Great Kei Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

General Information

Nature of business and principal activities	Great Kei Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no. 117 of 1998) The municipality's operations are governed by: -Municipal Finance Management Act no. 56 of 2003 -Municipal Structures Act no.117 of 1998 -Municipal Systems Act no. 32 of 2000 and various other acts and regulations.
List of councillors	
Mayor	Cllr N W Tekile
Chief Whip	Cllr N M Kantshashe
Councillors	Cllr N P Ngema
	Cllr N Dyani
	Cllr L Mhlontlo
	Cllr Z Tshali
	Cllr W Sinqana
	Cllr Z M Nzuzo
	Cllr M Njekanye
	Cllr B A F Wood
	Cllr S M Jacobs
	Cllr T Ndolose
	Cllr L T Plika
Grading of local authority	Grade 2
Accounting Officer	L N Mambila
Registered office	17 Main Street Komga 4950
Postal address	Private Bag X2 Komga 4950
Bankers	Standard Bank Limited
Auditors	Auditor General of South Africa

Index

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MIG	Municipal Infrastructure Grant
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

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

The annual financial statements set out from page 5 to page 74, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2021 and were signed on its behalf by:

L.N. Mambila
Municipal Manager

Statement of Financial Position as at 30 June 2021

Figures in Rand	Notes	2021	2020 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	10 722 307	11 587 977
Statutory receivables	4	4 177 848	4 198 458
VAT receivable	45	327 919	-
Cash and cash equivalents	5	5 443 987	6 109 813
		20 672 061	**21 896 248**
Non-Current Assets			
Investment property	6	77 800 547	82 043 547
Property, plant and equipment	7	243 797 357	239 301 904
Heritage assets	8	36 000	36 000
		321 633 904	**321 381 451**
Total Assets		**342 305 965**	**343 277 699**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	55 830 832	60 747 195
VAT payable	10	-	3 509 444
Employee benefit obligation	11	5 993 310	5 637 778
Unspent conditional grants and receipts	12	492 910	6 185 659
Provisions	13	679 202	721 391
		62 996 254	**76 801 467**
Non-Current Liabilities			
Employee benefit obligation	11	11 125 257	8 665 748
Provisions	13	17 727 362	15 748 722
		28 852 619	**24 414 470**
Total Liabilities		**91 848 873**	**101 215 937**
Net Assets		**250 457 092**	**242 061 762**
Accumulated surplus		250 457 092	242 061 762
Total Net Assets		**250 457 092**	**242 061 762**

* See Note 34

Statement of Financial Performance

Figures in Rand	Notes	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	14	20 242 015	11 803 362
Rental of facilities and equipment	15	43 549	472 244
Agency services		155 080	90 329
Licences and permits		155 575	461 240
Other income	16	782 847	533 432
Interest received	17	6 322 920	2 523 464
Total revenue from exchange transactions		**27 701 986**	**15 884 071**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	18	25 215 426	22 370 943
Interest received	17	5 161 296	2 106 848
Transfer revenue			
Government grants & subsidies	19	81 348 463	56 937 719
Donations received	20	416 000	436 000
Fines, Penalties and Forfeits		43 300	300
Total revenue from non-exchange transactions		**112 184 485**	**81 851 810**
Total revenue		**139 886 471**	**97 735 881**
Expenditure			
Employee related costs	21	(46 416 946)	(49 357 709)
Remuneration of councillors	22	(4 588 006)	(4 586 620)
Depreciation, impairment loss and amortisation	23	(11 653 123)	(21 709 556)
Finance costs	24	(2 730 772)	(2 988 972)
Lease rentals on operating lease		(220 002)	(185 411)
Debt Impairment	25	(29 107 275)	(17 146 560)
Bulk purchases	26	(10 765 184)	(9 575 380)
Contracted services		(6 087 180)	(8 538 399)
General Expenses	27	(15 853 576)	(12 464 809)
Total expenditure		**(127 422 064)**	**(126 553 416)**
Operating surplus (deficit)		**12 464 407**	**(28 817 535)**
Actuarial (loss) / gain on employee benefit obligations	11	(1 610 698)	4 893 127
Acturial (loss) / gain on Landfill site provision	13	(1 215 060)	174 810
(Loss) / gain on disposal of non-current assets	7	(1 238 966)	844 682
		(4 064 724)	**5 912 619**
Surplus (deficit) for the year		**8 399 683**	**(22 904 916)**

