally similar properties in the general vicinity of the subject property. This method typically applies to single family homes and land.

b) Depreciated Replacement Cost Approach:
The Cost approach values a property based on what it would cost to build the property today, taking into consideration the depreciation by various factors. The current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

c) The Income Capitalization Approach:
This approach considers the value of the income stream that a property generates or could generate. This method typically applies to commercial or income-generating properties.

These assumptions were based on current market conditions.

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.

9. Payables from exchange transactions

	2022	2021
Trade payables	11 282 115	11 747 961
Advance payment- consumer debtors	1 412 294	2 211 011
Unallocated deposit	173 292	-
Payroll control	1 365 476	177 486
Retention payable	7 348 542	6 216 567
Bonus Accrual	4 354 949	4 295 824
Leave Accrual	16 182 585	17 679 562
Under & over banking	-	19 172
	42 119 253	**42 347 583**

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2022	2021
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	-	6 529 699
Department of Sports, Recreation and Culture (DSRAC)	1 439 191	1 088 243
Local Government Sector Education & Training Authority (LGSETA)	816 144	350 584
Department of Economic Development Environmental Affairs & Tourism (DEDEAT)	5 000 000	-
	7 255 335	**7 968 526**

Movement during the year

	2022	2021
Balance at the beginning of the year	7 968 526	2 989 905
Additions during the year	91 613 146	90 023 372
Revenue recognition during the year	(90 465 270)	(83 374 217)
Repaid to National Treasury	(1 861 067)	(1 670 534)
	7 255 335	**7 968 526**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Unspent conditional grants and receipts (continued)

The above note represents 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 26 for reconciliation of grants from National/Provincial Government.

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

11. Revaluation reserve

The revaluation reserve is not distributable, given that this is a municipality.

	2022	2021
Opening balance	368 915 420	461 334 060
Change during the year	(76 125 526)	(92 418 640)
	292 789 894	**368 915 420**

12. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	5 585 250	(4 021 393)	1 563 857	4 092 282	(2 907 271)	1 185 011

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	1 185 011	1 660 133	(1 281 287)	1 563 857

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	57 851	3 942 282	(2 815 122)	1 185 011

13. Heritage assets

	2022			2021		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	78 959	-	78 959	78 959	-	78 959
Municipal Jewellery	37 793	-	37 793	-	-	-
Total	**116 752**	**-**	**116 752**	**78 959**	**-**	**78 959**

Reconciliation of heritage assets 2022

	Opening balance	Additions	Total
Historical monuments	78 959	-	78 959

13. Heritage assets (continued)

Municipal jewelry	-	37 793	37 793
	78 959	**37 793**	**116 752**

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	78 959	78 959

14. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	1 283 954	1 144 328	(1 105 504)	1 322 778

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	1 115 017	1 056 623	(887 686)	1 283 954

15. Changes in accounting policy

Inventories

During the year, the municipality voluntarily changed its accounting policy with respect to the treatment of inventories - consumerable stores.

Nature of the change

Management decided to voluntarily change the method of valuation of inventory during the period from first-in-first-out to weighted average cost method.

Reason for Change

Weighted average cost method provides a more reliable and relevant information about the effects of transactions in stock and provides more reliable valuation of inventory.

The effect of the individual line items on the financial statements

The change in accounting policy was not applied retrospectively and the corresponding comparative figures were not restated due to impracticality.

Impracticality of retrospectively adjustment

The retrospective application of change in policy is impracticable as the circumstances and events are more different as those transpired in the past. Previously inventory – consumerables stores were accounted using the periodic inventory system whereby stock was valued based on periodic count. The data have not have been collected in the prior period in a way that enables retrospective application of a new accounting policy and it’s not practicable to create, or recreate, the information. The municipality did not keep full history of all inventory purchased and issued in prior years therefore, it is not able to determine the effect of the change in accounting policy on prior periods. In the current financial year the municipality has implemented an inventory management system which enables inventory to management on a transactional level for each stock item in terms of purchases and issues which provides a more reliable and relevant information. In the prior years the municipality was not using financial system to account for inventory it was done manually.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Service charges

Refuse removal	5 467 186	5 065 670

17. Rental of facilities

Rentals	5 323 045	4 954 180
Hall hire	17 863	49 667
	5 340 908	**5 003 847**

18. Interest on outstanding debtors

Interest on debtors	15 772 706	15 034 312

19. Income from agency fees

Income from agency fees	2 761 725	2 704 230

Income from agency fees represents a collection fee of 19% on all motoring vehicle registration and licensing fees collected on behalf of the Department of Transport.

20. Licences and permits

Licences and permits	1 283 734	1 059 738

21. Unclaimed monies forfeited

Forfeited retentions realised	480 412	641 974
Unclaimed monies	512 261	-
	992 673	**641 974**

22. Staff recoveries

Staff recoveries	668 870	-

23. Other Income

Building plan fees	256 848	80 965
Cemetery fees	60 193	57 952
Clearance certificate fees	14 687	16 522
Commissions received	104 134	145 134
Other Income	129 269	958 981
Tender fees	-	16 151
Valuation service fees	15 555	15 776
Advertising	81 608	-
Appilcation for land usage	10 538	-
Removal of restrictions	2 717	-
Town planning & servitudes	2 528	-
Loading zone	3 620	-
	681 697	**1 291 481**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. Investment revenue

Interest revenue		
Bank	7 019 122	4 024 378

25. Property rates

Rates received

Property rates	68 891 619	60 384 416

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are conducted at least once on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Valuations were performed by independent valuer, Mr Tshepo Mokhuwa (Registration number 7006/9). Tariffs are applied as follows:

Residential
A general rate of R0.01178 - (2021 - R0.01178) is applied to residential property valuations to determine assessment rates. Rebates are granted to all residential property owners.

Business and Commercial
A general rate of R0.01519 - (2021 - R0.01519) is applied to business and commercial property valuations to determine assessment rates.

Vacant
A general rate of R0.02917 - (2021 - R0.02917) is applied to vacant property valuations to determine assessment rates.

State Owned
A general rate of R0.02466 - (2021 - R0.02466) is applied to state owned property valuations to determine assessment rates.

Small Holdings and Farms
A general rate of R0.00311 - (2021 - R0.00311) is applied to small holdings and farm property valuations to determine assessment rates.

Industrial
A general rate of R0.0149 - (2021 - R0.0149) is applied to industrial property valuations to determine assessment rates.

Public Service Infrastructure
A general rate of R0.00311 - (2021 - R0.00311) is applied to public service infrastructure valuations to determine assessment rates.

Mining & Quarries
A general rate of R0.00311 - (2021 - 0.00311) is applied to mining & quarry valuations to determine assessment rates.

Properties owned by public benefit organisations
A general rate of R0.00311 - (2021 - R0.00311) is applied to public benefit organisations to determine assessment rates.

Rebates
Rebates are granted to property owners in accordance with a variety of social and economic factors as described in the Municipality's Property Rates Policy.

Figures in Rand	2022	2021

26. Government grants and subsidies

Operating grants		
Equitable share	282 160 067	327 404 534
Finance Management Grant	1 850 000	1 700 000
Expanded Public Works Programme	2 418 000	1 695 000
Department of Sports, Recreation and Culture (DSRAC)	149 052	97 232
Local Government Sector Education & Training Authority (LGSETA)	299 170	710 684
	286 876 289	**331 607 450**
Capital grants		
Municipal Infrastructure Grant (MIG)	70 813 632	69 901 301
Integrated National Electrification Programme (INEP)	8 730 000	9 270 000
Small Town Revitalisation	6 205 416	-
	85 749 048	**79 171 301**
	372 625 337	**410 778 751**

Equitable Share

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

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as the operations of the municipality.
All registered indigents receive the following subsidies:
1. For all electricity beneficiaries, 50 KW per month
2. Rebates of R20,000 are granted to residential property owners.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	6 529 699	-
Current-year receipts	66 145 000	76 431 000
Conditions met - transferred to revenue	(70 813 632)	(69 901 301)
Roll-over not approved	(1 861 067)	-
	-	**6 529 699**

Conditions still to be met - remain liabilities (see note 10).

