Mnquma Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act No. 117 of 1998.
Nature of business and principal activities	Mnquma Local Municipality performs the functions as set out in the Constitution of the Republic of South Africa (No. 108 of 1996).
The following is included in the scope of operation	The following principal activities of the municipality are: - Provide democratic activities and accountable government - Ensure sustainable service delivery to communities - Provide social and economic development - Provide basic services to the community
Mayoral committee	
Executive Mayor	T Manxila-Nkamisa
Speaker	ZM Mnqwazi (resigned on 02/12/2022)
	M Qaba (start of term 02/12/2022)
Chief Whip	S Ncetezo
Exco Councillors	N Plaatjie (start of term 30/05/2023)
	N Qaba (resigned 02/12/2022)
	N Layiti (resigned 30/05/2023)
	Z Sobekwa
	T Ntyinkala (start of term 30/05/2023)
	X I Pupuma (resigned 30/05/2023)
	T Bikitsha (resigned 30/05/2023)
	L Mgandela
	S Matutu
	X L Mjamba (start of term 30/05/2023)
Councillors	N Ntolosi
	M Mkhilili
	WM Ntongana
	Z Bomela
	Z Mnqokoyi
	N Sheleni
	NR Tshona
	V Nkehle
	N Baleka
	NN Magwentshu
	N Paliso
	L Ngindana
	L Dyantyi
	N Sigwadi
	VJ Gazi
	B Zondani
	MH Tangana
	P Ndabambi
	N Mena
	GT Ntshonga
	K Gobeni
	PM Mbovane
	N Mbuku
	T Jizana
	JJT Mduli

General Information

	M Ntsali
	ZE Kwaza
	S Maputeni
	M Magobiane
	LL Tetana
	Z Mawisa
	N Mtintsilana
	M Kabane
	M Xabela
	PN Ntamo
	NJ Mzongwana
	N Futywana (passed away 13/12/2022)
	C Ncukana
	M Masekwana
	NLG Mgqalelo
	V Manxodidi
	N Nogaga Mpumpula
	N Nohesi
	A Soyeza
	TB Gidigidi
	Z Tyandela
	CN Filtane
	LL Maputuma
	MHN Dali
	PB Goniwe
	M Kalimashe
	N Xoki (start of term 26/01/2023)
	T Ntyinkala (resigned 30/05/2023)
	XI Pupuma (start of term 30/05/2023)
	N Plaatjie (start date 20/01/2023) (end date 30/05/2023)
	N Layiti (start of term 30/05/2023)
	T Bikitsha (start of term 30/05/2023)
	XL Mjamba (resigned 30/05/2023)
Traditional leaders to participate in Mnquma Municipal Council	
	NVG Dondashe (passed away 16/11/2022)
	T Vuso (start of term 01/08/2022)
	N Mtoto (start of term 26/04/2023)
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

General Information

Bankers	First National Bank
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	S Mtshengu Attorneys Incorporated Siyathemba Sokutu Attorneys Incorporated T.L Luzipho Attorneys Incorporated Wesley Pretorius & Associates Incorporated
Preparer	The annual financial statements were internally compiled by: M Matomane
Telephone	(047) 401 2400
Email address	mmatomane@mnquma.gov.za/ sekhom23@gmail.com
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 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:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
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
MIG	Municipal Infrastructure Grant (Previously CMIP)
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
ASB	Accounting Standards Board
MPRA	Municipal Property Rates Act
LGSETA	Local Government Sector Education and Training Authority
INEP	Integrated National Electrification Programme

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 2023 to 30 June 2024 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 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 6 to 93, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed by him:

S Mahlasela
Municipal Manager

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	2	2 472 713	2 778 158
Receivables from non-exchange transactions	3	30 200 266	42 869 350
VAT receivable	4&56	6 585 587	7 078 629
Receivables from exchange transactions	5	3 215 755	1 451 349
Cash and cash equivalents	6	194 239 427	160 435 015
		236 713 748	**214 612 501**
Non-Current Assets			
Investment property	7	141 896 216	145 019 657
Property, plant and equipment	8&56	1 921 374 052	774 108 799
Intangible assets	9	2 730 978	1 563 857
Heritage assets	10	116 752	116 752
		2 066 117 998	**920 809 065**
Total Assets		**2 302 831 746**	**1 135 421 566**
Liabilities			
Current Liabilities			
Finance lease	11&56	816 982	3 059
Payables from exchange transactions	12	38 462 859	42 119 253
Employee benefit obligation	13	2 364 000	1 615 000
Unspent conditional grants and receipts	14	12 456 616	7 255 335
Provisions	15	1 417 056	1 322 778
		55 517 513	**52 315 425**
Non-Current Liabilities			
Finance lease	11&56	1 332 145	35 426
Employee benefit obligation	13	11 587 000	11 518 000
		12 919 145	**11 553 426**
Total Liabilities		**68 436 658**	**63 868 851**
Net Assets		**2 234 395 088**	**1 071 552 715**
Reserves			
Revaluation reserve	16	1 459 493 295	292 789 894
Accumulated surplus	56	774 901 793	778 762 821
Total Net Assets		**2 234 395 088**	**1 071 552 715**

* See Note 56

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	6 363 180	5 467 186
Rental of facilities	18	5 626 056	5 340 908
Interest on outstanding debtors	1956	2 828 059	4 268 560
Income from agency fees	20	2 614 599	2 761 725
Licences and permits	21	1 559 539	1 283 734
Other income	22	1 027 216	681 697
Interest received - investment	23	14 921 314	7 019 122
Total revenue from exchange transactions		**34 939 963**	**26 822 932**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	62 310 601	68 891 619
Interest on outstanding debtors	1956	11 759 107	11 504 146
Transfer revenue			
Government grants & subsidies	25&56	405 914 524	363 895 337
Construction contracts	52&56	7 320 000	8 730 000
Public contributions and donations	26	342 907	56 176
Traffic Fines	27	9 021 600	9 707 860
Staff recoveries	28	164 389	668 870
Unclaimed monies forfeited	29	1 174 462	992 673
Total revenue from non-exchange transactions		**498 007 590**	**464 446 681**
Total revenue		**532 947 553**	**491 269 613**
Expenditure			
Employee related costs	30	(206 019 120)	(192 269 961)
Remuneration of councillors	31	(30 485 447)	(26 973 997)
Depreciation and amortisation	32&56	(86 151 331)	(104 806 410)
Impairment loss/ Reversal of impairments	33	3 519 996	(4 860 924)
Finance costs	34&56	(1 717 474)	(1 486 960)
Debt Impairment	35	(36 664 571)	(37 340 422)
Revaluation losses	53	(103 577 694)	-
Bulk purchases	36	(4 819 642)	(2 881 170)
Construction contract expenses	54&56	(6 591 661)	(7 155 574)
Loss on disposal of assets	3756	(22 137 602)	(20 873 680)
Repairs and maintenance	38	(15 661 046)	(4 122 681)
Obsolete inventory written-off		-	(18 567)
General expenses	39&56	(83 735 862)	(65 898 423)
Total expenditure		**(594 041 454)**	**(468 688 769)**
(Deficit) surplus for the year from continuing operations		**(61 093 901)**	**22 580 844**
Actuarial gains / (losses)	13	1 221 450	3 122 098
(Deficit) surplus for the year		**(59 872 451)**	**25 702 942**

* See Note 56

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2021	**368 915 419**	**677 395 562**	**1 046 310 981**
Changes in net assets			
Correction of error	-	(461 183)	(461 183)
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)	75 664 343	(461 183)
Surplus (deficit) for the year	-	25 702 942	25 702 942
Total recognised income and expenses for the year	(76 125 526)	101 367 285	25 241 759
Total changes	(76 125 526)	101 367 285	25 241 759
Restated* Balance at 01 July 2022	**292 789 894**	**778 762 821**	**1 071 552 715**
Changes in net assets			
Derecognition of revaluation reserve on immovable assets write-off	(12 374 612)	12 374 612	-
Transfer from Revaluation Reserve to Accumulated Surplus	(43 636 816)	43 636 816	-
Revaluation gains	1 248 767 805	-	1 248 767 805
Revaluation losses	(26 052 977)	-	(26 052 977)
Net income (losses) recognised directly in net assets	1 166 703 400	56 011 428	1 222 714 828
Surplus (deficit) for the year	-	(59 872 451)	(59 872 451)
Total recognised income and expenses for the year	1 166 703 400	(3 861 023)	1 162 842 377
Total changes	1 166 703 400	(3 861 023)	1 162 842 377
Balance at 30 June 2023	**1 459 493 295**	**774 901 793**	**2 234 395 088**
Note(s)	16		

* See Note 56

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		6 183 366	23 942 025
Grants		418 435 805	371 912 146
Interest income		14 921 314	7 019 122
Other receipts		64 377 651	46 909 020
		503 918 136	449 782 313
Payments			
Employee costs		(234 669 566)	(221 408 986)
Suppliers		(106 526 261)	(79 912 406)
		(341 195 827)	(301 321 392)
Net cash flows from operating activities	40	**162 722 309**	**148 460 921**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(127 738 379)	(114 298 377)
Proceeds from sale of property, plant and equipment	8	997 635	281 618
Proceeds from disposal of financial asset	7	5 002	-
Purchase of other intangible assets	9	(2 074 740)	(1 660 133)
Purchases of heritage assets	10	-	(37 793)
Net cash flows from investing activities		**(128 810 482)**	**(115 714 685)**
Cash flows from financing activities			
Repayment of finance lease liability		(438 121)	-
Net increase/(decrease) in cash and cash equivalents		**33 473 706**	**32 746 236**
Cash and cash equivalents at the beginning of the year		160 435 015	127 688 779
Cash and cash equivalents at the end of the year	6	**193 908 721**	**160 435 015**