* See Note 34

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	287 161 584	287 161 584
Adjustments		
Prior year adjustments	(22 194 906)	(22 194 906)
Balance at 01 July 2019 as restated*	**264 966 678**	**264 966 678**
Changes in net assets		
Deficit for the year	(22 904 916)	(22 904 916)
Total changes	(22 904 916)	(22 904 916)
Opening balance as previously reported	271 139 593	271 139 593
Adjustments		
Correction of errors	(29 082 184)	(29 082 184)
Restated* Balance at 01 July 2020 as restated*	**242 057 409**	**242 057 409**
Changes in net assets		
Surplus for the year	8 399 683	8 399 683
Total changes	8 399 683	8 399 683
Balance at 30 June 2021	**250 457 092**	**250 457 092**

Note 36

* See Note 34

Cash Flow Statement

Figures in Rand	Notes	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Other receipts		1 137 051	1 993 546
Rates and services		13 714 560	20 978 357
Grants		66 239 964	62 773 321
Interest income		11 484 216	5 543 304
		92 575 791	91 288 528
Payments			
Employee costs		(48 189 911)	(56 539 637)
Suppliers		(27 954 189)	(21 716 842)
Finance costs		(2 730 772)	(2 988 972)
		(78 874 872)	(81 245 451)
Net cash flows from operating activities	30	**13 700 919**	**10 043 077**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(14 401 739)	(6 233 901)
Proceeds from sale of other assets	6	34 994	968 636
Net cash outflows from investing activities		**(14 366 745)**	**(5 265 265)**
Net increase/(decrease) in cash and cash equivalents		**(665 826)**	**4 777 812**
Cash and cash equivalents at the beginning of the year		6 109 813	1 332 001
Cash and cash equivalents at the end of the year	5	**5 443 987**	**6 109 813**