Local Government Sector Education & Training Authority (LGSETA)

Balance unspent at beginning of year	350 584	633 896
Current-year receipts	764 730	427 372
Conditions met - transferred to revenue	(299 170)	(710 684)
	816 144	**350 584**

Conditions still to be met - remain liabilities (see note 10).

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current-year receipts	1 850 000	1 700 000
Conditions met - transferred to revenue	(1 850 000)	(1 700 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 10).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

26. Government grants and subsidies (continued)

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	2 418 000	1 695 000
Conditions met - transferred to revenue	(2 418 000)	(1 695 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 10).

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	-	-
Current-year receipts	8 730 000	9 270 000
Conditions met - transferred to revenue	(8 730 000)	(9 270 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 10).

Department of Sports, Recreation and Culture (DSRAC)

Balance unspent at beginning of year	1 088 243	685 475
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(149 052)	(97 232)
	1 439 191	**1 088 243**

Conditions still to be met - remain liabilities (see note 10).

Disaster Grant - COVID 19

Balance unspent at beginning of year	-	1 670 534
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Grant repaid to National Treasury	-	(1 670 534)
	-	**-**

Conditions still to be met - remain liabilities (see note 10).

DEDEAT

Balance unspent at beginning of year	-	-
Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	-	-
	5 000 000	**-**

Conditions still to be met - remain liabilities (see note 10).

Small Town Revitalisation

Balance unspent at beginning of year	-	-
Current-year receipts	6 205 416	-
Conditions met - transferred to revenue	(6 205 416)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 10).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
27. Traffic Fines		
Traffic Fines	9 707 860	6 588 050

Figures in Rand	2022	2021

28. Employee related costs

Basic salary	136 106 983	133 258 582
Performance bonus	1 011 847	946 783
Medical aid	9 401 336	9 505 947
Unemployment Insurance Fund	927 719	844 984
Skills Development Levy	1 746 177	958 649
SALGA Levy	51 747	51 391
Leave pay provision charge	(119 788)	2 034 679
Pension fund contributions	23 104 858	23 166 710
Travel, motor car, accommodation, subsistence and other allowances	2 868 453	1 348 493
Overtime payments	1 537 088	1 277 566
Long-service awards	1 445 582	1 434 000
13th Cheques	10 519 777	10 599 870
Acting allowances	435 658	602 602
Housing benefits and allowances	242 368	218 944
Other allowances	107 079	138 075
Cell phone allowances	2 600 374	2 304 815
Arbitration award	282 703	-
	192 269 961	**188 692 090**

Remuneration of Municipal Manager - S Mahlasela

Annual remuneration	885 452	827 194
Backpay	92 323	113 193
Performance bonus	194 248	156 239
Cell phone allowance	119 202	111 359
Contributions to pension fund	238 845	223 131
Travel allowance	232 254	216 973
UIF	2 125	1 898
SDL	17 159	16 047
	1 781 608	**1 666 034**

Remuneration of Chief Finance Officer - M Matomane

Annual remuneration	723 784	676 163
Backpay	75 467	92 526
Performance bonus	146 568	116 103
Cell phone allowance	40 102	37 464
Contributions to pension fund	195 236	182 391
Contributions to medical aid	46 727	43 653
Travel allowance	200 457	187 268
UIF	2 125	1 898
SDL	13 884	12 981
	1 444 350	**1 350 447**

28. Employee related costs (continued)

Remuneration of Director of Corporate Services - S Caga

	2022	2021
Annual remuneration	723 784	676 163
Backpay	75 467	92 526
Performance bonus	134 354	139 323
Cell phone allowance	85 355	79 739
Contributions to pension fund	144 620	135 104
Contributions to medical aid	45 179	42 206
Travel allowance	207 370	193 726
UIF	2 125	1 898
SDL	13 746	13 200
	1 432 000	**1 373 885**

Remuneration of Directors of Infrastructure - Z Ntile

	2022	2021
Annual remuneration	357 364	676 163
Backpay	75 467	92 526
Performance bonus	134 354	116 103
Leave pay	117 255	-
Cell phone allowance	43 691	82 666
Contributions to pension fund	96 397	182 391
Contributions to medical aid	23 071	43 653
Travel allowance	75 084	142 065
UIF	1 417	1 898
SDL	8 111	11 246
	932 211	**1 348 711**

Director of Infrastructure, Z Ntile, resigned on 15 December 2021.

Remuneration of Director of Community Services - M Kibi

	2022	2021
Annual remuneration	723 784	676 163
Backpay	75 467	92 526
Performance bonus	122 140	127 713
Cell phone allowance	68 323	63 828
Contributions to pension fund	186 094	173 850
Travel allowance	228 106	213 098
UIF	2 125	1 898
SDL	12 136	11 693
	1 418 175	**1 360 769**

Remuneration of Director of Local Economic Development and Planning - M Dilika

	2022	2021
Annual remuneration	723 784	676 163
Backpay	75 467	92 526
Performance bonus	146 568	116 103
Cell phone allowance	87 218	81 479
Contributions to medical aid	54 911	51 299
Contributions to pension fund	195 235	182 390
Travel allowance	145 159	135 608
UIF	2 125	1 898
SDL	12 039	11 259
	1 442 506	**1 348 725**

Figures in Rand	2022	2021

28. Employee related costs (continued)

Remuneration of Director of Strategic Management - S Benya

Annual remuneration	723 784	676 163
Backpay	75 467	92 526
Performance bonus	146 568	116 103
Cell phone allowance	30 029	28 053
Contributions to pension fund	195 235	182 390
Contributions to medical aid	93 593	87 435
Travel allowance	163 666	152 898
UIF	2 125	1 898
SDL	12 002	11 224
	1 442 469	**1 348 690**

Remuneration of Director of Infrastructure - B Nohesi

Annual Remuneration	183 210	-
Travel allowance	53 173	-
Cell phone allowance	19 500	-
Contributions to pension fund	49 467	-
UIF	531	-
SDL	2 773	-
	308 654	**-**

Director of Infrastructure, B Nohesi, was appointed in April 2022.

29. Remuneration of councillors

Executive Mayor	883 955	912 691
Chief Whip	649 540	695 676
Speaker	731 673	739 078
Mayoral Committee Members	4 783 048	7 229 492
Other Councillors	19 925 781	19 586 940
	26 973 997	**29 163 877**

30. Depreciation and amortisation

Property, plant and equipment	101 387 891	115 271 150
Investment property	2 116 279	2 959 871
Intangible assets	1 281 287	2 815 122
	104 785 457	**121 046 143**

31. Impairment of assets

Property, plant and equipment	4 860 924	3 446 566

32. Finance costs

Actuarial interest	1 460 000	1 081 000

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

33. Debt impairment

Receivables from non-exchange transactions	19 953 473	13 238 973
Receivables from exchange transactions	4 343 391	10 161 581
Bad debts written off	13 043 558	4 780 233
	37 340 422	**28 180 787**

34. Bulk purchases

Electricity	2 881 170	4 900 752

35. Gain/(Loss) on disposal of assets

Gain or (loss) on disposal of assets during the year	(21 827 368)	(14 348 592)