* See Note 56

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note 57
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	6 000 000	-	**6 000 000**	6 363 180	**363 180**	
Rental of facilities	5 000 000	-	**5 000 000**	5 626 056	**626 056**	A
Interest on outstanding debtors	14 673 000	-	**14 673 000**	14 587 166	**(85 834)**	
Income from agency fees	4 000 000	-	**4 000 000**	2 614 599	**(1 385 401)**	B
Licences and permits	1 000 000	-	**1 000 000**	1 559 539	**559 539**	C
Other income	2 471 000	(1 055 176)	**1 415 824**	1 027 216	**(388 608)**	D
Interest received - investment	6 000 000	3 000 000	**9 000 000**	14 921 314	**5 921 314**	E
Total revenue from exchange transactions	**39 144 000**	**1 944 824**	**41 088 824**	**46 699 070**	**5 610 246**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	76 000 000	-	**76 000 000**	62 310 601	**(13 689 399)**	F
Transfer revenue						
Government grants & subsidies	413 492 000	-	**413 492 000**	405 914 524	**(7 577 476)**	
Construction contracts	-	7 896 000	**7 896 000**	7 320 000	**(576 000)**	
Public contributions and donations	-	56 176	**56 176**	342 907	**286 731**	G
Traffic fines	6 500 000	-	**6 500 000**	9 021 600	**2 521 600**	H
Staff recoveries	-	-	**-**	164 389	**164 389**	I
Monies forfeited	-	-	**-**	1 174 462	**1 174 462**	J
Total revenue from non-exchange transactions	**495 992 000**	**7 952 176**	**503 944 176**	**486 248 483**	**(17 695 693)**	
Total revenue	**535 136 000**	**9 897 000**	**545 033 000**	**532 947 553**	**(12 085 447)**	
Expenditure						
Employee related costs	(205 985 000)	(2 958 000)	**(208 943 000)**	(206 019 120)	**2 923 880**	
Remuneration of councillors	(31 094 400)	(8 000)	**(31 102 400)**	(30 485 447)	**616 953**	
Depreciation and amortisation	(112 493 000)	(13 449 000)	**(125 942 000)**	(86 151 331)	**39 790 669**	K
Impairment loss/ Reversal of impairments	-	(3 500 000)	**(3 500 000)**	3 519 996	**7 019 996**	L
Finance costs	(5 000)	(1 597 000)	**(1 602 000)**	(1 717 474)	**(115 474)**	
Repairs and maintenance	(21 682 952)	7 000 000	**(14 682 952)**	(15 661 046)	**(978 094)**	
Debt Impairment	(38 324 000)	577 000	**(37 747 000)**	(36 664 571)	**1 082 429**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Revaluation Losses	-	-	-	(103 577 694)	**(103 577 694)**	M
Bulk purchases	(5 000 000)	65 423	**(4 934 577)**	(4 819 642)	**114 935**	
Construction contract expenses	(7 000 000)	-	**(7 000 000)**	(6 591 661)	**408 339**	
Gain / (Loss) on disposal of assets	(300 000)	(22 700 000)	**(23 000 000)**	(22 113 236)	**886 764**	
General expenses	(99 681 648)	(5 306 952)	**(104 988 600)**	(83 804 057)	**21 184 543**	N
Total expenditure	**(521 566 000)**	**(41 876 529)**	**(563 442 529)**	**(594 085 283)**	**(30 642 754)**	
Operating deficit	**13 570 000**	**(31 979 529)**	**(18 409 529)**	**(61 137 730)**	**(42 728 201)**	
Actuarial gains/losses	-	1 000 000	**1 000 000**	1 221 450	**221 450**	
(Deficit) surplus for the year	**13 570 000**	**(30 979 529)**	**(17 409 529)**	**(59 916 280)**	**(42 506 751)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**13 570 000**	**(30 979 529)**	**(17 409 529)**	**(59 916 280)**	**(42 506 751)**	

Statement of Financial Position

Assets

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Current Assets						
Inventories	7 459 000	(4 759 000)	**2 700 000**	2 472 713	**(227 287)**	
Receivables from non-exchange transactions	24 003 812	10 598 188	**34 602 000**	30 200 266	**(4 401 734)**	
VAT receivable	7 248 551	(1 248 551)	**6 000 000**	6 585 587	**585 587**	
Receivables from exchange transactions	10 639 201	(6 161 201)	**4 478 000**	3 215 755	**(1 262 245)**	
Cash and cash equivalents	66 755 000	97 823 000	**164 578 000**	194 239 427	**29 661 427**	O
	116 105 564	**96 252 436**	**212 358 000**	**236 713 748**	**24 355 748**	
Non-Current Assets						
Investment property	147 136 000	-	**147 136 000**	141 896 215	**(5 239 785)**	
Property, plant and equipment	953 397 000	22 227 000	**975 624 000**	1 921 374 052	**945 750 052**	P
Intangible assets	1 146 000	2 009 000	**3 155 000**	2 730 978	**(424 022)**	
Heritage assets	-	117 000	**117 000**	116 752	**(248)**	
	1 101 679 000	**24 353 000**	**1 126 032 000**	**2 066 117 997**	**940 085 997**	
Total Assets	**1 217 784 564**	**120 605 436**	**1 338 390 000**	**2 302 831 745**	**964 441 745**	

Liabilities

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Current Liabilities					
Finance lease	-	900 000	**900 000**	816 982	**(83 018)**
Payables from exchange transactions	37 699 000	(4 208 000)	**33 491 000**	38 462 859	**4 971 859**
Employee benefit obligation	-	2 500 000	**2 500 000**	2 364 000	**(136 000)**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Unspent conditional grants and receipts	-	-	-	12 456 616	**12 456 616**	Q
Provisions	1 284 000	-	**1 284 000**	1 417 056	**133 056**	
	38 983 000	**(808 000)**	**38 175 000**	**55 517 513**	**17 342 513**	
Non-Current Liabilities						
Finance lease	-	1 400 000	**1 400 000**	1 332 145	**(67 855)**	
Employee benefit obligation	12 548 000	-	**12 548 000**	11 587 000	**(961 000)**	
	12 548 000	**1 400 000**	**13 948 000**	**12 919 145**	**(1 028 855)**	
Total Liabilities	**51 531 000**	**592 000**	**52 123 000**	**68 436 658**	**16 313 658**	
Net Assets	**1 166 253 564**	**120 013 436**	**1 286 267 000**	**2 234 395 087**	**948 128 087**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	1 459 493 295	**1 459 493 295**	
Accumulated surplus	-	-	-	774 901 793	**774 901 793**	
Total Net Assets	**-**	**-**	**-**	**2 234 395 088**	**2 234 395 088**	

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 6 - Consolidated and Separate Financial Statements
• GRAP 9 - Revenue from Exchange Transactions
• 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 31 - Intangible Assets
• GRAP 34 - Separate Financial Statements
• GRAP 103 - Heritage Assets
• GRAP 104 - Financial Instruments
• GRAP 108 - Statutory Receivables
• GRAP 109 - Accounting by Principals and Agents

Standards Issued, Not Yet Effective Date
• GRAP 1 - Presentation of Financial Statements
• GRAP 104 - Financial Instruments
• GRAP 103 - Heritage Assets

Interpretations - Approved and effective
• IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue
• IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities
• IGRAP 3 - Determining Whether an Arrangement Contains a Lease
• IGRAP 7 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
• IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
• IGRAP 9 - Distributions of Non-cash Assets to Owners
• IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
• IGRAP 16 - Intangible Assets - Website Costs (effective 1 April 2013)
• IGRAP 18 - Recognition and Derecogntion of Land
• IGRAP 19 - Liabilities to Pay Levies
• IGRAP 20 - Accounting for Adjustments to Revenue

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.

Accounting Policies

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 surplus 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.

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 the pattern in which an assets future economic benefits or service potential are expected to be consumed by the municipality.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Employee benefit obligation

The present value of the employee benefit 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 employee benefit 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 employee benefit 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 employee benefit obligation liability.

Other key assumptions for employee benefit obligations are based on current market conditions. Additional information is disclosed in Note 13.

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.

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.

Accounting Policies

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Subsequent measurement - revaluation model

After initial recognition, land, 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 surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Subsequent measurement - cost model

After initial recognition, plant & equipment, furniture & office equipment, motor vehicles, computer equipment and other property, plant and equipment are measured using the cost model.

Subsequent expenditure incurred on plant & equipment, furniture & office equipment, motor vehicles, computer equipment and other property, plant and equipment is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently plant & equipment, furniture & office equipment, motor vehicles, computer equipment and other property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation

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	Estimated useful life
Furniture and fixtures	Straight line	3-7 Years
Office equipment	Straight line	5-10 Years
Infrastructure assets	Straight line	3-100 Years
Land		Indefinite
Buildings	Straight line	5-30 Years
Recreational facilities	Straight line	25-30 Years
Security	Straight line	3-10 Years
Halls	Straight line	25-30 Years
Parks and Gardens	Straight line	3-20 Years
Other community assets	Straight line	25-30 Years
Transport Assets	Straight line	4-7 Years
Bins and Containers	Straight line	10-15 Years
Other items of Property, plant and Equipment	Straight line	3-20 Years
Computer equipment	Straight line	5-10 Years
Plant and Machinery	Straight line	3-20 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.

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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.

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 surplus 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.

1.7 Intangible assets (continued)

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:

Item	Depreciation method	Estimated 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.

1.8 Heritage assets (continued)

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 10).

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.

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 surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

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

1.8 Heritage assets (continued)

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 surplus 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.

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:

1.9 Financial instruments (continued)

- 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.

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;

1.9 Financial instruments (continued)

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

Classification

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

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 surplus or deficit.

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

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 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

1.10 Statutory receivables (continued)

- amounts derecognised.

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

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

1.11 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.

1.11 Leases (continued)

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.

1.12 Inventories

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

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

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

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

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

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

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

The cost of inventories 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.

1.13 Construction contracts

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

1.13 Construction contracts (continued)

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.14 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.

1.14 Impairment of cash-generating assets (continued)

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

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.

1.14 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 surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the 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.

1.14 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 surplus or deficit.

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

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

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

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

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

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

1.15 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

1.15 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.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the 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 surplus or deficit.

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

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

Redesignation

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

1.16 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.

1.16 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.

1.16 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.

1.17 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.

1.17 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.

1.17 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 surplus 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 1.14 and 1.15.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus 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 surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus 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 surplus 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 surplus 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 surplus 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 surplus or deficit as a finance cost as it occurs.

1.18 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.

1.19 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.

1.19 Revenue from exchange transactions (continued)

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the 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.

1.20 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.

1.20 Revenue from non-exchange transactions (continued)

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.

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.

1.20 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.

1.20 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.

1.21 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.

1.22 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.

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

1.23 Accounting by principals and agents (continued)

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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

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

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

1.24 Comparative figures

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

1.25 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.

1.26 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.

1.27 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.

1.28 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.

1.29 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.

Accounting Policies

1.29 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 2022/07/01 to 2023/06/30.

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.

1.30 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.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any
capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in
that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

Accounting Policies

1.31 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	2023	2022

2. Inventories

Consumable stores	1 085 613	1 218 158
Assets held for distribution	1 387 100	1 560 000
	2 472 713	**2 778 158**

Consumable stores

In the current year an amount of R 3 317 629 (2022: R 4 069 756) was expensed with respect to consumable stores consumed.

Inventories are disclosed at the lower of cost or net replacement cost.

No inventory was pledged as security.

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.

In the current year an amount of R 172 900 (2022: R 449 800) was expensed with respect to transfer of assets held from distribution to beneficiaries.

Inventories are disclosed at the lower of cost or net replacement cost.

No inventory was pledged as security.

3. Receivables from non-exchange transactions

Statutory Receivables - Traffic fines	31 588 710	24 567 510
Statutory Receivables - Property rates	136 399 506	132 733 450
Other receivables	334 775	326 056
	168 322 991	**157 627 016**

Less: Allowance for impairment		
Statutory Receivables - Traffic fines	(26 850 404)	(24 562 750)
Statutory Receivables - Property rates	(111 272 321)	(90 194 916)
	(138 122 725)	**(114 757 666)**

Net balance		
Statutory Receivables - Traffic fines	4 738 306	4 760
Statutory Receivables - Property rates	25 127 185	42 538 534
Other receivables	334 775	326 056
	30 200 266	**42 869 350**

Reconciliation of allowance for impairment		
Balance at the beginning of the year	114 757 666	133 136 508
Contributions to allowance	25 116 917	19 953 473
Bad debts written-off	(1 751 858)	(38 332 315)
	138 122 725	**114 757 666**

Figures in Rand	2023	2022

3. Receivables from non-exchange transactions (continued)

Property rates

Current 0 - 30 days	2 757 057	10 393 047
31 - 60 days	2 708 922	4 920 901
61 - 90 days	2 442 363	4 916 566
91 - 120 days	2 799 192	4 679 769
121 - 150 days	2 302 928	3 678 692
> 150 days	123 389 044	104 144 475
	136 399 506	**132 733 450**

Property rates by customer group - 2023	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	477 432	236 381	2 043 244	2 757 057
31 - 60 days	438 331	258 043	2 012 548	2 708 922
61 - 90 days	372 985	224 474	1 844 904	2 442 363
91 - 120 days	751 067	220 147	1 827 978	2 799 192
121 - 150 days	314 233	209 678	1 779 017	2 302 928
> 150 days	21 074 833	16 235 260	86 078 951	123 389 044
	23 428 881	**17 383 983**	**95 586 642**	**136 399 506**

Property rates by customer group - 2022	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	5 941 824	1 605 179	2 846 044	10 393 047
31 - 60 days	2 431 035	450 277	2 039 589	4 920 901
61 - 90 days	2 339 188	535 215	2 042 163	4 916 566
91 - 120 days	2 270 044	433 334	1 976 391	4 679 769
121 - 150 days	1 750 206	169 661	1 758 825	3 678 692
> 150 days	23 783 528	11 514 715	68 846 232	104 144 475
	38 515 825	**14 708 381**	**79 509 244**	**132 733 450**

Traffic fines

Current 0 - 30 days	614 500	219 000
31 - 60 days	781 100	751 900
61 - 90 days	807 700	1 169 300
91 - 120 days	465 400	1 062 400
121 - 150 days	636 200	906 700
> 150 days	28 283 810	20 458 370
	31 588 710	**24 567 670**

Other receivables

Current 0 - 30 days	-	8 612
61 - 90 days	9 814	-
121 - 150 days	-	6 077
> 150 days	324 961	311 367
	334 775	**326 056**

Figures in Rand	2023	2022

3. Receivables from non-exchange transactions (continued)

Other receivables are made up of staff debt from non-exchange transactions owing to the municipality.