* See Note 34

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	17 767 440	2 200 000	**19 967 440**	20 242 015	**274 575**	
Rental of facilities and equipment	2 200 000	-	**2 200 000**	43 549	**(2 156 451)**	44.1
Agency services	700 000	-	**700 000**	155 080	**(544 920)**	44.4
Licences and permits	2 300 000	-	**2 300 000**	155 575	**(2 144 425)**	44.2
Other income	880 995	2 150 000	**3 030 995**	782 847	**(2 248 148)**	44.3
Interest received	500 000	-	**500 000**	6 322 920	**5 822 920**	44.5
Total revenue from exchange transactions	**24 348 435**	**4 350 000**	**28 698 435**	**27 701 986**	**(996 449)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	27 806 121	-	**27 806 121**	25 215 426	**(2 590 695)**	
Interest, Dividends and Rent on Land	1 500 000	-	**1 500 000**	5 161 296	**3 661 296**	44.7
Transfer revenue						
Government grants & subsidies	66 874 000	6 144 898	**73 018 898**	81 348 463	**8 329 565**	44.6
Public contributions and donations	-	-	**-**	416 000	**416 000**	
Fines, Penalties and Forfeits	-	-	**-**	43 300	**43 300**	
Total revenue from non-exchange transactions	**96 180 121**	**6 144 898**	**102 325 019**	**112 184 485**	**9 859 466**	
Total revenue	**120 528 556**	**10 494 898**	**131 023 454**	**139 886 471**	**8 863 017**	
Expenditure						
Employee related costs	(46 862 688)	-	**(46 862 688)**	(46 416 946)	**445 742**	
Remuneration of councillors	(4 869 687)	(181 000)	**(5 050 687)**	(4 588 006)	**462 681**	44.8
Depreciation and amortisation	(14 000 000)	-	**(14 000 000)**	(11 653 123)	**2 346 877**	44.9
Finance costs	(500 000)	-	**(500 000)**	(2 730 772)	**(2 230 772)**	44.12
Lease rentals on operating lease	-	-	**-**	(220 002)	**(220 002)**	44.13
Debt Impairment	(13 000 000)	-	**(13 000 000)**	(29 107 275)	**(16 107 275)**	44.10
Bulk purchases	(7 391 304)	-	**(7 391 304)**	(10 765 184)	**(3 373 880)**	44.11
Contracted Services	(6 585 769)	(1 661 740)	**(8 247 509)**	(6 087 180)	**2 160 329**	44.14
General expenses	(11 002 200)	(1 296 263)	**(12 298 463)**	(15 853 576)	**(3 555 113)**	44.15
Total expenditure	**(104 211 648)**	**(3 139 003)**	**(107 350 651)**	**(127 422 064)**	**(20 071 413)**	
Operating surplus	**16 316 908**	**7 355 895**	**23 672 803**	**12 464 407**	**(11 208 396)**	
Actuarial gains/losses	-	-	**-**	(1 610 698)	**(1 610 698)**	
Revenue forgone	-	-	**-**	(1 215 060)	**(1 215 060)**	
Loss on non-current assets held for sale or disposal groups	-	-	**-**	(1 238 966)	**(1 238 966)**	
	-	**-**	**-**	**(4 064 724)**	**(4 064 724)**	
Surplus before taxation	**16 316 908**	**7 355 895**	**23 672 803**	**8 399 683**	**(15 273 120)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**16 316 908**	**7 355 895**	**23 672 803**	**8 399 683**	**(15 273 120)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Consumer debtors	(147 842 636)	78 791 393	**(69 051 243)**	10 722 307	**79 773 550**	44.16
Statutory receivables	-	-	**-**	4 177 848	**4 177 848**	44.17
VAT receivable	-	-	**-**	327 919	**327 919**	44.18
Other debtors	-	451 082	**451 082**	-	**(451 082)**	44.19
Cash and cash equivalents	16 131 455	17 293 459	**33 424 914**	5 443 987	**(27 980 927)**	44.20
	(131 711 181)	**96 535 934**	**(35 175 247)**	**20 672 061**	**55 847 308**	
Non-Current Assets						
Investment property	82 043 547	-	**82 043 547**	77 800 547	**(4 243 000)**	44.21
Property, plant and equipment	251 791 091	10 589 150	**262 380 241**	243 797 357	**(18 582 884)**	44.22
Intangible assets	1 113 014	-	**1 113 014**	-	**(1 113 014)**	
Heritage assets	36 000	-	**36 000**	36 000	**-**	44.23
	334 983 652	**10 589 150**	**345 572 802**	**321 633 904**	**(23 938 898)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	11 243 930	(99 182 925)	**(87 938 995)**	55 830 834	**143 769 829**	44.24
Employee benefit obligation	412 612	-	**412 612**	5 993 310	**5 580 698**	44.27
Unspent conditional grants and receipts	-	-	**-**	492 910	**492 910**	44.28
Provisions	-	-	**-**	679 202	**679 202**	44.26
Consumer deposits	411 097	(4 256)	**406 841**	-	**(406 841)**	44.29
	12 067 639	**(99 187 181)**	**(87 119 542)**	**62 996 256**	**150 115 798**	
Non-Current Liabilities						
Employee benefit obligation	14 302 212	-	**14 302 212**	11 125 257	**(3 176 955)**	
Provisions	15 494 062	-	**15 494 062**	17 727 362	**2 233 300**	44.30
	29 796 274	**-**	**29 796 274**	**28 852 619**	**(943 655)**	
Total Liabilities	**41 863 913**	**(99 187 181)**	**(57 323 268)**	**91 848 875**	**149 172 143**	
Net Assets	**161 408 558**	**206 312 265**	**367 720 823**	**250 457 090**	**(117 263 733)**	
Net Assets						
Accumulated surplus						
Reserves						
Accumulated surplus	161 408 558	206 312 265	**367 720 823**	250 457 090	**(117 263 733)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Rates and services	32 861 344	-	**32 861 344**	13 714 560	**(19 146 784)**	
Grants	66 874 000	6 144 898	**73 018 898**	66 239 964	**(6 778 934)**	44.6
Interest income	2 000 000	-	**2 000 000**	11 484 216	**9 484 216**	44.5&7
Other receipts	6 080 995	-	**6 080 995**	1 137 051	**(4 943 944)**	44.3
	107 816 339	**6 144 898**	**113 961 237**	**92 575 791**	**(21 385 446)**	
Payments						
Suppliers	(1 670 731)	(32 092 483)	**(33 763 214)**	(27 954 189)	**5 809 025**	44.13,14,15
Employees	-	(51 913 375)	**(51 913 375)**	(48 189 911)	**3 723 464**	
Finance costs	-	(500 000)	**(500 000)**	(2 730 772)	**(2 230 772)**	44.12
	(1 670 731)	**(84 505 858)**	**(86 176 589)**	**(78 874 872)**	**7 301 717**	
Net cash flows from operating activities	**106 145 608**	**(78 360 960)**	**27 784 648**	**13 700 919**	**(14 083 729)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(10 167 044)	(6 197 347)	**(16 364 391)**	(14 401 739)	**1 962 652**	44.22
Proceeds from sale of other assets	-	-	**-**	34 994	**34 994**	
Net cash flows from investing activities	**(10 167 044)**	**(6 197 347)**	**(16 364 391)**	**(14 366 745)**	**1 997 646**	
Cash flows from financing activities						
Net increase/(decrease) in cash and cash equivalents	95 978 564	(84 558 307)	**11 420 257**	(665 826)	**(12 086 083)**	
Cash and cash equivalents at the beginning of the year	7 739 652	(17 345 908)	**(9 606 256)**	6 109 813	**15 716 069**	
Cash and cash equivalents at the end of the year	**103 718 216**	**(101 904 215)**	**1 814 001**	**5 443 987**	**3 629 986**	