36. Repairs and maintenance

Repairs and maintenance	4 122 681	9 112 036

37. General expenses

Advertising	2 819 250	1 748 675
Auditors remuneration	4 242 803	3 391 878
Bank charges	379 418	367 669
Transfer of assets held from distribution	449 800	-
Computer expenses	3 865 713	4 355 739
Professional fees	6 103 076	3 298 134
Consumables	4 069 756	2 306 916
Legal fees	2 588 853	2 131 965
Discount allowed	5 898 405	2 570 298
Civic functions	1 016 879	357 877
Car licences and registrations	304 807	230 657
Workmen's compensation	812 937	2 095 297
Hire	1 325 674	304 261
Insurance	1 968 954	1 296 555
Audit committee	357 070	393 800
Risk committee	100 000	-
Outsourced Services - Refuse Removal	3 828 417	2 193 645
Driver's licence cards	221 516	-
Fuel and oil	4 455 513	2 581 665
Printing and stationery	487 232	43 619
Uniform and protective clothing	416 293	1 527 906
Security	349 679	170 380
Post and telecommunications	3 111 252	2 801 361
Assets expensed	90 337	297 941
Municipal services	6 587 306	11 364 970
Operating project expenditure	665 606	4 128 713
Subsistence and travelling	2 171 467	996 446
Sundry expenses	-	289 464
Operating lease	722 405	696 508
Transfers to private enterprises	6 350 639	6 294 664
Electrification projects	7 155 574	14 810 680
Signage	83 507	215 376
Other expenses	82 058	-
	73 082 196	**73 263 059**

Figures in Rand	2022	2021

38. Cash generated from operations

Surplus	24 768 968	66 350 866
Adjustments for:		
Depreciation and amortisation	104 785 457	121 046 143
Loss on sale of assets and liabilities	21 827 368	14 348 592
Impairment deficit	4 860 924	3 446 566
Movements in employee benefit obligation	(766 000)	998 000
Movements in provisions for performance bonus	38 824	168 937
Other non-cash items	107 312	(309 594)
Changes in working capital:		
Inventories	274 738	4 163 261
Receivables from non-exchange transactions	(3 116 696)	(24 512 480)
Receivables from exchange transactions	(260 815)	(113 480)
Payables from exchange transactions	(228 330)	1 206 091
VAT	(3 117 638)	(1 776 151)
Unspent conditional grants and receipts	(713 191)	4 956 621
	148 460 921	**189 973 372**

39. Auditors' remuneration

Fees	4 242 803	3 391 878

40. Public contributions and donations

Public contributions and donations	56 176	26 041 965

The municipality received donations of computer equipment from the service provider TCS during the 2021/2022 financial year.

41. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	326 056	326 056
Receivables from exchange transactions	-	1 451 349	1 451 349
Cash and cash equivalents	160 435 015	-	160 435 015
	160 435 015	**1 777 405**	**162 212 420**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	42 119 253	42 119 253

2021

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	1 190 534	1 190 534
Cash and cash equivalents	127 688 779	-	127 688 779

Figures in Rand	2022	2021

41. Financial instruments disclosure (continued)

	127 688 779	**1 190 534**	**128 879 313**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	42 347 583	42 347 583

42. Commitments

Authorised capital expenditure

	2022	2021
Already contracted for but not provided for		
• Capital	53 956 553	9 203 999
Total capital commitments		
Authorised capital expenditure	53 956 553	9 203 999

Total commitments

	2022	2021
Total commitments		
Authorised capital expenditure	53 956 553	9 203 999

Operating leases - as lessee (expense)

	2022	2021
Minimum lease payments due		
- within one year	-	154 420

Operating lease payments represent rentals payable by the municipality for photocopying machines leased from Konica Minolta. Leases are negotiated for an average term not exceeding three years. No contingent rent is payable. There are no escalation clauses.

The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

43. Related parties

Relationships	
Municipal Manager	S Mahlasela - refer to note 28
Chief Financial Officer	M Matomane - refer to note 28
Director of Strategic Management	S Benya - refer to note 28
Director of Corporate Services	S Caga - refer to note 28
Director of Infrastructural Planning & Development	Z Ntile (resigned December 2021) - refer to note 28
Director of Infrastructural Planning & Development	B Nohesi (appointed April 2022) refer to note 28
Director of Community Services	M Kibi - refer to note 28
Director of Local Economic Development	M Dilika - refer to note 28
Executive Mayor	T Manxila-Nkamisa (start of term 22/11/2021)
	S Ncetezo (end of term 05/11/2021)
Speaker	ZM Mnqwazi (start of term 22/11/2021)
	T Bikitsha (end of term 05/11/2021)
Chief Whip	S Ncetezo (start of term 22/11/2021)
	Z Gade (end of term 05/11/2021)
Exco Councillors	L Mgandela (re-elected 22/11/2021)
	T Bikitsha (start of term 22/11/2021)
	M Qaba (start of term 22/11/2021)
	S Matutu (re-elected 22/11/2021)
	N Layiti (re-elected 22/11/2021)
	X Pupuma (re-elected 22/11/2021)
	N Sheleni (end of term 05/11/2021)
	N Plaatjie (end of term 05/11/2021)
	TP Ntanga (end of term 05/11/2021)
	N Thandaphi (end of term 05/11/2021)
Councillors	N Sigwadi (start of term 05/11/2021)
	Z Sobekwa (re-elected 05/11/2021)
	T Ntyinkala (re-elected 05/11/2021)
	N Baleka (start of term 05/11/2021)
	N Magwentshu (start of term 05/11/2021)
	M Ndima (start of term 05/11/2021)
	N Paliso (start of term 05/11/2021)
	M Xabela (start of term 05/11/2021)
	N Ntamo (start of term 05/11/2021)
	N Mena (start of term 05/11/2021)
	L Ngindana (start of term 05/11/2021)
	M Kabane (start of term 05/11/2021)
	N Mtintsilana (start of term 05/11/2021)
	Z Mawisa (start of term 05/11/2021)
	L Tetana (start of term 05/11/2021)
	M Magobiane (start of term 05/11/2021)
	S Maputeni (start of term 05/11/2021)
	V Nkehle (re-elected 05/11/2021)
	K Gobeni (re-elected 05/11/2021)
	T Ntshonga (re-elected 05/11/2021)
	Z Kwaza (start of term 05/11/2021)
	X Mjamba (start of term 05/11/2021)
	M Ntsali (start of term 05/11/2021)
	V Gazi (start of term 05/11/2021)
	B Zondani (start of term 05/11/2021)
	T Mduli (start of term 05/11/2021)
	P Mbovane (re-elected 05/11/2021)
	W Ntongana (re-elected 05/11/2021)
	M Tangana (start of term 05/11/2021)
	N Ntolosi (re-elected 05/11/2021)
	P Ndabambi (start of term 05/11/2021)
	N Mbuku (start of term 05/11/2021)
	T Jizana (start of term 05/11/2021)
	N Mzongwana (start of term 05/11/2021)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

43. Related parties (continued)

	N Futywana (start of term 05/11/2021) Z Bomela (start of term 05/11/2021) N Kendle (end of term 05/11/2021) V Manxodidi (start of term 05/11/2021) M Mkhilili (re-elected 05/11/2021) N Nohesi (start of term 05/11/2021) A Soyeza (start of term 05/11/2021) N Nogaga-Mpumpula (start of term 05/11/2021) M Masekwana (start of term 05/11/2021) C Ncukana (start of term 05/11/2021) T Gidigidi (start of term 05/11/2021) N Filtane (start of term 05/11/2021) Z Tyandela (start of term 05/11/2021) L Maputuma (start of term 05/11/2021) S Magandana (start of term 05/11/2021) PB Goniwe (start of term 17/05/2022 replacing N Kendle) NH Dali (start of term 27/05/2022 replacing S Magandana) N Lusizi (end of term 05/11/2021) NM Mpambani (end of term 05/11/2021) SL Mafanya (end of term 05/11/2021) Z Mkiva (end of term 05/11/2021) ME Ntshonga (end of term 05/11/2021) N Monakali (end of term 05/11/2021) NN Nqolomlilo (end of term 05/11/2021) Z Siyo (end of term 05/11/2021) AA Krakri (end of term 05/11/2021) LS Sobekwa (end of term 05/11/2021) GN Nombila (end of term 05/11/2021) B Kave (end of term 05/11/2021) ZC Mfazwe (end of term 05/11/2021) TZ Xhongwana (end of term 05/11/2021) N Lusizi (end of term 05/11/2021) KG Magwaca (end of term 05/11/2021) NG Ndongeni (end of term 05/11/2021) L Tsipa (end of term 05/11/2021) NP Dube (end of term 05/11/2021) M Ndungane (end of term 05/11/2021) C Mtsi (end of term 05/11/2021) SN Tshazi (end of term 05/11/2021) WW Mbadlanyana (end of term 05/11/2021) ZA Mqolo (end of term 05/11/2021) ML Mtalo (end of term 05/11/2021) NL Zaba (end of term 05/11/2021) NQ Sukwana (end of term 05/11/2021) N Jiya (end of term 05/11/2021) Y Mngonyama (end of term 05/11/2021) NH Skelenge (end of term 05/11/2021) SM Molosi (end of term 05/11/2021) MW Mbeki (end of term 05/11/2021) A Finca (end of term 05/11/2021) L Mbentsula (end of term 05/11/2021) S Lilise (end of term 05/11/2021) AB Madikane (end of term 05/11/2021) T Makeleni (end of term 05/11/2021)
Traditional leaders to participate in Mnquma Municipal Council	NVG Dondashe (re-elected 10/12/2021) NS Ngxiya (end of term 05/11/2021) VL Mbasa (end of term 05/11/2021) WM Mahlangeni (end of term 05/11/2021)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