Statutory receivables general information

Transaction(s) arising from statute

Rates- Municipal Property Rates Act (MPR Act) section 2 states that a local municipality may levy a rate on property in it's area.
Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

Determination of transaction amount

Rates - Rates are amounts determined in terms of section 11 of the Municipal Property Rates Act and the approved policy of the municipality.
Fines - All fines are governed by the specific regulation which is applicable to the offence.

Interest or other charges levied/charged

Rates - interest is raised on past due balance at the prime interest rate plus 2%.
Fines - No interest or other charges are raised on outstanding fines.

Statutory receivables impaired and past due not impaired

Rates - Payment percentage of receivables is used to assess whether the receivable is impaired.
Fines - Provision for impairment of traffic fine debtors will be calculated based on the payment history of traffic fines in aggregate as the municipality does not have sufficient information to calculate the payment history per debtor as with property rates and services.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

Property rates		
Current 0 - 30 days (not due)	604 734	6 742 444
31 - 60 days (past due)	533 297	2 978 853
61 - 90 days	436 980	2 855 632
91 - 120 days	807 419	2 769 636
121 - 150 days	364 209	1 983 663
> 150 days	22 380 546	25 208 306
	25 127 185	**42 538 534**

Traffic fines		
Current 0 - 30 days (not due)	92 175	-
31 - 60 days (past due)	117 165	-
61 - 90 days	121 155	-
91 - 120 days	69 810	-
121 - 150 days	95 430	-
> 150 days	4 242 571	-
	4 738 306	**-**

Figures in Rand	2023	2022

3. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

The ageing of these receivables is as follows:

Property rates		
Current 0 - 30 days (not due)	2 152 323	3 650 603
31 - 60 days (past due)	2 175 625	1 942 048
61 - 90 days	2 005 383	2 060 933
91 - 120 days	1 991 773	1 910 133
121 - 150 days	1 938 720	1 695 029
> 150 days	101 008 497	78 936 170
	111 272 321	**90 194 916**

Traffic fines		
Current 0 - 30 days (not due)	522 325	219 000
31 - 60 days (past due)	663 935	751 900
61 - 90 days	686 546	1 169 300
91 - 120 days	395 590	1 062 400
121 - 150 days	540 770	906 700
> 150 days	24 041 238	20 458 370
	26 850 404	**24 567 670**

4. VAT receivable

Statutory receivables - VAT	6 585 587	7 078 629

VAT is received and paid as required per the Value Added Tax Act No. 89 of 1991 (VAT Act).

VAT is applied to all relevant goods and services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act.

VAT is submitted and paid on a monthly basis.

The amount is classified as statutory receivables.

Statutory receivables past due but not impaired

No VAT receivable - Statutory receivables are currently assessed as being past due as conditions necessary for their declaration/ payment/ receipt has not taken place.

Factors the municipality has considered in assessing statutory receivables past due but not impaired

VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts.

Statutory receivables impaired

As at 30 June 2023, VAT receivable - statutory receivables were not required to be impaired.

Figures in Rand	2023	2022

5. Receivables from exchange transactions

Gross balances		
Refuse	34 427 861	28 423 369
Rentals	5 256 481	723 361
Other receivables	1 708 435	36 298
	41 392 777	**29 183 028**
Less: Allowance for impairment		
Refuse	(33 020 388)	(27 072 033)
Rentals	(5 156 634)	(659 646)
	(38 177 022)	**(27 731 679)**
Net balance		
Refuse	1 407 473	1 351 336
Housing rental	99 847	63 715
Other receivables	1 708 435	36 298
	3 215 755	**1 451 349**
Reconciliation of allowance for impairment		
Balance at the beginning of the year	27 731 679	54 640 256
Contributions to allowance	12 070 877	4 712 020
Bad debts written-off	(1 625 534)	(31 620 597)
	38 177 022	**27 731 679**
Refuse		
Current (0 -30 days)	1 197 191	1 397 721
31 - 60 days	973 552	648 411
61 - 90 days	787 146	658 988
91 - 120 days	776 586	629 248
121 - 150 days	764 370	610 826
> 150 days	29 929 015	24 478 175
	34 427 860	**28 423 369**
Rentals		
Current (0 -30 days)	480 943	432 394
31 - 60 days	415 730	13 975
61 - 90 days	408 477	13 893
91 - 120 days	402 494	13 806
121 - 150 days	399 724	12 916
> 150 days	3 149 113	236 377
	5 256 481	**723 361**

Figures in Rand	2023	2022

5. Receivables from exchange transactions (continued)

Other receivables

	2023	2022
Current (0 -30 days)	91 370	28 385
31 - 60 days	7 805	-
121 - 150 days	1 609 260	-
> 150 days	-	7 913
	1 708 435	**36 298**

Aging per customer group - 2023	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	143 973	227 517	1 306 644	1 678 134
31 - 60 days	83 690	73 137	1 232 454	1 389 281
61 - 90 days	66 279	67 431	1 061 913	1 195 623
91 - 120 days	65 871	64 552	1 048 657	1 179 080
121 - 150 days	69 226	61 999	1 032 869	1 164 094
> 150 days	967 415	1 940 828	30 169 886	33 078 129
	1 396 454	**2 435 464**	**35 852 423**	**39 684 341**

Aging per customer group - 2022	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	108 910	159 032	1 562 173	1 830 115
31 - 60 days	47 658	61 955	552 773	662 386
61 - 90 days	47 265	77 247	548 369	672 881
91 - 120 days	46 785	56 732	539 537	643 054
121 - 150 days	44 860	55 139	523 742	623 741
> 150 days	950 278	1 643 249	22 121 026	24 714 553
	1 245 756	**2 053 354**	**25 847 620**	**29 146 730**

Consumer debtors past due but not impaired

The ageing of amounts past due but not impaired is as follows:

Aging by debt type - 2023	Current 0 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 150 days	> 150 days
Refuse	175 248	97 758	77 563	74 441	74 444	908 019
Rentals	61 425	3 343	2 371	1 646	1 370	29 692
	236 673	**101 101**	**79 934**	**76 087**	**75 814**	**937 711**

Aging by debt type - 2022	Current 0 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 150 days	> 150 days
Refuse	139 467	57 937	54 058	52 711	49 700	997 463
Rentals	63 716	-	-	-	-	-
	203 183	**57 937**	**54 058**	**52 711**	**49 700**	**997 463**

5. Receivables from exchange transactions (continued)

Consumer debtors impaired

The ageing of these debtors is as follows:

Aging by debt type - 2023	Current 0 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 150 days	> 150 days
Refuse	1 021 943	875 794	709 583	702 146	689 926	29 020 996
Rentals	419 519	412 387	406 106	400 848	398 354	3 119 421
	1 441 462	**1 288 181**	**1 115 689**	**1 102 994**	**1 088 280**	**32 140 417**

Aging by debt type - 2022	Current 0 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 150 days	> 150 days
Refuse	1 258 255	590 474	604 929	576 537	561 126	23 480 713
Rentals	368 678	13 975	13 893	13 806	12 916	236 378
	1 626 933	**604 449**	**618 822**	**590 343**	**574 042**	**23 717 091**

Other receivables are made-up of a suspense account for over/ under banking, prepaid expenses and proceeds owed from disposal of property, plant and equipment.

Figures in Rand	2023	2022

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3 322 662	1 456 288
Short-term deposits	190 916 765	158 978 727
	194 239 427	**160 435 015**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	**30 June 2022**	**30 June 2021**	**30 June 2023**	**30 June 2022**	**30 June 2021**
FNB - Cheque Primary Bank Account: 62237497872	3 257 389	1 362 661	4 508 858	3 322 662	1 456 288	4 523 153
FNB - MIG Call Acc: 62240253542	3 808 600	45 895	6 556 970	3 808 600	45 895	6 556 970
FNB - FMG: 62240252768	6 896	1 562	1 109	6 896	1 562	1 109
FNB - Call Account: 62240252198	5 875 523	18 563 667	12 728 766	5 875 523	18 563 667	12 728 766
FNB - INEP: 62326177559	1 000	6 727	5 189	1 000	6 727	5 189
FNB - EPWP: 62345680195	1 017	1 635	1 099	1 017	1 635	1 099
FNB - LG SETA: 62380069437	671 481	790 075	351 698	671 481	790 075	351 698
FNB - Salaries Account: 74737909900	2 736 158	1 874 456	1 543 796	2 736 159	1 874 456	1 543 796
FNB - eNatis: 62772809904	369 937	527 449	382 332	369 937	527 449	382 332
FNB - DSRAC: 62823144233	1 921 278	1 443 511	1 090 391	1 921 278	1 443 511	1 090 391
FNB - Short-term Investment: 62823142774	173 015 759	130 707 738	100 504 276	173 015 759	130 707 738	100 504 276
FNB - DEDEAT: 62910424944	2 509 115	5 016 012	-	2 509 115	5 016 012	-
Total	**194 174 153**	**160 341 388**	**127 674 484**	**194 239 427**	**160 435 015**	**127 688 779**

7. Investment property

	2023			2022		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	132 373 306	-	132 373 306	133 445 786	-	133 445 786
Buildings	71 292 616	(61 769 706)	9 522 910	72 208 949	(60 635 078)	11 573 871
Total	**203 665 922**	**(61 769 706)**	**141 896 216**	**205 654 735**	**(60 635 078)**	**145 019 657**

Reconciliation of investment property - 2023

	Opening balance	Disposals	Reclassification	Transfer out	Depreciation	Total
Land	133 445 786	(321 480)	-	(751 000)	-	132 373 306
Buildings	11 573 869	-	1 193	(539 467)	(1 512 685)	9 522 910
	145 019 655	**(321 480)**	**1 193**	**(1 290 467)**	**(1 512 685)**	**141 896 216**

7. Investment property (continued)

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
	147 135 936	**(2 116 279)**	**145 019 657**

Pledged as security

All of the municipality's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed.

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.

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

	2023			2022		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	87 878 950	-	87 878 950	50 394 300	-	50 394 300
Buildings	65 610 759	(34 903 584)	30 707 175	34 705 273	(14 554 111)	20 151 162
Plant and machinery	48 420 673	(16 597 005)	31 823 668	48 123 328	(15 684 669)	32 438 659
Furniture and fixtures	9 128 265	(4 843 322)	4 284 943	6 269 745	(4 802 398)	1 467 347
Motor vehicles	19 596 873	(5 240 489)	14 356 384	15 378 496	(3 743 901)	11 634 595
Computer equipment	10 359 670	(4 073 066)	6 286 604	8 695 067	(3 007 671)	5 687 396
Infrastructure	3 260 643 560	(1 642 677 499)	1 617 966 061	1 687 752 513	(1 143 924 234)	543 828 279
Community assets	152 082 640	(48 551 625)	103 531 015	126 848 939	(41 745 498)	85 103 441
Other property, plant and equipment	162 410	(146 050)	16 360	182 032	(152 170)	29 862
Work in progress	24 522 892	-	24 522 892	23 373 758	-	23 373 758
Total	**3 678 406 692**	**(1 757 032 640)**	**1 921 374 052**	**2 001 723 451**	**(1 227 614 652)**	**774 108 799**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers from investment property	Transfers	Revaluation losses	Revaluation gains	Reclassification	Depreciation	Impairment loss	Impairment reversal	Total
Land	50 394 300	-	(115 000)	-	-	(4 353 800)	41 202 450	751 000	-	-	-	87 878 950
Buildings	20 151 162	-	-	539 468	6 739 472	(7 725 455)	12 524 538	4 518	(1 526 864)	-	335	30 707 175
Plant and machinery	32 438 659	3 432 380	(1 060 674)	-	-	-	-	-	(2 980 780)	(5 915)	-	31 823 668
Furniture and fixtures	1 467 347	2 952 963	(19 160)	-	160 691	-	-	-	(262 429)	(14 469)	-	4 284 943
Motor vehicles	11 634 595	4 787 470	(211 829)	-	-	-	-	-	(1 853 851)	-	-	14 356 384
Computer equipment	5 687 396	2 576 393	(146 325)	-	-	-	-	-	(1 826 880)	(3 980)	-	6 286 604
Infrastructure	543 828 279	-	(21 601 015)	-	86 970 208	(66 510 366)	1 138 440 937	(5 910)	(69 690 519)	-	6 534 446	1 617 966 061
Community assets	85 103 441	-	(28 842)	-	18 214 098	(51 029 519)	56 599 880	198	(5 652 616)	-	324 375	103 531 015
Other property, plant and equipment	29 862	-	(1 058)	-	-	-	-	-	(6 678)	(5 766)	-	16 360
Work in progress	23 373 758	116 548 397	-	-	(112 084 469)	-	-	-	-	(3 314 794)	-	24 522 892
	774 108 799	**130 297 603**	**(23 183 903)**	**539 468**	**-**	**(129 619 140)**	**1 248 767 805**	**749 806**	**(83 800 617)**	**(3 344 924)**	**6 859 156**	**1 921 374 052**

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	(96 378)	-	-	(2 540 588)	-	32 438 659
Furniture and fixtures	1 127 382	621 177	(90 318)	-	-	(190 894)	-	1 467 347
Motor vehicles	4 433 328	8 206 708	(172 001)	-	-	(833 440)	-	11 634 595
Computer equipment	1 664 066	4 946 972	(107 914)	-	-	(815 728)	-	5 687 396
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	-	(1 246)	-	-	(6 850)	-	29 862
Work in progress	7 519 751	99 501 941	-	(78 605 072)	(5 042 862)	-	-	23 373 758
	787 185 677	**119 317 539**	**(21 104 879)**	**-**	**(5 042 862)**	**(101 385 752)**	**(4 860 923)**	**774 108 799**

Pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities.

8. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Friday, 30 June 2023. Revaluations were performed by independent valuer, Mr Franco Maartens (Worth Authority).Professional body Registrations: South African Council for the Property Valuers Profession:ACPVP,South African Institute of Valuers:SAIV and Gerhard Zandberg Professional body Registrations: South Africa Institute for Professional Engineer, Project Management Professional (PMP).

Land, 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.

Property, plant and equipment in the process of being constructed or developed

	2023	2022
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Buildings	4 936 409	2 271 879
Infrastructure	18 577 420	10 199 036
Community	1 009 063	10 902 843
	24 522 892	**23 373 758**

	2023	2022
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance	15 661 046	4 122 681

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. Intangible assets

	2023			2022		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	3 829 215	(1 098 237)	2 730 978	5 585 250	(4 021 393)	1 563 857

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 563 857	2 074 740	(39 459)	(868 160)	2 730 978

9. Intangible assets (continued)

Reconciliation of intangible assets - 2022

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

Pledged as security

No portion of intangible assets has been pledged as security for liabilities.

A register containing information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Restricted title

There are no intangible assets whose title is restricted.

10. Heritage assets

	2023			2022		
	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	37 793	-	37 793
Total	**116 752**	**-**	**116 752**	**116 752**	**-**	**116 752**

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	78 959	78 959
Municipal jewelry	37 793	37 793
	116 752	**116 752**

Reconciliation of heritage assets 2022

	Opening balance	Additions	Total
Historical monuments	78 959	-	78 959
Municipal jewelry	-	37 793	37 793
	78 959	**37 793**	**116 752**

Restrictions on heritage assets

There are no heritage assets whose title is restricted.

Pledged as security

No portion of heritage assets has been pledged as security for liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Finance lease

Minimum lease payments due		
- within one year	999 191	28 599
- in second to fifth year inclusive	1 443 014	77 471
	2 442 205	106 070
less: future finance charges	(293 079)	(67 585)
Present value of minimum lease payments	**2 149 126**	**38 485**

Non-current liabilities	1 332 145	35 426
Current liabilities	816 982	3 059
	2 149 127	**38 485**

Photocopiers & speedpoints under lease were capitalised, and the corresponding finance lease liability raised in accordance with GRAP 13. The leases are payable in monthly instalments.

12. Payables from exchange transactions

Trade payables	7 383 033	11 282 115
Advance payment- consumer debtors	731 116	1 412 294
Unallocated deposit	150 034	173 292
Payroll control	118 582	1 365 476
Retention payable	7 372 943	7 348 542
Bonus Accrual	6 310 193	4 354 949
Leave Accrual	16 396 958	16 182 585
	38 462 859	**42 119 253**

13. Employee benefit obligations

Employee benefit obligation consists of the following:

Long service awards	13 951 000	13 133 000

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

Figures in Rand	2023	2022

13. Employee benefit obligations (continued)

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

Carrying value		
Opening balance	13 133 000	13 899 000
Current service costs - Employee related costs	1 355 000	1 420 000
Actuarial interest - Finance costs	1 566 000	1 460 000
Benefit paid	(881 550)	(523 902)
Actuarial (Gains) Losses	(1 221 450)	(3 122 098)
	13 951 000	**13 133 000**

Non-current liabilities	11 587 000	11 518 000
Current liabilities	2 364 000	1 615 000
	13 951 000	**13 133 000**

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

Opening balance	13 133 000	13 899 000
Benefits paid	(881 550)	(523 902)
Net expense recognised in the statement of financial performance	1 699 550	(242 098)
	13 951 000	**13 133 000**

The amount recognised in the statement of financial performance

Current service cost	1 355 000	1 420 000
Interest cost	1 566 000	1 460 000
Actuarial (gains) losses	(1 221 450)	(3 122 098)
	1 699 550	**(242 098)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12,91 %	10,15 %
Expected increase in salaries	8,98 %	8,39 %

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

Figures in Rand	2023	2022

13. Employee benefit obligations (continued)

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	14 584 000	13 951 000	13 366 000
Current service costs	1 484 000	1 404 000	1 331 000
Interest costs	1 876 000	1 789 000	1 709 000

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	13 305 000	13 951 000	14 644 000
Current service costs	1 332 000	1 404 000	1 481 000
Interest costs	1 701 000	1 789 000	1 884 000
	16 338 000	**17 144 000**	**18 009 000**

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	3 751 853	-
Disaster Grant	4 000 000	-
Department of Sports, Recreation and Culture (DSRAC)	1 888 383	1 439 191
Local Government Sector Education & Training Authority (LGSETA)	302 912	816 144
Department of Economic Development Environmental Affairs & Tourism (DEDEAT)	2 489 697	5 000 000
Small Town Revitalisation	23 771	-
	12 456 616	**7 255 335**

Figures in Rand	2023	2022

14. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	7 255 335	7 968 526
Additions during the year	103 786 805	82 883 146
Revenue recognition during the year	(98 585 524)	(81 735 270)
Repaid to National Treasury	-	(1 861 067)
	12 456 616	**7 255 335**

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 25 for reconciliation of grants from National/Provincial Government.

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

15. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	1 322 778	1 096 093	(1 001 815)	1 417 056

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

Performance bonus provision

Performance bonuses are paid to the Municipal Manager, Chief Financial Officer, Director of Corporate Services, Director of Infrastructure, Director of Community Services, Director of Local Economic Development & Planning, Director of Strategic Management, Senior Accountant and Legal Advisor after an evaluation of performance by the Council.

16. Revaluation reserve

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

Opening balance	292 789 894	368 915 420
Change during the year	1 166 703 401	(76 125 526)
	1 459 493 295	**292 789 894**

17. Service charges

Refuse removal	6 363 180	5 467 186

Figures in Rand	2023	2022

18. Rental of facilities

Premises		
Rentals on investment property	5 581 111	5 323 045
Hall hire	44 945	17 863
	5 626 056	**5 340 908**

19. Interest on outstanding debtors

Interest on debtors from exchange transactions	2 828 059	4 268 560
Interest on debtors from non-exchange transactions	11 759 107	11 504 146
	14 587 166	**15 772 706**

20. Income from agency fees

Income from agency fees	2 614 599	2 761 725

The municipality is party to a principal /agent agreement.

The municipality is an agent on behalf of the Eastern Cape Provincial Department of Transport in collecting motor vehicle licences at an agency fee of 19%, VAT inclusive.

There were no significant changes in the agreement which occurred during the reporting period.

No material risks were identified on the agreement for the municipality.

The municipality does not incur any expenses on behalf of the principal.

R0 (2022: R 0), revenue due to the principal not paid over as at 30 June 2023.

21. Licences and permits

Licences and permits	1 559 539	1 283 734

The Municipality earns revenue from applications for driver's and learner'slicences, issuing of public driver permits, driver's and learner's licences, issue of roadworthy certificates, business and hawkers licenses.

22. Other Income

Building plan fees	429 397	256 848
Cemetery fees	43 124	60 193
Clearance certificate fees	56 059	14 687
Commissions received	158 335	104 134
Other Income	53 174	129 269
Valuation service fees	11 240	15 555
Advertising	214 014	81 608
Appilcation for land usage	53 349	10 538
Removal of restrictions	-	2 717
Town planning & servitudes	-	2 528
Loading zone	8 524	3 620
	1 027 216	**681 697**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

23. Interest received - investment

Bank	14 921 314	7 019 122

Figures in Rand	2023	2022

24. Property rates

Rates received

Property rates	62 310 601	68 891 619

Valuations on land and buildings are performed every 5 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 - (2022 - 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 - (2022 - R0.01519) is applied to business and commercial property valuations to determine assessment rates.

Vacant
A general rate of R0.02917 - (2022 - 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 - (2022 - R0.00311) is applied to small holdings and farm property valuations to determine assessment rates.

Industrial
A general rate of R0.0149 - (2022 - R0.0149) is applied to industrial property valuations to determine assessment rates.

Public Service Infrastructure
A general rate of R0.00311 - (2022 - R0.00311) is applied to public service infrastructure valuations to determine assessment rates.

Mining & Quarries
A general rate of R0.03938 - (2022 - 0.00311) is applied to mining & quarry valuations to determine assessment rates.

Properties owned by public benefit organisations
A general rate of R0.00311 - (2022 - 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.