43. Related parties (continued)

BL Ntleki (end of term 05/11/2021)
ZM Dyantyi (end of term 05/11/2021)
M Magodla (end of term 05/11/2021)
N Nyhila (end of term 05/11/2021)
D Mpangele (end of term 05/11/2021)
BB Vuso (end of term 05/11/2021)
M Nguza (end of term 05/11/2021)
P Nguza (end of term 05/11/2021)

Related party transactions

Purchases from (sales to) related parties		
Z Makaula the debtors clerk - Her brother, B Makaula owns Vebu Holdings	4 359	412 692
Mxolelanisi Manxiwa is an attorney representing the municipality, his brother Clayton Mkhulisi Manxiwa is a manager in the legal department at Mbashe Municipality	252 049	223 424

44. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through maintenance of cash balances.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 30 June 2022	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Receivables from non-exchange transactions	326 056	-	-	-	326 056
Receivables from exchange transactions	1 451 349	-	-	-	1 451 349
VAT receivable	7 657 210	-	-	-	7 657 210
Cash and cash equivalents	160 435 015	-	-	-	160 435 015
Payables from exchange transactions	42 119 253	-	-	-	42 119 253
Unspent conditional grants and receipts	7 255 335	-	-	-	7 255 335
	219 244 218	**-**	**-**	**-**	**219 244 218**

As at 30 June 2021	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Receivables from exchange transactions	1 190 534	-	-	-	1 190 534
VAT receivable	4 539 572	-	-	-	4 539 572
Cash and cash equivalents	127 688 779	-	-	-	127 688 779
Payables from exchange transactions	42 347 583	-	-	-	42 347 583
Unspent conditional grants and receipts	7 968 526	-	-	-	7 968 526
	183 734 994	**-**	**-**	**-**	**183 734 994**

Credit risk

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

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

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

Financial instrument	**2022**	**2021**
Receivables from non-exchange transactions	326 056	-
Receivables from exchange transactions	1 451 349	1 190 534
Cash and cash equivalents	160 435 015	127 688 779

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

44. Risk management (continued)

Receivables from non-exchange - Other receivables

Current (0 - 30 days)	8 612	-
121 - 150 days	6 077	-
> 150 days	311 367	-
	326 056	**-**

Refuse

Current (0 - 30 days)	1 397 721	703 409
31 - 60 days	648 411	687 543
61 - 90 days	658 988	681 150
91 - 120 days	629 248	676 074
121 - 150 days	610 826	668 716
> 150 days	24 478 175	37 417 536
	28 423 369	**40 834 428**

Housing rental

Current (0 - 30 days)	432 394	456 881
31 - 60 days	13 975	398 386
61 - 90 days	13 893	396 149
91 - 120 days	13 806	393 191
121 - 150 days	12 916	389 321
> 150 days	236 377	12 962 434
	723 361	**14 996 362**

Receivables from exchange transactions - Other receivables

Current (0 -30 days)	28 385	-
> 150 days	7 913	-
	36 298	**-**

45. Prior period errors

Paybales from exchange transactions

As previously stated	-	42 604 203
Increase in payables from exchange due to raising liability for arbitration award to EPWP for wages owing relating to 2016/2017.	-	80 000
Decrease in payables from exchange transactions due to overstatement of retention on electrification project.	-	(350 117)
Increase in payables from exchange due to balance written-off.	-	90
Increase in payables from exchange due to building plan deposit incorrectly recorded under revenue.	-	10 576
Decrease in payables from exchange transactions due to hall deposit refund incorrectly recorded under revenue.	-	(500)
Decrease in payables from exchange transactions due to hall deposit refund incorrectly recorded under expenditure.	-	(1 581)
Increase in payables from exchange due to hall deposits incorrectly recorded under revenue.	-	4 912
Decrease in paybales from exchange transactions due to EMS license fees incorrectly capitalised as intangible assets 2019.	-	(3 867 770)
Increase in payables from exchange due to understatement of creditors due to incorrect capitalisation EMS license fees pre-2021.	-	2 440 581
Increase in payables from exchange due to understatement of creditors due to incorrect capitalisation EMS license fees 2021.	-	1 427 189
	-	**42 347 583**

Figures in Rand	2022	2021

45. Prior period errors (continued)

Property, plant & equipment		
As previously stated	-	763 715 057
Increase in property, plant & equipment due to capitalisation of Country Club assets previously not recognised.	-	27 718 277
Decrease in property, plant & equipment due to depreciation on Country Club assets for 2021.	-	(2 836 514)
Decrease in property, plant & equipment due to heritage assets previously incorrectly recorded under community assets.	-	(53 333)
Increase in property, plant & equipment due to reversal accumulated depreciation incorrectly calculated on heritage asset incorrectly recorded under community assets pre-2021.	-	31 115
Increase in property, plant & equipment due to reversal accumulated depreciation incorrectly calculated on heritage asset incorrectly recorded under community assets 2021.	-	1 777
Increase in property, plant & equipment due to property, plant & eqiupment previously not recognised.	-	191 322
Decrease in property, plant & equipment due to depreciation for 2021 on property, plant & eqiupment previously not recognised.	-	(38 242)
Increase in property, plant & equipment due to computer equipment and machinery & plant incorrectly classified as furniture & office equipment.	-	75 092
Decrease in property, plant & equipment due to computer equipment and machinery & plant incorrectly classified as furniture & office equipment.	-	(75 092)
Increase in property, plant & equipment due to furniture & office equipment incorrectly classified as machinery & plant.	-	2 202
Decrease in property, plant & equipment due to furniture & office equipment incorrectly classified as machinery & plant.	-	(2 202)
Increase in property, plant & equipment due to accumulated depreciation on furniture & office equipment incorrectly classified as accumulated depreciation machinery & plant.	-	2 052
Decrease in property, plant & equipment due to accumulated depreciation on furniture & office equipment incorrectly classified as accumulated depreciation machinery & plant.	-	(2 052)
Increase in property, plant & equipment due to accumulated depreciation on computer equipment and machinery & plant incorrectly classified as accumulated depreciation on furniture & office equipment.	-	34 721
Decrease in property, plant & equipment due to accumulated depreciation on computer equipment and machinery & plant incorrectly classified as accumulated depreciation on furniture & office equipment.	-	(34 721)
Decrease in property, plant & equipment due to derecognition of Library incorrectly capitalised as municipal asset.	-	(2 157 894)
Increase in property, plant & equipment due to reversal of depreciation for 2021 due to derecognition of Library.	-	95 075
Increase in property, plant & equipment due to reversal of depreciation for pre-2021 due to derecognition of Library.	-	519 039
	-	**787 185 677**

Accumulated surplus		
As previously stated	-	647 394 628
Increase in accumulated surplus due to capitalisation of Country Club assets previously not recognised.	-	27 718 277
Decrease in accumulated surplus due to due to depreciation on Country Club assets for 2021.	-	(2 836 514)
Increase in accumulated surplus due to heritage assets previously incorrectly recorded under community assets.	-	25 625
Increase in accumulated surplus due to reversal accumulated depreciation incorrectly calculated on heritage asset incorrectly recorded under community assets pre-2021.	-	31 115
Increase in accumulated surplus due to reversal accumulated depreciation incorrectly calculated on heritage asset incorrectly recorded under community assets 2021.	-	1 777
Increase in accumulated surplus due to property, plant & eqiupment previously not recognised.	-	191 322

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

45. Prior period errors (continued)

Decrease in accumulated surplus due to depreciation for 2021 on property, plant & eqiupment previously not recognised.	-	(38 242)
Decrease in accumulated surplus due to derecognition of Library incorrectly capitalised as municipal asset.	-	(2 038 980)
Increase in accumulated surplus due to reversal of depreciation for 2021 due to derecognition of Library.	-	95 075
Increase in accumulated surplus due to reversal of depreciation for pre-2021 due to derecognition of Library.	-	519 039
Decrease in accumulated surplus due to reversal of revaluation reserve to accumulated surplus for 2021.	-	(15 100)
Decrease in accumulated surplus due to raising liability for arbitration award to EPWP for wages owing relating to 2016/2017.	-	(80 000)
Increase in accumulated surplus due to EDM grant revenue recognition was not recorded previously when expenditure incurred.	-	6 870 040
Increase in accumulated surplus due to RDP and pre-1994 houses previously not recognised.	-	1 478 100
Decrease in accumulated surplus due to overstatement of retention on electrification project.	-	(304 449)
Increase in accumulated surplus due to output VAT on provision for refuse debt impairment previously not recognised pre-2021.	-	3 678 349
Decrease in accumulated surplus due to output VAT on refuse debt written-off incorrectly transferred from bad debt expense.	-	(85 382)
Increase in accumulated surplus due to output VAT on provision for refuse debt impairment for 2021.	-	485 458
Increase in accumulated surplus due to output VAT on provision for commercial rental debt impairment previously not recognised pre-2021.	-	25 228
Decrease in accumulated surplus due to output VAT on provision for commercial rental debt impairment for 2021.	-	(3 458)
Decrease in accumulated surplus due to overstatement of input VAT accrual.	-	(466 612)
Decrease in accumulated surplus due to balance written-off.	-	(90)
Decrease in accumulated surplus due to building plan deposit incorrectly recorded under revenue.	-	(10 576)
Increase in accumulated surplus due to hall deposit refund incorrectly recorded under revenue.	-	500
Increase in accumulated surplus due to hall deposit refund incorrectly recorded under expenditure.	-	1 581
Decrease in accumulated surplus due to hall deposits incorrectly recorded under revenue.	-	(4 912)
Decrease in accumulated surplus due to overstatement of RDP houses held for distribution.	-	(4 406 502)
Decrease in accumulated surplus due to understatement of expenditure due to incorrect capitalisation EMS license fees pre-2021.	-	(2 122 244)
Increase in accumulated surplus due to incorrectly amortisating of EMS license fees pre-2021.	-	2 243 208
Decrease in accumulated surplus due to understatement of expenditure due to incorrect capitalisation EMS license fees 2021.	-	(1 241 034)
Increase in accumulated surplus due to incorrectly amortisating of EMS license fees 2021.	-	1 120 070
Increase in accumulated surplus due to website development cost previously not capitalised and amortisation not recognised.	-	57 851
Decrease in accumulated surplus due to amortisation not recognised 2021.	-	(18 410)
	-	**677 395 536**

Employee related costs

As previously stated	-	188 692 090
Decrease in employee related costs due to performance bonuses incorrectly disclosed as 13th cheque bonus	-	(946 783)
Increase in employee related costs due to performance bonuses incorrectly disclosed as 13th cheque bonus.	-	946 783

Figures in Rand	2022	2021

45. Prior period errors (continued)

	-	**188 692 090**

General expenses		
As previously stated	-	72 326 474
Decrease in general expenses due to overstatement of retention on electrification project.	-	(304 449)
Decrease in general expenses due to assets below capitalisation threshold incorrectly disclosed as advertising	-	(297 941)
Increase in general expenses due to assets below capitalisation threshold incorrectly disclosed as advertising	-	297 941
Decrease in general expenses due to printing & stationery incorrectly disclosed as professional fees	-	(43 619)
Increase in general expenses due to printing & stationery incorrectly disclosed as professional fees	-	43 619
Decrease in general expenses due to vehicle tracking incorrectly disclosed as insurance instead of security	-	(170 380)
Increase in general expenses due to vehicle tracking incorrectly disclosed as insurance instead of security	-	170 380
Decrease in general expenses due to hire of transport services incorrectly disclosed as subsistence & travelling	-	(244 600)
Increase in general expenses due to hire of transport services incorrectly disclosed as subsistence & travelling	-	244 600
Decrease in general expenses due to insurance premium incorrectly recorded under safeguard and security expense	-	(1 265 345)
Increase in general expenses due to insurance premium incorrectly recorded under safeguard and security expense	-	1 265 345
Decrease in general expense due to insurance excess payments incorrectly recorded under safeguard and security expense	-	(16 371)
Increase in general expense due to insurance excess payments incorrectly recorded under safeguard and security expense	-	16 371
Decrease in general expense due to audit committee fees incorrectly recorded as Remuneration to Section 79 Committee Members.	-	(393 800)
Increase in general expense due to audit committee fees incorrectly recorded as Remuneration to Section 79 Committee Members.	-	393 800
Increase in general expense due to understatement of expenditure due to incorrect capitalisation EMS license fees 2021.	-	1 241 034
	-	**73 263 059**

Heritage assets		
As previously stated	-	-
Increase in heritage assets due to heritage assets previously incorrectly recorded under community assets.	-	78 959
	-	-
	-	**78 959**
	-	-

Revaluation reserve		
As previously stated	-	369 019 234
Decrease in revaluation reserve due to derecognition of Library incorrectly capitalised as municipal asset.	-	(118 914)
Decrease in revaluation reserve due to reversal of revaluation reserve to accumulated surplus for 2021.	-	15 100
	-	**368 915 419**

Depreciation and amortisation

Figures in Rand	2022	2021

45. Prior period errors (continued)

As previously stated	-	119 369 898
Increase in depreciation & amortisation due to depreciation on Country Club assets for 2021.	-	2 836 514
Decrease in depreciation & amortisation due to reversal accumulated depreciation incorrectly calculated on heritage asset incorrectly recorded under community assets 2021.	-	(1 777)
Increase in depreciation & amortisation due to depreciation for 2021 on property, plant & eqiupment previously not recognised.	-	38 242
Decrease in depreciation & amortisation due to reversal of depreciation for 2021 due to derecognition of Library.	-	(95 075)
Decrease in depreciation & amortisation due to incorrectly amortisating of EMS license fees 2021.	-	(1 120 070)
Increase in depreciation & amortisation due to amortisation not recognised 2021.	-	18 410
	-	-
	-	**121 046 143**

Unspent conditional grants and receipts

As previously stated	-	14 838 566
Decrease in unspent conditional grants & receipts due to EDM grant revenue recognition was not recorded previously when expenditure incurred.	-	(6 870 040)
Decrease in unspent conditonal grants & receipts due to MIG Capital grants received incorrectly recorded as MIG Operational grants received in 2020.	-	(16 731 595)
Increase in unspent conditonal grants & receipts due to MIG Capital grants received incorrectly recorded as MIG Operational grants received in 2020.	-	16 731 595
Decrease in unspent conditonal grants & receipts due to MIG Capital grants received incorrectly recorded as MIG Operational grants received in 2021.	-	(7 013 750)
Increase in unspent conditonal grants & receipts due to MIG Capital grants received incorrectly recorded as MIG Operational grants received in 2021.	-	7 013 750
Increase in unspent conditonal grants & receipts due to repayment of capital portion of Disaster Relief Grant was incorrectly recorded in operational portion of Disaster Relief Grant.	-	750 000
Decrease in unspent conditonal grants & receipts due to repayment of capital portion of Disaster Relief Grant was incorrectly recorded in operational portion of Disaster Relief Grant.	-	(750 000)
	-	**7 968 526**