Valuations

Residential	1 837 122 500	1 753 927 500
Commercial	869 283 209	812 260 209
Public Service Purposes	1 306 374 633	1 269 229 333
Public Service Infrastructure	61 609 400	59 715 400
Public Benefit Organization	30 731 000	30 581 000
Public Open Space	35 196 000	30 492 000
Agricultural	197 180 000	261 180 000
Industrial	224 900 000	165 840 000
Municipal	77 780 000	77 590 000
Vacant	187 396 000	197 459 000
Mining	-	757 000
	4 827 572 742	**4 659 031 442**

Figures in Rand	2023	2022

25. Government grants and subsidies

Operating grants		
Equitable share	307 329 000	282 160 067
Finance Management Grant	1 850 000	1 850 000
Expanded Public Works Programme	2 015 000	2 418 000
Department of Sports, Recreation and Culture (DSRAC)	50 808	149 052
Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)	2 510 303	-
Local Government Sector Education & Training Authority (LGSETA)	1 219 558	299 170
	314 974 669	**286 876 289**
Capital grants		
Municipal Infrastructure Grant (MIG)	72 726 147	70 813 632
Small Town Revitalisation	18 213 708	6 205 416
	90 939 855	**77 019 048**
	405 914 524	**363 895 337**

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	76 478 000	66 145 000
Conditions met - transferred to revenue	(72 726 146)	(70 813 632)
Roll-over not approved	-	(1 861 067)
	3 751 854	**-**

Conditions still to be met - remain liabilities (see note 14).

Local Government Sector Education & Training Authority (LGSETA)

Balance unspent at beginning of year	816 144	350 584
Current-year receipts	706 326	764 730
Conditions met - transferred to revenue	(1 219 558)	(299 170)
	302 912	**816 144**

Conditions still to be met - remain liabilities (see note 14).

Finance Management Grant (FMG)

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

Figures in Rand	2023	2022

25. Government grants and subsidies (continued)

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	2 015 000	2 418 000
Conditions met - transferred to revenue	(2 015 000)	(2 418 000)
	-	**-**

Department of Sports, Recreation and Culture (DSRAC)

Balance unspent at beginning of year	1 439 191	1 088 243
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(50 808)	(149 052)
	1 888 383	**1 439 191**

Conditions still to be met - remain liabilities (see note 14).

Disaster Grant

Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	-	-
	4 000 000	**-**

Conditions still to be met - remain liabilities (see note 14).

Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)

Balance unspent at beginning of year	5 000 000	-
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	(2 510 303)	-
	2 489 697	**5 000 000**

Conditions still to be met - remain liabilities (see note 14).

Small Town Revitalisation

Balance unspent at beginning of year	-	-
Current-year receipts	18 237 479	6 205 416
Conditions met - transferred to revenue	(18 213 708)	(6 205 416)
	23 771	**-**

Conditions still to be met - remain liabilities (see note 14).

26. Public contributions and donations

Public contributions and donations	342 907	56 176

The municipality received donations of computer equipment and CCTV cameras from the service provider Sense-IT and Gijima Holdings during the 2022/2023 financial year.

27. Traffic Fines

Traffic Fines	9 021 600	9 707 860

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Staff recoveries

Staff recoveries	164 389	668 870

29. Unclaimed monies forfeited

Forfeited retentions realised	1 161 155	480 412
Unclaimed monies	13 307	512 261
	1 174 462	**992 673**

Figures in Rand	2023	2022

30. Employee related costs

Basic salary & wages	144 807 039	136 106 983
Performance bonus	1 096 093	1 011 847
Medical aid	9 554 530	9 401 336
Unemployment Insurance Fund	951 302	927 719
Skills Development Levy	1 657 563	1 746 177
SALGA Levy	53 471	51 747
Leave pay provision charge	2 940 031	(119 788)
Pension fund contributions	24 409 137	23 104 858
Travel, motor car, accommodation, subsistence and other allowances	1 636 424	2 868 453
Overtime payments	1 391 830	1 537 088
Long-service awards	1 329 418	1 445 582
13th Cheques	12 566 441	10 519 777
Acting allowances	182 764	435 658
Housing benefits and allowances	284 307	242 368
Other allowances	281 294	107 079
Cell phone allowances	2 877 476	2 600 374
Arbitration award	-	282 703
	206 019 120	**192 269 961**

Remuneration of Municipal Manager - S Mahlasela

Basic salary	940 460	885 452
Backpay	73 217	92 323
Performance bonus	188 092	194 248
Cell phone allowance	126 608	119 202
Contributions to pension fund	253 683	238 845
Travel allowance	246 683	232 254
Leave pay	445 151	-
UIF	2 125	2 125
SDL	22 246	17 159
	2 298 265	**1 781 608**

Municipal Manager, S. Mahlasela, contract expired in November 2022 and was subsequently re-appointed through recruitment processes in November 2022.

Remuneration of Chief Finance Officer - M Matomane

Basic salary	768 750	723 784
Backpay	59 849	75 467
Performance bonus	140 937	146 568
Cell phone allowance	42 593	40 102
Contributions to pension fund	207 366	195 236
Contributions to medical aid	49 630	46 727
Travel allowance	212 911	200 457
Leave pay	297 250	-
UIF	2 125	2 125
SDL	17 366	13 884
	1 798 777	**1 444 350**

Chief Financial Officer, M Matomane, contract expired in May 2023 and was subsequently re-appointed through recruitment processes in June 2023.

Figures in Rand	2023	2022

30. Employee related costs (continued)

Remuneration of Director of Corporate Services - S Caga

Basic salary	320 312	723 784
Backpay	59 849	75 467
Performance bonus	153 750	134 354
Cell phone allowance	37 774	85 355
Contributions to pension fund	64 002	144 620
Contributions to medical aid	19 994	45 179
Travel allowance	91 772	207 370
Leave pay	379 249	-
UIF	886	2 125
SDL	5 753	13 746
	1 133 341	**1 432 000**

Director of Corporate Services, Adv. S Caga, resigned in November 2022.

Remuneration of Corporate Services - NV Mviko

Basic salary	246 335	-
Travel allowance	43 471	-
UIF	531	-
SDL	2 442	-
	292 779	**-**

Director Corporate Services, NV Mviko was appointed in April 2023.

Remuneration of Directors of Infrastructure - Z Ntile

Basic salary	-	357 364
Backpay	-	75 467
Performance bonus	-	134 354
Leave pay	-	117 255
Cell phone allowance	-	43 691
Contributions to pension fund	-	96 397
Contributions to medical aid	-	23 071
Travel allowance	-	75 084
UIF	-	1 417
SDL	-	8 111
	-	**932 211**

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

Remuneration of Director of Community Services - M Kibi

Basic salary	738 244	723 784
Backpay	59 849	75 467
Performance bonus	115 312	122 140
Cell phone allowance	69 688	68 323
Contributions to pension fund	189 811	186 094
Leave pay	394 624	-
Travel allowance	232 663	228 106
UIF	2 125	2 125
SDL	16 256	12 136
	1 818 572	**1 418 175**

Director of Community Services, M Kibi, contract expired in March 2023 and was subsequently re-appointed through recruitment processes in April 2023.

Figures in Rand	2023	2022

30. Employee related costs (continued)

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

Basic salary	768 750	723 784
Backpay	59 849	75 467
Performance bonus	102 500	146 568
Cell phone allowance	92 636	87 218
Contributions to medical aid	58 323	54 911
Contributions to pension fund	207 364	195 235
Travel allowance	154 177	145 159
Leave pay	333 124	-
UIF	2 125	2 125
SDL	15 383	12 039
	1 794 231	**1 442 506**

Director of Local Economic Development and Planning, M Dilika, contract expired in May 2023 and was subsequently re-appointed through recruitment processes in June 2023.

Figures in Rand	2023	2022

30. Employee related costs (continued)

Remuneration of Director of Strategic Management - S Benya

Basic salary	768 750	723 784
Backpay	59 849	75 467
Performance bonus	153 750	146 568
Cell phone allowance	31 894	30 029
Contributions to pension fund	207 364	195 235
Contributions to medical aid	99 407	93 593
Travel allowance	173 834	163 666
Leave pay	205 000	-
UIF	2 125	2 125
SDL	14 921	12 002
	1 716 894	**1 442 469**

Director of Strategic Management, S Benya, contract expired in March 2023 and was subsiquently re-appointed through recruitment processes in April 2023.

Remuneration of Director of Infrastructure - B Nohesi

Basic salary	768 750	183 210
Backpay	14 962	-
Performance bonus	32 031	-
Travel allowance	223 115	53 173
Cell phone allowance	81 822	19 500
Contributions to pension fund	207 562	49 467
UIF	2 125	531
SDL	10 922	2 773
	1 341 289	**308 654**

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

31. Remuneration of councillors

Executive Mayor	935 347	883 955
Chief Whip	730 470	649 540
Speaker	759 058	731 673
Mayoral Committee Members	4 268 485	4 783 048
Other Councillors	23 792 087	19 925 781
	30 485 447	**26 973 997**

32. Depreciation and amortisation

Property, plant and equipment	83 770 485	101 408 844
Investment property	1 512 686	2 116 279
Intangible assets	868 160	1 281 287
	86 151 331	**104 806 410**

33. Impairment of assets

Impairments

Impairment loss	3 344 924	4 860 924
Reversal of impairments	(6 859 156)	-
	(3 514 232)	**4 860 924**

Notes to the Annual Financial Statements

Figures in Rand		2023	2022

34. Finance costs

Finance leases		151 474	26 960
Actuarial interest		1 566 000	1 460 000
		1 717 474	**1 486 960**

35. Debt impairment

Receivables from non-exchange transactions		25 116 917	19 953 473
Receivables from exchange transactions		11 364 850	4 343 391
Bad debts written off	35.1	182 804	13 043 558
		36 664 571	**37 340 422**

35.1 Reconciliation of bad debts written-off

Bad debts approved by council for write off	3 560 196	82 996 470
Receivables from exchange transactions - Bad debts written-off against bad debt provision	(1 625 534)	(31 620 597)
Receivables from non-exchange transactions - Bad debts written-off against bad debt provision	(1 751 858)	(38 332 315)
Bad debts written-off	**182 804**	**13 043 558**

This is a first time disclosure which is not disclosed under the prior period error note which provides a breakdown of the total bad debts written-off by Council.