Inventories

As previously stated	-	7 459 398
Decrease in inventories due to overstatement of RDP houses held for distribution.	-	(4 406 502)
	-	**3 052 896**

VAT receivables

As previously stated	-	951 657
Decrease in VAT receivables due to overstatement of retention on electrification project.	-	(45 667)
Increase in VAT receivables due to output VAT on provision for refuse debt impairment previously not recognised pre-2021.	-	3 678 349
Decrease in VAT receivables due to output VAT on refuse debt written-off incorrectly transferred from bad debt expense.	-	(85 382)
Increase in VAT receivables due to output VAT on provision for refuse debt impairment for 2021.	-	485 458
Increase in VAT receivables due to output VAT on provision for commercial rental debt impairment previously not recognised pre-2021.	-	25 227
Decrease in VAT receivables due to output VAT on provision for commercial rental debt impairment for 2021.	-	(3 458)

Figures in Rand	2022	2021

45. Prior period errors (continued)

Decrease in VAT receivables due to overstatement of input VAT accrual.	-	(466 612)
Decrease in VAT receivables due to EMS license fees incorrectly capitalised as intangible assets 2019.	-	(504 492)
Increase in VAT receivables due to understatement of VAT due to incorrect capitalisation EMS license fees pre-2021.	-	318 337
Increase in VAT receivables due to understatement of VAT due to incorrect capitalisation EMS license fees 2021.	-	186 155
	-	**4 539 572**

Debt Impairment

As previously stated	-	28 577 405
Increase in debt impairment due to output VAT on refuse debt written-off incorrectly transferred from bad debt expense.	-	85 382
Decrease in debt impairment due to output VAT on provision for refuse debt impairment for 2021.	-	(485 458)
Decrease in VAT receivables due to output VAT on provision for commercial rental debt impairment for 2021.	-	3 458
	-	**28 180 787**

Other income

As previously stated	-	1 933 455
Decrease in other income due to retentions forfeited incorrectly recorded as revenue from exchange transactions instead of non-exchange transactions.	-	(641 974)
	-	**1 291 481**

Unclaimed monies forfeited

As previously stated	-	-
Increase in unclaimed monies forfeited due to retentions forfeited incorrectly recorded as revenue from exchange transactions instead of non-exchange transactions.	-	641 974
	-	**641 974**

Intangible assets

As previously stated	-	1 145 570
Decrease in intangible assets due to EMS license fees incorrectly capitalised as intangible assets 2019.	-	(3 363 278)
Increase in intangible assets due to incorrectly amortisating of EMS license fees pre-2021.	-	2 243 208
Increase in intangible assets due to incorrectly amortisating of EMS license fees 2021.	-	1 120 070
Increase in intangible assets due to website development cost previously not capitalised.	-	150 000
Decrease in intangible assets due to amortisation not recognised pre-2021.	-	(92 149)
Decrease in intangible assets due to amortisation not recognised 2021.	-	(18 410)
	-	**1 185 011**

46. Unauthorised expenditure

Opening balance	-	-
Add: Unauthorised expenditure - current year	-	-
Less: Written-off by Council	-	-
	-	**-**

47. Fruitless and wasteful expenditure

Opening balance	-	-
Add: Fruitless and wasteful expenditure - current year	-	3 452
Less: Written-off by Council	-	-
Less: Amounts recovered	-	(3 452)
	-	**-**

48. Irregular expenditure

Opening balance	-	-
Add: Irregular Expenditure - current year	-	1 450 978
Less: Amounts written-off	-	(1 450 978)
	-	**-**

Details of irregular expenditure – current year

		-

Details of irregular expenditure - 2021

	Condoned by (condoning authority)	
Non-compliance with Preferential Procurement Regulation 4(3)		421 200
Non-compliance with Regulation 12(1)(c), 17(a) - 17(c) & 36(2) of the Municipal SCM Regulations		1 029 778
		1 450 978

49. Deviation from supply chain management regulations

Incurred during the year	4 798 707	3 474 673

50. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	-
Current year subscription / fee	4 879 223	3 900 193
Amount paid - current year	(4 878 086)	(3 900 193)
	1 137	**-**

PAYE, SDL and UIF

Opening balance	-	-
Current year subscription / fee	34 584 064	33 546 466
Amount paid - current year	(34 584 064)	(33 546 466)
	-	**-**

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	48 209 540	52 277 881
Amount paid - current year	(48 209 540)	(52 277 881)
	-	**-**

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

VAT

VAT receivable	7 657 210	4 539 572

All VAT returns have been submitted by the due date throughout the year.

SALGA Levy

Opening balance	-	-
Current year subscription/ fee	103 381	102 703
Amount paid - current year	(103 381)	(102 703)
	-	-

51. Contingencies

As at 30 June 2022, the Municipality had the following contingent liabilities:

Cases against the Municipality		
Case no144/19 Barricade Protection Services vs Mnquma Local Municipality	1 350 484	1 350 484
VJ Transport vs Mnquma Local Municipality	195 062	195 062
Case No. 297/19 Lungi Dyantyi vs Mnquma Local Municipality	121 112	97 062
Case No. 411/2020 Thembelani Tshaka and Others vs Mnquma Local Municipality	1 500 000	1 500 000
Case No. 73/2020 Bheki Sifile vs Mnquma Local Municipality	20 000	25 000
Lesley Ronald Martin and Others vs Mnquma Local Municipality and Lukhanyo Tukani	27 560 000	27 560 000
Case No. 237/19 Nontando Mvume vs Mnquma Local Municipality	33 556	33 556
Imbawula Civil Projects (Pty) Ltd t/a Imbawula Engineering Academy vs Mnquma Local Municipality	-	824 993
Case No. 276/17 Wezile Mgidlana vs Mnquma Local Municipality	350 000	350 000
Musa Nho & Others vs Mnquma Local Municipality	517 964	2 071 856
Case No. 3461/15 Zolile Mshumpela vs Mnquma Local Municipality	-	1 008 000
Case No. 89/18 Vuyani Excellent Dyalo vs Mnquma Local Municipality and MM	150 000	150 000
Case No. 5719/18 Nangamso Mbangwana vs Mnquma Local Municipality	-	300 000
Case No. 3602/17 Soyama Construction CC vs Mnquma Local Municipality	2 588 888	2 588 888
Case No. 646/2017 Sam Toyo vs Mnquma Local Municipality	-	65 000
Case No. 4806/2017 Masixole Innocent Magwashu vs Mnquma Local Municipality	300 000	300 000
Case No.1069/2014 Siva Pillay Construction vs Mnquma Local Municipality	13 377 329	13 377 329
Case No. 2390/2017 A One Electric vs Mnquma Local Municipality	1 153 297	1 153 297
Case No. 463/2017 C.W.Z. Matota and another vs Mnquma Local Municipality	164 477	164 477
Case No. 250/19 Mpinda Hlaba vs Mnquma Local Municipality	150 000	150 000
Case No. 2210/17 Thulani S. Silimela vs Mnquma Municipality and Police	-	600 000
CASE NO: 189/2022 Kanetso Johannes Ramaipato vs Mnquma Local Municipality and Mr Timakoe	59 022	-
CASE NO : 42/22 Bongani Nyhiba vs Mnquma Local Municipality	193 082	-
Case No. 124/2020 - Thabo Adam vs MLM	-	2 450
Case No.313/2020 - M. Tutu vs MLM	12 000	12 000
Case No. 114/2021 - Thandinkosi Magani vs MLM	2 000 000	200 000
	51 796 273	**54 079 454**

Barricade Protection Services Case No. 144/19 vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for breach of contract provision security services to former Municipal Manager. Still awaiting trail date.