36. Bulk purchases

Electricity	4 819 642	2 881 170

37. Gain/(Loss) on disposal of assets

Gain or (loss) on disposal of assets during the year	22 137 602	20 873 680

38. Repairs and maintenance

Repairs and maintenance	15 661 046	4 122 681

Figures in Rand	2023	2022

39. General expenses

Advertising	3 994 692	2 819 250
Auditors remuneration	4 793 391	4 242 803
Bank charges	635 851	486 770
Transfer of assets held from distribution	172 900	449 800
Computer expenses	5 813 097	3 865 713
Professional fees	10 111 890	6 103 076
Consumables	3 317 629	4 069 756
Legal fees	11 254 283	2 588 853
Discount allowed	7 604 674	5 898 405
Civic functions	1 695 845	1 016 879
Car licences and registrations	317 325	304 807
Workmen's compensation	902 435	812 937
Hire charges	1 414 438	1 325 674
Insurance	1 312 767	1 968 954
Audit committee	418 307	357 070
Risk committee	60 599	100 000
Outsourced Services - clearning services	3 727 162	3 828 417
Driver's licence cards	222 385	221 516
Fuel and oil	6 345 090	4 455 513
Printing and stationery	462 923	1 074 086
Uniform and protective clothing	391 571	416 293
Security	418 764	349 679
Post and telecommunications	2 848 441	3 111 252
Assets expensed	28 000	90 337
Municipal services	5 730 334	6 587 306
Professional body and registration fees	2 604 573	656 126
Operating project expenditure	112 885	-
Subsistence, travelling and accomodation	2 758 133	2 171 467
Transfers to private enterprises	4 178 759	6 350 639
Signage	37 445	83 507
Other expenses	49 274	91 538
	83 735 862	**65 898 423**

40. Cash generated from operations

(Deficit) surplus	(59 872 451)	25 702 942
Adjustments for:		
Depreciation and amortisation	86 151 331	104 806 410
Loss on disposal of assets	22 137 602	20 873 680
Debt impairment	36 664 571	-
Discount allowed	7 604 674	-
Donations received	(342 907)	-
Impairment	(3 519 996)	4 860 924
Donations made	436 480	-
Transfer of assets held from distribution	172 900	-
Movements in employee benefit obligation	818 000	(766 000)
Movements in provisions for performance bonus	94 278	38 824
Other non-cash items	-	106 073
Revaluation losses	103 566 163	-
Changes in working capital:		
Inventories	305 445	274 738
Receivables from non-exchange transactions	(20 052 507)	(3 116 696)
Receivables from exchange transactions	(13 835 282)	(260 815)
Payables from exchange transactions	(3 656 394)	(228 330)
VAT	493 042	(3 117 638)
Unspent conditional grants and receipts	5 201 281	(713 191)
	162 722 309	**148 460 921**

Figures in Rand	2023	2022

41. Auditors' remuneration

Fees	4 793 391	4 242 803

42. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	334 775	334 775
Receivables from exchange transactions	-	3 215 755	3 215 755
Cash and cash equivalents	194 239 427	-	194 239 427
	194 239 427	**3 550 530**	**197 789 957**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	15 841 245	15 841 245

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	21 581 719	21 581 719

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	39 875 184	53 956 553

Total capital commitments		
Already contracted for but not provided for	39 875 184	53 956 553

Total commitments

Total commitments		
Authorised capital expenditure	39 875 184	53 956 553

44. Related parties

Relationships	
Municipal Manager	S Mahlasela - refer to note 30
Chief Financial Officer	M Matomane - refer to note 27
Director of Strategic Management	S Benya - refer to note 27
Director of Corporate Services	S Caga (resigened November 2022) - refer to note 30
Director of Corporate Services	NV Mviko (Appointed April 2022) - refer to note 30
Director of Infrastructural Planning & Development	Z Ntile (resigned December 2021) - refer to note 30
Director of Infrastructural Planning & Development	B Nohesi (appointed April 2022) refer to note 30
Director of Community Services	M Kibi - refer to note 27
Director of Local Economic Development	M Dilika - refer to note 27
Executive Mayor	T Manxila-Nkamisa
Speaker	M Qaba (start of term 02/12/2022)
Speaker	ZM Mnqwazi (resigned on 02/12/2022)
Chief Whip	S Ncetezo
Exco Councillors	N Plaatjie (start of term 30/05/2023)
	N Qaba (resigned 02/12/2022)
	N Layiti (resigned 30/05/ 2023)
	Z Sobekwa
	T Ntyinkala (start of term 30/05/2023)
	X I Pupuma (resigned 30/05/2023)
	T Bikitsha (resigned 30/05/ 2023)
	L Mgandela
	S Matutu
	X L Mjamba (start of term 30/05/2023)
Councillors	N Ntolosi
	M Mkhilili
	WM Ntongana
	Z Bomela
	Z Mnqokoyi
	N Sheleni
	NR Tshona
	V Nkehle
	N Baleka
	NN Magwentshu
	N Paliso
	L Ngindana
	L Dyantyi
	N Sigwadi
	VJ Gazi
	B Zondani
	MH Tangana
	P Ndabambi
	N Mena
	GT Ntshonga
	K Gobeni
	PM Mbovane
	N Mbuku
	T Jizana
	JJT Mduli
	M Ntsali
	ZE Kwaza
	S Maputeni
	M Magobiane
	LL Tetana
	Z Mawisa
	N Mtintsilana
	M Kabane
	M Xabela
	PN Ntamo
	NJ Mzongwana

Figures in Rand	2023	2022

44. Related parties (continued)

	N Futywana (Passed away 13/12/2022) C Ncukana M Masekwana NLG Mgqalelo V Manxodidi N Nogaga Mpumpula N Nohesi A Soyeza TB Gidigidi Z Tyandela CN Filtane LL Maputuma MHN Dali PB Goniwe M Kalimashe N Xoki (start of term 26/01/23) T Ntyinkala (resigned 30 May 2023) XI Pupuma (start of term 30/05/2023) N Plaatjie (start of term 20/01/23) (end date 30/05/2023) N Layiti (start of term 30/05/2023) T Bikitsha (start of term 30/05/2023) XL Mjamba (Resigned 30/05/2023)
Traditional leaders to participate in Mnquma Municipal Council	NVG Dondashe (passed away 16/11/2022) T Vuso (start of term 01/08/2022) N Mtoto (start of term 26/04/2023)

Related party transactions

Purchases from (sales to) related parties	2023	2022
S.T. Mazibuko who is one of the Directors of the company is the spouse of Mr N.T Mazibuko who is in the employ of the Dept of Arts and Culture KZN.	6 280 879	-
Daughter of Director, Ms Nkosi Yankey works for Department of Ecomonic Development, Environmental Affiars at the Head Office Eastern Cape	25 889	-
Z Makaula the debtors clerk - Her brother, B Makaula owns Vebu Holdings	-	4 359
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
Director's wife Mrs.N.Qwede is an employee of Buffalo City Municipality	1 161 155	-
Mauricha Samuels financial director spouse-saps-supply chain	45 023	-
Mrs NJ Maqula is working for the department of Human Settlement	399 118	-
Nombali Mbombo a Director of Adapt It (Pty) Ltd is married to Oudley Mzinomodocka siyothokoza mbombo, id 8112185668089, he is on operation and maintenance manager at Sanral	245 665	-
S.Ntambo who is the wife of the director of the company is in the employ of Buffalo City Municipality.	794 000	-
Sister Ziyanda Makaula is working at Mnquma Local Municipality and wife Pumza Makaula is working at social Development	22 813	-
Mnquma Local Municipality donated land to the Department of Public Works	436 480	-

45. 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 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Receivables from non-exchange transactions	334 775	-	-	-	334 775
Receivables from exchange transactions	3 215 755	-	-	-	3 215 755
Cash and cash equivalents	194 239 427	-	-	-	194 239 427
Payables from exchange transactions	15 841 245	-	-	-	15 841 245
Finance lease obligations	816 982	816 982	515 163	-	2 149 127
	214 448 184	**816 982**	**515 163**	**-**	**215 780 329**

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
Cash and cash equivalents	160 435 015	-	-	-	160 435 015
Payables from exchange transactions	21 581 719	-	-	-	21 581 719
Finance lease obligations	3 059	6 562	28 864	-	38 485
	183 797 198	**6 562**	**28 864**	**-**	**183 832 624**

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	2023	2022
Receivables from non-exchange transactions	334 775	326 056
Receivables from exchange transactions	3 124 385	1 451 349
Cash and cash equivalents	194 239 427	160 435 015

Figures in Rand	2023	2022

45. Risk management (continued)

Receivables from non-exchange - Other receivables

Current (0 - 30 days)	-	8 612
61 - 90 days	9 814	-
121 - 150 days	-	6 077
> 150 days	324 961	311 367
	334 775	**326 056**

Receivables from exchange transactions - Refuse

Current (0 - 30 days)	1 197 191	1 397 721
31 - 60 days	973 552	648 411
61 - 90 days	787 146	658 988
91 - 120 days	776 586	629 248
121 - 150 days	764 370	610 826
> 150 days	29 929 015	24 478 175
	34 427 860	**28 423 369**

Receivables from exchange transactions - Housing rental

Current (0 -30 days)	480 943	432 394
31 - 60 days	415 730	13 975
61 - 90 days	408 477	13 893
91 - 120 days	402 494	13 806
121 - 150 days	399 724	12 916
> 150 days	3 149 113	236 377
	5 256 481	**723 361**

Receivables from exchange transactions - Other receivables

Current (0 -30 days)	91 370	28 385
31 - 60 days	7 805	-
121 - 150 days	1 609 260	-
> 150 days	-	7 913
	1 708 435	**36 298**

46. Unauthorised expenditure

Opening balance	-	-
Add: Unathorised expenditure - current year	-	-
Less: Write-off by Council	-	-
	-	**-**

47. Fruitless and wasteful expenditure

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

48. Irregular expenditure

Opening balance	-	-
Add: Irregular Expenditure - current year	-	-
Less: Written-off by Council	-	-
	-	**-**

Figures in Rand	2023	2022

49. Deviation from Supply Chain Management Regulations

Incurred during the year	6 340 169	4 798 707

50. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	1 137	-
Current year subscription / fee	5 512 400	4 879 223
Amount paid - current year	(5 513 537)	(4 878 086)
	-	**1 137**

PAYE, SDL and UIF

Opening balance	-	-
Current year subscription / fee	36 854 122	34 584 064
Amount paid - current year	(36 854 122)	(34 584 064)
	-	-

PAYE, SDL and UIF deducted from employee salaries on payroll.

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	53 032 503	48 209 540
Amount paid - current year	(53 032 503)	(48 209 540)
	-	-

VAT

VAT receivable	6 585 587	7 078 629

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

SALGA Levy

Opening balance	-	-
Current year subscription/ fee	106 941	103 381
Amount paid - current year	(106 941)	(103 381)
	-	-

Figures in Rand	2023	2022

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Tenana Lindile	496	292	788
Gidigidi Benjamin T	5 420	110 325	115 745
Paliso Nosisi	1 225	27 972	29 197
	7 141	**138 589**	**145 730**

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Tshona Nomfundiso Ria	15 724	-	15 724
Palisa Nosisi	25 892	-	25 892
	41 616	**-**	**41 616**

Figures in Rand	2023	2022

51. Contingencies

As at 30 June 2023, 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
Case No. 55/2020 VJ Transport vs Mnquma Local Municipality	195 062	195 062
Case No. 297/19 Lungi Dyantyi vs Mnquma Local Municipality	121 112	121 112
Case No. 353/2020 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
Case No. 411/2020 Thembelani Tshaka and Others vs Mnquma Local Municipality	-	1 500 000
Case No. 73/2020 Bheki Sifile vs Mnquma Local Municipality	-	20 000
Case No. 2559/16 Ndikho Makutsu & Others vs Mnquma Local Municipality	517 964	517 964
Case No. 89/18 Vuyani Excellent Dyalo vs Mnquma Local Municipality and MM	150 000	150 000
Case No. 4806/2017 Masixole Innocent Magwashu vs Mnquma Local Municipality	300 000	300 000
Case No.1114/2014 Siva Pillay Construction vs Mnquma Local Municipality	13 377 329	13 377 329
Case No. 276/17 Wezile Mgidlana vs Mnquma Local Municipality	-	350 000
Case No. 2390/2017 A One Electric vs Mnquma Local Municipality	-	1 153 297
Case No. 463/2017 C.W.Z. Matota and another vs Mnquma Local Municipality	-	164 477
Case No. 250/2019 Mpinda Hlaba vs Mnquma Local Municipality	150 000	150 000
Case No. 3602/17 Soyama Construction CC vs Mnquma Local Municipality	-	2 588 888
Case No.189/2022 Kanetso Johannes Ramaipato vs Mnquma Local Municipality and Mr Timakoe	59 022	59 022
Case No. 42/22 Bongani Nyhiba vs Mnquma Local Municipality	193 082	193 082
Case No.313/2020 - M. Tutu vs Munquma Local Municipality	12 000	12 000
Case No. 114/2021 - Thandinkosi Magani vs Munquma Local Municipality	2 000 000	2 000 000
Case No. 5291/2022 Nqaba Dekeda vs Mnquma Local Municipality	7 000 000	-
case No .PR76/23 Camagu vs Mnquma Local municipality	1 025 790	-
Case No.PR82/23 V Gonya vs Mnquma Local Municipality	1 751 020	-
Case No.PR103/23 T C Hlazo vs Mnquma Local Municipality	2 010 714	-
Case No.44/2022 Weziwe Bhobho Vs Mnquma Local Municipality	44 874	-
Case No. 444/17 Minister of water and sanitation vs Mnquma Local Municipality	6 037 591	-
	63 889 600	**51 796 273**

Case no144/19 Barricade Protection Services 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.

Case No. 55/2020 VJ Transport vs Mnquma Local Municipalityy
The Plaintiff is suing the Municipality on the damage arising on the unidentified collapsed bridge. The case is still pending.

Case No. 297/19 Lungi Dyantyi 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.

Case No 353/202 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.

Case No. 237/19 Nontando Mvume 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.

Case No. 2559/16 Ndikho Makutsu & 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.

Case No. 89/18 Vuyani Excellent Dyalo vs Mnquma Local Municipality and MM
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.

51. Contingencies (continued)

Case No. 4806/2017 Masixole Innocent Magwashu 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.

Case No.1116/2014 Siva Pillay Construction vs Mnquma Local Municipality
The Plaintiff is claiming the Municipality money for services rendered that was not paid, the matter is still pending.

Case No. 250/2019 Mpinda Hlaba 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.

Case No. 5291/2022 Nqaba Dekeda vs Mnquma Local Municipality
The municipality is being sued for illegal eviction and demolition of the plaintiff structure without a Court Order.

51. Contingencies (continued)

Case No. PR76/23 Camagu vs Mnquma Local Municipality
The Plaintiff is suing the Municipality Unfair dismisal dispute to SALGBC.

Case No.PR82/23 V Gonya vs Mnquma Local Municipality
The Plaintiff is suing the Municipality Unfair dismisal dispute to SALGBC.

Case No.PR103/23 T C Hlazo vs Mnquma Local Municipality
The Plaintiff is suing the Municipality Unfair dismisal dispute to SALGBC..

Case No.44/2022 Weziwe Bhobho Vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for damages on the motor vehicle as a result of a pothole.

Case No. 444/17 Minister of water and sanitation vs Mnquma Local Municipality
The Plaintiff is suieng the Municipality for failure to pay water use charges under the national water Act 36 of 1998.

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

Case No. 411/2020 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.

Case No. 276/1Wezile Mgidlana vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for unlawful assault by trafic officers, the matter is at pre trail stage.

Case No. 2390/2017 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.

Case No. 463/2017 C.W.Z. Matota and another 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.
Case No. 3602/1 Soyama Construction CC 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.

52. Construction contract advances

Contracts in progress at statement of financial position date

	2023	2022
Integrated National Electrification Programme (INEP)	-	-

	2023	2022
Movements during the year		
Opening balance	-	-
Current-year receipts	7 320 000	8 730 000
Conditions met - transferred to revenue	(7 320 000)	(8 730 000)
	-	-

At 30 June 2023, retention of contracts in progress are R 646 567 (2022: R 386 706).

Method used to determine the contract revenue recognised in the period

The revenue recognised is based on the amount of expenditure incurred by the municipality for INEP electrification projects, which is in terms of the stage of completion determined by the progress payments claimed by the respective sub-contractors.

Figures in Rand	2023	2022

52. Construction contract advances (continued)

Construction contracts revenue recognised		
Construction contracts	7 320 000	8 730 000

Method used to determine the stage of completion of contracts in progress

The proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Construction contract costs		
Rural electrification projects in terms of INEP	7 320 000	8 730 000

53. Revaluation loss

Revaluation loss	(103 577 694)	-

54. Construction contract expenses

Rural electrification projects in terms of INEP	6 591 661	7 155 574

55. Change in estimate

Property, plant and equipment

GRAP 17: Property, Plant and Equipment requires that the Mnquma Local Municipality shall at each reporting date assess whether there has been an indication that the Municipality’s expectation about the remaining useful lives of assets have changed. Such review has been completed and the following results were achieved.

The indicator, “The asset is approaching the end of its previously expected useful life”, was identified in respect of 3,089 immovable assets and 201 movable assets. Management determined that these assets will still be in use for at least the next
two financial periods and the remaining useful lives of these assets were extended accordingly.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment for the 2023 financial period has decreased by R12,306,710.28 in respect of immovable assets and R43,135.31 in respect of movable assets for the 2023, 2024,and 2025 financial periods.

56. Prior period errors

It should be noted that due to the correction of prior period errors, the comparative segment reporting note has been adjusted in line with the changes detailed below.

Figures in Rand	2023	2022

56. Prior period errors (continued)

VAT receivable

As previously stated	-	7 657 210
Increase in VAT receivables due to understatement of VAT due to capitalisation of Speedpoints as finance lease.	-	5 250
Decrease in VAT recievables due to finance lease incorrectly classified as operating lease in 2020-2021	-	(44)
Decrease in VAT receivables due to reversing overstated operating lease expense and recognition of finance cost for 2021-22	-	(186)
Decrease in VAT recievables due to reversal of VAT on disallowed VAT return	-	(583 601)
	-	**7 078 629**

Property, plant and equipment

As previously stated	-	773 126 251
Increase in property, plant & equipment due to capitalisation of Speedpoint assets previously not recognised-Cost.	-	35 000
Decrease in property, plant & equipment due to depreciation on Speedpoint assets for 2020-2021-Accumulated Depreciation.	-	(2 858)
Decrease in property, plant & equipment due to depreciation on Speedpoint assets for 2021-2022-Accumulated Depreciation.	-	(7 000)
Increase in property, plant & equipment due to capitalisation of Dumpy Level assets previously not recognised-Cost.	-	17 669
Decrease in property, plant & equipment due to depreciation on Dumpy level assets for 2021-2022- Accumulated Depreciation.	-	(1 951)
Increase in property, plant & equipment due to reclassification Cabinet Battery Box asset from furniture & office equipment to computer equipment - Cost	-	69 950
Decrease in property, plant & equipment due to reclassification Cabinet Battery Box asset from furniture & office equipment to computer equipment - Cost	-	(69 950)
Decrease in property, plant & equipment due to reclassification Cabinet Battery Box asset from furniture & office equipment to computer equipment - Accummulated Depreciation	-	(594)
Increase in property, plant & equipment due to reclassification Cabinet Battery Box asset from furniture & office equipment to computer equipment - Accumulated depreciation	-	594
Increase in property, plant & equipment due to reclassification of Cabinet Network Switch/Sever asset Furniture and Equipment to computer equipment- Cost	-	2 532
Decrease in property, plant & equipment due to reclassification of Cabinet Network Switch/Sever asset Furniture and Equipment to computer equipment- Cost	-	(2 532)
Increase in property, plant & equipment due to reclassification of Cabinet Network Switch/Sever asset Furniture and Equipment to computer equipment- Accumulated depreciation	-	2 141
Decrease in property, plant & equipment due to reclassification of Cabinet Network Switch/Sever asset Furniture and Equipment to computer equipment- Accumulated depreciation	-	(2 141)
Correction of Prior period error: Reclassification of Cabinet Network Switch/server that was incorrectly recorded as Machinery instead of Computer Equipment.	-	2 695
Correction of Prior period error: Reclassification of Cabinet Network Switch/server that was incorrectly recorded as Machinery instead of Computer Equipment.	-	(2 695)
Increase in property, plant & equipment due to capitalisation of laptop bag asset that asset that was previously not recognised as Furniture and Equipment - Cost	-	23 701
Decrease property, plant & equipment due to capitalisation of laptop bag asset that was previously not recognised as security measure - Cost	-	(23 701)
Decrease property, plant & equipment due to capitalisation of laptop bag asset that was previously not recognised as security measure - Accumulated Depreciation	-	(2 141)
Increase in property, plant & equipment due to capitalisation of laptop bag asset that asset that was previously not recognised as Furniture and Equipment - Accumulated Depreciation	-	2 141
Increase in property, plant & equipment due to revision of RUL on movable asset - Accumulated Depreciation	-	1 031
Decrease property, plant & equipment due to revision of RUL on movable asset - Accumulated Depreciation	-	(13 032)

56. Prior period errors (continued)

Figures in Rand	2023	2022
Increase in property, plant & equipment due to reinstatement of assets previously incorrectly disposed-Cost.	-	569 093
Increase in property, plant & equipment due to reinstatement of assets previously incorrectly disposed-Cost.	-	1 860 571
Increase in property, plant & equipment due to reinstatement of assets previously incorrectly disposed-Cost.	-	238 081
Increase in property, plant & equipment due to reinstatement of assets previously incorrectly disposed-Cost.	-	831 684
Increase in property, plant & equipment due to reinstatement of assets previously incorrectly disposed- Accumulated Depreciation	-	(311 729)
Increase in property, plant & equipment due to reinstatement of assets previously incorrectly disposed- Accumulated Depreciation	-	(1 264 167)
Increase in property, plant & equipment due to reinstatement of assets previously incorrectly disposed- Accumulated Depreciation	-	(220 402)
Increase in property, plant & equipment due to reinstatement of assets previously incorrectly disposed- Accumulated Depreciation	-	(749 442)
	-	**774 108 799**

General expenses

As previously stated	-	73 082 196
Decrease in operating lease expense due to change in recognition of speedpoint from Operating lease to Finance lease	-	(28 200)
Increase in bank charges due to reclassification of expense from operating lease	-	107 352
Decrease in operating lease expense due eclassification of expense from operating lease	-	(107 352)
Increase in printing expense due to reclassification of expense from operating lease	-	586 853
Decrease in operating lease expense due eclassification of expense from operating lease	-	(586 853)
Decrease in general expenses due construction contract costs incorrectly recorded under general expenses.	-	(7 155 574)
	-	**65 898 423**

Finance costs

As previously stated	-	1 460 000
Increase in general expense due to reversing overstated operating lease expense and recognition of finance cost for 2021-22	-	26 960
	-	**1 486 960**

Finance lease

As previously stated	-	-
Increase in Finance lease liability due to lease previously incorrectly recorded as operating lease	-	40 250
Decrease in finance lease due to finance lease incorrectly classified as operating lease in 2020-2021	-	(339)
Decrease in finance lease due to reversing overstated operating lease expense and recognition of finance cost for 2021-22	-	(1 426)
	-	-
	-	**38 485**

Figures in Rand	2023	2022

56. Prior period errors (continued)

Accumulated surplus

As previously stated	-	778 397 368
Decrease in Accumulated surplus due to depreciation on Speedpoint assets for 2020-2021.	-	(2 858)
Decrease in accumulated depreciation due to finance lease incorrectly classified as operating lease in 2020-2021 - finance cost	-	294
Decrease in accumulated surplus due to depreciation on Speedpoint machines for 2021-2022	-	(7 000)
Decrease in accumulated surplus due to depreciation on asset previously not recognised for 2021-2022- Accumulated Depreciation.	-	(1 951)
Decrease in accumulated surplus due to reversing overstated operating lease expense and recognition of finance cost for 2021-22	-	(26 959)
Increase in accumulated surplus due reversing overstated operating lease expense and recognition of finance cost for 2021-22	-	28 200
Increase in Accumulated surplus due capitalisation of asset previously not recognised - Cost	-	17 669
Increase in bank charges due to reclassification of expense from operating lease	-	107 352
Decrease in operating lease expense due eclassification of expense from operating lease	-	(107 352)
Increase in printing expense due to reclassification of expense from operating lease	-	586 853
Decrease in operating lease expense due eclassification of expense from operating lease	-	(586 853)
Decrease in Accumulated surplus due to reinstatement of assets previously incorrectly disposed- Accumulated Depreciation	-	(2 545 740)
Increase in accumulated surplus due to reinstatement of assets previously incorrectly disposed - Cost.	-	3 499 428
Decrease in accumulated surplus due to reversal of VAT on disallowed VAT return	-	(583 601)
Decrease in accumulated surplus due to revision of remaining useful life (RUL) on movable assets - Accumulated Depreciation	-	(13 032)
Increase in accumulated surplus due to revision of RUL on movable asset - Accumulated Depreciation	-	1 030
	-	**778 762 821**