VJ Transport vs Mnquma Local Municipality
The Plaintiff is suing the Municipality on the damage arising on the unidentified collapsed bridge. The case is still pending.

Lungi Dyantyi Case No. 297/19 vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for damages on his motor vehicle that was impounded by the Municipality,the matter is at pre trail stage.

Thembelani Tshaka and Others Case No. 411/2020 vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for damages on his motor vehicle that was impounded by the Municipality,the matter is at pre trail stage.

Bheki Sifile Case No. 73/2020 vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for damages on his motor vehicle that was impounded by the Municipality.

Lesley Ronald Martin and Others vs Mnquma Local Municipality and Lukhanyo Tukani
The Plaintiff is suing the municipality for damages as a result of Mr Tukani (Employee) action who accidently fired a shot through the neighbour's home which struck their son in the head, trail is set down for 19 August 2022.

Nontando Mvume Case No. 237/19 vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for damages of a motor hevicle by the pothole,the matter is at pre trail stage.

Notes to the Annual Financial Statements

51. Contingencies (continued)

Wezile Mgidlana Case No. 276/17 vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for unlawful assault by trafic officers, the matter is at pre trail stage.

Musa Nho and Others vs Mnquma Local Municipality
The Plaintif is claiming the municipality for unlawful arrest, detention and other damages allegedly caused by some of the employees traffic officers during the arrest.

Vuyani Excellent Dyalo Case No.89/18 vs Mnquma Local Municipality and Municipal Manager
The Plaintiff is suing the Municipality for damages on his motor vehicle that was impounded by the Municipality,the matter is at pre trail stage.

Soyama Construction CC Case No. 3602/17 vs Mnquma Local Municipality
The Plaintiff is claiming the Municipality money for services rendered that was not paid by the Municipality,the matter is still pending.

Masixole Innocent Magwashu Case No. 4806/2017 vs Mnquma Local Municipality
The plaintiff is suing the Municipality for unlawful arrest,detention and assult by the members of the Municipality , the case is at still pending.

Siva Pillay Construction Case No.1069/2014 vs Mnquma Local Municipality
The Plaintiff is claiming the Municipality money for services rendered that was not paid, the matter is still pending.

A One Electric Case No. 2390/2017 vs Mnquma Local Municipality
The Plaintiff is claiming the Municipality money for services rendered that was not paid by the Municipality,the matter is still pending.

C.W.Z. Matota and another Case No. 463/2017 vs Mnquma Local Municipality
The plaintiff is suing the Municipality for breach of contrar and/or failure to pay plaintiff's invoice,the matter is at pre trail stage.

Mpinda Hlaba Case No. 250/19 vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for unlawful arrest by trafic officers near Caltex Garage, the matter is at pre trail stage, case is still pending.

Case No.313/2020 - M. Tutu vs MLM
The Plaintiff is suing the Municipality for damages suffered as a result of negligent of Municipal driver of TLB.

Case No. 114/2021 - Thandinkosi Magani vs MLM
The Plaintiff is suing the Municipality for damages on his motor vehicle that was impounded by the Municipality,the matter is at pre trail stage.

CASE NO: 189/2022 Kanetso Johannes Ramaipato vs Mnquma Local Municipality and Mr Timakoe
The Plaintiff is suing the Municipality for an an alledged ,wrongful and unlawfully impoundment of of Plaintiff's vehicle. Notice of acting has been prepared.

CASE NO : 42/22 Bongani Nyhiba vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for damages of a motor hevicle by the pothole,the matter is still pending.

Notes to the Annual Financial Statements

52. Employee benefit obligations

Employee benefit obligation consists of the following:

Long service awards	13 133 000	13 899 000

The Municipality has a defined benefit obligation in terms of the Long Service Awards. The defined benefit obligation is valued every year by independent qualified actuaries. The most recent valuations have been carried out by ZAQ Consultants and Actuaries:

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five-year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

Movement in the employee benefit obligation disclosed in the statement of financial position

Carrying value		
Opening balance	13 899 000	12 901 000
Current service costs - Employee related costs	1 420 000	1 434 000
Actuarial interest - Finance costs	1 460 000	1 081 000
Benefit paid	(523 902)	(793 285)
Actuarial (Gains) Losses	(3 122 098)	(723 715)
	13 133 000	**13 899 000**

Non-current liabilities	11 518 000	12 548 000
Current liabilities	1 615 000	1 351 000
	13 133 000	**13 899 000**

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

Opening balance	13 899 000	12 901 000
Benefits paid	(523 902)	(793 285)
Net expense recognised in the statement of financial performance	(242 098)	1 791 285
	13 133 000	**13 899 000**

The amount recognised in the statement of financial performance

Current service cost	1 420 000	1 434 000
Interest cost	1 460 000	1 081 000
Actuarial (gains) losses	(3 122 098)	(723 715)
	(242 098)	**1 791 285**

52. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.15 %	8.78 %
Expected increase in salaries	8.39 %	6.25 %

The normal retirement age is 65 years and the SA85-90 mortality table was used.

Other assumptions

The basis on which the discount rate has been determined is as follows:

The discount rate has been determined by using the Conventional Bond Rate for each relevant time period and the (yield curve based) inflation linked Bond Rate for each relevant time period.

Withdrawal rates **Age band**	**Withdrawal rates males**	**Withdrawal rates females**
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %
	- %	- %

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	**Valuation assumption**	**+20% Withdrawal rate**
Total accrued liability	13 805 000	13 133 000	12 515 000
Current service costs	1 439 000	1 355 000	1 279 000
Interest costs	1 651 000	1 566 000	1 489 000

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

Normal salary inflation	**-1% Normal salary inflation**	**Valuation Assumption**	**+1% Normal salary inflation**
Total accrued liability	12 482 000	13 133 000	13 833 000
Current service costs	1 281 000	1 355 000	1 435 000
Interest costs	1 485 000	1 566 000	1 654 000
	15 248 000	**16 054 000**	**16 922 000**

53. Budget differences

Material differences between budget and actual amounts

A - Rotation of staff members and unit not operating fully from July to December due to COVID pandemic resulted in municipality not achiving its target.

B - Rotation of staff members and unit not operating fully from July to December due to COVID pandemic resulted in municipality not achiving its target.

C - Repairs of two municipal halls and the effect of economy of Butterworth which has resulted in a decline in the use of the municipality's cash-based services by consumers.

D - Variance is due to investment of large amounts of unused funds to generate interest.

E - The municipality received computers from TCS company which was never anticipated when budget was done at the beginning of the year.

F - The variance due to unexpectedly high number of motorists identified during roadblocks which are non-compliant with road regulations.

G - The municipality recovers monies as a result of negligence from employees these kind of revenues are not budgeted for because uncentities involved. These are adhoc revenues that are not anticipated when budget is prepared.

H - These are unknown amounts not claimed by third parties after three years and retention forfited due to contractor not correcting snags on site.These are adhoc revenues that are not anticipated when budget is prepared.

I - Cost cutting measures in overtime, acting allowances ,merger of non critical posts and not filling non essencial posts assisted in reduced employee costs.

J - The council introduced 50% discount on settlement of debtors , the municipality anticipated during budgent stage that debtors will utilise the discount. As much as the campaign of 50% did yield positive result but it did not reduced the balance as expected.

K - The decease is as a result of municipality investing on new plant and vehicles and disposing old machinery.

L - The expenditure variance is as a result of treasury who issued a circular requestung the municipalities to stop with procurement from February to end May because of the adverse finding by the constitutional court against it.

M - This is as a result of decrease of assets held for distribution during the current year due to transfers of RDP houses from the municipality to the beneficiaries.

N - The council introduced 50% discount on setlement of debtors , the municipality anticipated during budgent stage that debtors will utilise the discount. As much as the campaign of 50% did yield positive result but it did no reduce the balance as expected.

O - The variance relate to VAT returns submitted for May and June 2022 to SARS but not yet refunded by the end of the financial year.

P - Variance is as a result of impairment of Refuse debtors.

Q - Variance is as a result of call investments that yield lot of interests and VAT refunds that are invested.

R - The contributing factor to the variance is derecognition of assets when they are replanced and the new asset is not complete at the end of the finacial period, also Libriary was removed from our asset register as it does not belong to the municipality.

S - The municipality did not anticipate to have any unspent funds at year end.

54. Segment Reporting

General Information

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as follow:

No	Reportable Segment	Goods and/or services delivered
1	Governance	Supply of overall Governance and Internal Audit function
2	Administration	Administrative, Corporate and Finance services to the segments below
3	Community Services	Community Halls, Cemeteries, Parks and Sports fields
4	Public safety	Traffic control, Animal pounds, Public Nuisances, Fencing, Licensing and Control of Animals
5	Planning and development	Town Planning, Economic Development, Corporate Planning, Billboards and Project Management Unit
6	Roads	Construction and maintenance of Roads, Taxi Ranks, Road and Traffic Regulation
7	Electricity	Grant received and associated services provided
8	Waste management	Solid Waste Removal, Landfill Sites, Recycling and Street Cleaning
9	Other	Tourism, Markets, Licensing and Regulation, Public toilets, Housing, Information Technology, water distribution

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

Geographic Segment Reporting

Although the Municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

Measurement of specific segment information

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

The Municipality had no changes the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

Information about the surplus/(deficit) and capital expenditure of the respective segments are disclosed on the following page.

54 Segment Reporting (continued)

2022	Governance	Administration	Community Services	Public safety	Planning and development	Roads	Electricity	Waste management	Other	Total
REVENUE										
REVENUE FROM NON-EXCHANGE TRANSACTIONS	**-**	**355 995 228**	**-**	**9 707 860**	**-**	**77 019 048**	**8 730 000**	**2 567 052**	**299 170**	**454 318 358**
Property Rates		68 806 888								68 806 888
Government Grants and subsidies		284 066 243				77 019 048	8 730 000	2 567 052	299 170	372 681 512
Actuarial Gains		3 122 098								3 122 098
Fines, Penalties and Forfeits				9 707 860						9 707 860
REVENUE FROM EXCHANGE TRANSACTIONS	**-**	**26 148 815**	**-**	**2 012 159**	**41 225**	**600 466**	**-**	**11 325 432**	**-**	**40 128 097**
Service Charges								5 467 186		5 467 186
Rental from Fixed Assets		5 323 045			30 748					5 353 793
Interest Earned - external investments		7 019 122								7 019 122
Interest Earned - outstanding debtors		12 594 237						3 036 328		15 630 565
Licences and Permits		264 248		1 019 486						1 283 734
Agency Services								2 761 725		2 761 725
Sales of Goods and Rendering of Services										-
Other Income		948 163		992 673	10 477	600 466		60 193		2 611 973
TOTAL REVENUE	**-**	**382 144 043**	**-**	**11 720 019**	**41 225**	**77 619 514**	**8 730 000**	**13 892 484**	**299 170**	**494 446 455**
EXPENDITURE										
Employee related costs	11 454 209.93	72 441 300	11 850 026	17 145 094	26 540 005	7 158 338		26 492 921	21 497 980	194 579 875
Remuneration of Councillors	26 973 998									26 973 998
Debt Impairment		37 113 549								37 113 549
Depreciation and Amortisation		103 504 170								103 504 170
Impairment Loss		4 860 924								4 860 924
Actuarial Losses										-
Finance Charges		1 460 000								1 460 000
Bulk Purchases		2 881 170								2 881 170
Contracted services	3 137 122	8 448 587		284 516	1 541 898	546 036		5 003 732		18 961 891
Transfers and Subsidies										-
Operating Leases		722 405								722 405
Operational Cost	676 092	42 515 100	509 507	151 755	8 042 609	1 259 354		709 107	538 962	54 402 486
Loss on Disposal of Assets		22 108 987								22 108 987
Inventory Loss		18 567								18 567
TOTAL EXPENDITURE	**42 241 421**	**296 074 759**	**12 359 533**	**17 581 365**	**36 124 511**	**8 963 729**	**-**	**32 205 761**	**22 036 942**	**467 588 021**
SURPLUS/(DEFICIT) FOR THE YEAR	**(42 241 421)**	**86 069 284**	**(12 359 533)**	**(5 861 346)**	**(36 083 286)**	**68 655 785**	**8 730 000**	**(18 313 277)**	**(21 737 772)**	**26 858 434**
CAPITAL EXPENDITURE		**194 534 084**		**2 666 102**	**2 737 680**	**65 200 046**				**265 137 912**

54 Segment Reporting (continued)

	Governance	Administration	Community Services	Public safety	Planning and development	Roads	Electricity	Waste management	Other	Total
2021										
REVENUE										
REVENUE FROM NON-EXCHANGE TRANSACTIONS	**-**	**390 212 665**	**-**	**6 548 320**	**-**	**95 982 996**	**9 270 000**	**1 695 000**	**807 917**	**504 516 897**
Property Rates		60 384 416								60 384 416
Government Grants and subsidies		329 104 534				95 943 266	9 270 000	1 695 000	807 917	436 820 716
Actuarial Gains		723 715								723 715
Fines, Penalties and Forfeits				6 548 320		39 730				6 588 050
REVENUE FROM EXCHANGE TRANSACTIONS	**-**	**34 156 855**	**-**	**862 350**	**49 667**	**-**	**-**	**-**	**-**	**35 068 871**
Service Charges		5 065 670								5 065 670
Rental from Fixed Assets		4 954 181			49 667					5 003 847
Interest Earned - external investments		4 024 378								4 024 378
Interest Earned - outstanding debtors		15 034 312								15 034 312
Licences and Permits		197 388		862 350						1 059 738
Agency Services		2 704 230								2 704 230
Sales of Goods and Rendering of Services										-
Operational Revenue		2 176 696								2 176 696
TOTAL REVENUE	**-**	**424 369 519**	**-**	**7 410 670**	**49 667**	**95 982 996**	**9 270 000**	**1 695 000**	**807 917**	**539 585 769**
EXPENDITURE										
Employee related costs	12 390 841	58 074 426	12 444 288	29 566 744	34 653 416	15 844 438		14 612 203	11 105 734	188 692 090
Remuneration of Councillors	29 163 877									29 163 877
Debt Impairment		28 577 405								28 577 405
Depreciation and Amortisation						115 453 116				115 453 116
Impairment Loss		3 446 566								3 446 566
Actuarial Losses										-
Finance Charges		1 081 000								1 081 000
Bulk Purchases							4 900 752			4 900 752
Contracted services	2 203 541	2 821 836	182 195		705 609	6 096 245	762 607	95 350	5 934 784	18 802 167
Transfers and Subsidies										-
Operating Leases		696 508								696 508
Operational Cost	5 828 987	21 098 734	155 607	1 605 026	964 505	18 935 797		146 030	18 755 594	67 490 281
Loss on Disposal of Assets						14 348 592				14 348 592
Inventory Loss										-
TOTAL EXPENDITURE	**49 587 247**	**115 796 476**	**12 782 089**	**31 171 771**	**36 323 529**	**170 678 188**	**5 663 359**	**14 853 583**	**35 796 113**	**472 652 355**
SURPLUS FOR THE YEAR	**(49 587 247)**	**308 573 044**	**(12 782 089)**	**(23 761 100)**	**(36 273 862)**	**(74 695 192)**	**3 606 641**	**(13 158 583)**	**(34 988 197)**	**66 933 414**
CAPITAL EXPENDITURE		**58 062 445**		**24 517 595**	**12 546 825**	**11 319 105**	**10 044 991**		**14 156 482**	**130 647 443**