Depreciation and amortisation

As previously stated	-	104 785 457
Increase in depreciation and amortisation due to depreciation on Speedpoint machines for 2021-2022	-	7 000
Increase in depreciation due to to depreciation on asset previously not recognised for 2021-2022- Accumulated Depreciation.	-	1 951
Decrease in depreciation due to revision of RUL on movable asset - Accumulated Depreciation	-	(1 031)
Increase in depreciation due to revision of remaining useful life (RUL) on movable assets - Accumulated Depreciation	-	13 033
	-	**104 806 410**

Revenue from exchange transactions - Interest on outstanding debtors

As previously stated	-	15 772 706
Decrease in revenue from exchange transactions - interest on outstanding debtors due to misclassification of interest on outstanding property rates debtors	-	(11 504 146)
	-	**4 268 560**

Loss on disposal of assets

As previously stated	-	21 827 368
Decrease in loss on disposal of assets due to re-instatement of assets that incorrectly derecognised in year 2021-2022.	-	(953 688)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

56. Prior period errors (continued)

	-	**20 873 680**

Revenue from non-exchange transaction - Interest on outstanding debtors

As previously stated	-	-
Increase in revenue from non-exchange transaction - interest on outstanding debtors due misallocation of interest on outstanding debtors	-	11 504 146
	-	**11 504 146**

Construction contract expenses

As previously stated	-	-
Increase in construction contract expenses due to misallocation under general expenses.	-	7 155 574
	-	**7 155 574**

Government grants & subsidies

As previously stated	-	372 625 337
Decrease in government grants & subsidies due misallocation construction contract revenue.	-	(8 730 000)
	-	**363 895 337**

Construction contract revenue

As previously stated	-	-
Increase in construction contract revenue due misallocation construction contract revenue under government grants & subsidies.	-	8 730 000
	-	**8 730 000**

57. Budget differences

Material differences between budget and actual amounts

A - The variance is due to the increase in occupants of municipal flats and increase in rental of halls after renovations done on halls.

B - Variance is due to decrease in licensing of vehicles.

C - Variance is due to increase in number of cars that were licensed during the term and also an Increase in business licences due to positive results from law enforcement raids that were conducted.

D - Varience is due to increase in number of building plans approved during the year and rentals for bilboards.

E - Varience is due to significant improved cash reserves through VAT claims from SARS refunds since the municipality is expenditure driven.

F - Variance is as a result of the implementation of the Supplementary Valuation where properties were incorrectly valued from the last General valuation roll.

G - Varience is due to Assets that were donated by Gijima and Sense IT.

H -The variance is due to unexpected high number of motorists identified during roadblocks which are non-compliant with road regulations. Also use of rodblock trailer has became effective.

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

J - These are retention forfited due to contractor not correcting snags on site.These are adhoc revenues that are not anticipated when budget is prepared..

K - Varience is due to revaluation of immovable assets performed during the year.

L - Varience is due to revaluation of immovable assets performed during the year.

M - Varience is due to revaluation of immovable assets performed during the year
.

N - Varience is due to implementation of Cost containment measures and also contracts that were awarded towards the year end.

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

P - Varience is due to increase in carring values resulted from the revaluation of immovable assets.

Q - The municipality received in March an additional R5 million MIG as a best performing municipality and the funds could not be finished by year end. In June another R4 million was received for Municipal Disaster Grant for contruction of roads that were affected by Floods

58 Segment Reporting

2023	Governance	Administration	Community Services	Public safety	Planning and development	Roads	Electricity	Waste management	Other	Total
REVENUE										
REVENUE FROM NON-EXCHANGE TRANSACTIONS	**-**	**-**	**2 065 808**	**9 021 600**	**2 510 303**	**90 939 854**	**7 320 000**	**-**	**386 150 024**	**498 007 589**
Property Rates	-	-	-	-	-	-	-	-	62 310 601	62 310 601
Government Grants and subsidies	-	-	2 065 808	-	2 510 303	90 939 854	-	-	310 398 558	405 914 523
Construction contracts	-	-	-	-	-	-	7 320 000	-	-	7 320 000
Fines, Penalties and Forfeits	-	-	-	9 021 600	-	-	-	-	-	9 021 600
staff recoveries	-	-	-	-	-	-	-	-	164 389	164 389
unclaimed monies forfeited	-	-	-	-	-	-	-	-	1 174 462	1 174 462
Public contributions and donations	-	-	-	-	-	-	-	-	342 907	342 907
Interest on outstanding debtors	-	-	-	-	-	-	-	-	11 759 107	11 759 107
REVENUE FROM EXCHANGE TRANSACTIONS	**-**	**-**	**9 020 903**	**1 093 547**	**993 227**	**-**	**-**	**-**	**23 832 285**	**34 939 962**
Service Charges	-	-	6 363 180	-	-	-	-	-	-	6 363 180
Rental from Fixed Assets	-	-	-	-	44 945	-	-	-	5 581 111	5 626 056
Interest Earned - external investments	-	-	-	-	-	-	-	-	14 921 314	14 921 314
Interest Earned - outstanding debtors	-	-	-	-		-	-	-	2 828 059	2 828 059
Licences and Permits	-	-		1 093 547	465 992	-	-	-	-	1 559 539
Agency Services	-	-	2 614 599	-	-	-	-	-	-	2 614 599
Other Income	-	-	43 124	-	482 290	-	-	-	501 801	1 027 215
TOTAL REVENUE	**-**	**-**	**11 086 711**	**10 115 147**	**3 503 530**	**90 939 854**	**7 320 000**	**-**	**409 982 309**	**532 947 551**
EXPENDITURE										
Employee related costs	-	-	36 494 876	-	41 299 473	27 617 669	-	22 169 510	78 437 592	206 019 120
Remuneration of Councillors	-	-	-	-	-	-	-	-	30 485 447	30 485 447
Debt Impairment	-	-	1 268 688	-	-	-	-	-	35 395 883	36 664 571
Depreciation and Amortisation	-	-	-	-	-	80 118 523	-	-	6 032 809	86 151 332
Impairment Loss/reversal	-	-	-	-	-	-	-	-	(3 519 996)	(3 519 996)
Finance Charges	-	-	-	-	-	-	-	-	1 717 474	1 717 474
Bulk Purchases	-	-	-	-	-	-	-	-	4 819 642	4 819 642
Construction contracts expenses	-	-	-	-	-	-	6 591 661	-	-	6 591 661
Revaluation Losses	-	-	-	-	-	-	-	-	103 577 694	103 577 694
Repairs and Maintenance	-	-	-	-	12 000	1 377 867	-	-	14 271 179	15 661 046
Operational Cost	-	-	8 033 221	253 294	7 975 575	598 442	-	4 473 236	62 213 110	83 546 878
Loss on Disposal of Assets	-	-	-	-	-	-	-	-	22 326 585	22 326 585
TOTAL EXPENDITURE	**-**	**-**	**45 796 785**	**253 294**	**49 287 048**	**109 712 501**	**6 591 661**	**26 642 746**	**355 757 419**	**594 041 454**
SURPLUS/(DEFICIT) FOR THE YEAR	**-**	**-**	**(34 710 074)**	**9 861 853**	**(45 783 518)**	**(18 772 647)**	**728 339**	**(26 642 746)**	**54 224 890**	**(61 093 903)**
Actuarial gains/(lossess)									1 221 450.00	1 221 450
(Deficit) surplus for the year	**-**	**-**	**(34 710 074)**	**9 861 853**	**(45 783 518)**	**(18 772 647)**	**728 339**	**(26 642 746)**	**54 224 890**	**(59 872 453)**
CAPITAL EXPENDITURE	**-**	**-**	**-**	**2 034 839**	**5 975 826**	**131 881 705**	**-**	**198 930**	**14 456 462**	**154 547 762**

58 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	**-**	**-**	**-**	**9 707 860**	**-**	**77 019 048**	**8 730 000**	**2 567 052**	**356 593 568**	**454 617 528**
Property Rates	-	-	-	-	-	-	-	-	68 806 888	68 806 888
Government Grants and subsidies	-	-	-	-	-	77 019 048	-	2 567 052	284 365 413	363 951 512
Construction contracts	-	-	-	-	-	-	8 730 000	-	-	8 730 000
Actuarial Gains	-	-	-	-	-	-	-	-	3 421 268	3 421 268
Fines, Penalties and Forfeits	-	-	-	9 707 860	-	-	-	-	-	9 707 860
REVENUE FROM EXCHANGE TRANSACTIONS	**-**		**-**	**2 012 159**	**41 225**	**600 466**	**-**	**11 325 432**	**26 148 815**	**40 128 097**
Service Charges	-	-	-	-	-	-	-	5 467 186	-	5 467 186
Rental from Fixed Assets	-	-	-	-	30 748	-	-	-	5 323 045	5 353 793
Interest Earned - external investments	-	-	-	-	-	-	-	-	7 019 122	7 019 122
Interest Earned - outstanding debtors	-	-	-	-	-	-	-	3 036 328	12 594 237	15 630 565
Licences and Permits	-	-	-	1 019 486	-	-	-	-	264 248	1 283 734
Agency Services	-	-	-	-	-	-	-	2 761 725	-	2 761 725
Sales of Goods and Rendering of Services	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	992 673	10 477	600 466	-	60 193	948 163	2 611 973
TOTAL REVENUE	**-**	**-**	**-**	**11 720 019**	**41 225**	**77 619 514**	**8 730 000**	**13 892 484**	**382 742 383**	**494 745 625**
EXPENDITURE										
Employee related costs	-	-	11 850 026	17 145 094	26 540 005	7 158 338		26 492 921	105 393 490	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	-	-	-	284 516	1 541 898	546 036	-	5 003 732	11 585 708	18 961 891
Transfers and Subsidies	-	-	-	-	-	-	-	-	-	-
Operating Leases	-	-	-	-	-	-	-	-	722 405	722 405
Construction contract expenses	-	-	-	-	-	-	7 155 574	-	-	7 155 574
Operational Cost	-	-	509 507	151 755	8 042 609	1 259 354	-	709 107	38 029 242	48 701 574
Loss on Disposal of Assets	-	-	-	-	-	-	-	-	22 108 987	22 108 987
Inventory Loss	-	-	-	-	-	-	-	-	18 567	18 567
TOTAL EXPENDITURE	**-**	**-**	**12 359 533**	**17 581 365**	**36 124 511**	**8 963 729**	**7 155 574**	**32 205 761**	**354 652 210**	**469 042 683**
SURPLUS/(DEFICIT) FOR THE YEAR	**-**	**-**	**(12 359 533)**	**(5 861 346)**	**(36 083 286)**	**68 655 785**	**1 574 426**	**(18 313 277)**	**28 090 173**	**25 702 942**
CAPITAL EXPENDITURE	**-**	**-**	**-**	**2 666 102**	**2 737 680**	**65 200 046**	**-**	**-**	**194 534 084**	**265 137 912**