Accounting Policies

Figures in Rand	Notes	2021	2020

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 (No. 56 of 2003).

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 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.

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

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

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 service potential of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors.

Assumptions regarding departmental/government debt shall be treated as fully recoverable due to inter-governmental relations.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 13 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

Effective interest rate

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

Allowance for doubtful debts

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables were 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 historic payments ratios for the groupings and by assuming that the future payment ratios would be similar to the historic payment ratios

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land are as per iGRAP 18.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as per iGRAP 18.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality 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 are 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.

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

1.3 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.

Accounting Policies

1.3 Investment property (continued)

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 - 50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Infrastructure	Straight-line	
- Tarred roads and paving	Straight-line	20 - 80 years
- Access roads	Straight-line	5 - 20 years
- Electricity	Straight-line	7 - 50 years
Other property, plant and equipment	Straight-line	
- Buildings and related items	Straight-line	5 - 50 years
- Recreational facilities and related items	Straight-line	5 - 50 years
- Halls and related items	Straight-line	5 - 50 years
- Parks and gardens and related items	Straight-line	5 - 30 years
- Plant, machinery and other equipment	Straight-line	2 - 25 years
- Furniture, fittings and office equipment	Straight-line	2 -20 years
- Motor vehicles	Straight-line	5 - 20 years
Landfill sites	Straight-line	5 - 20 years
Computer equipment	Straight-line	2 - 10 years

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

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

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the 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.

1.4 Property, plant and equipment (continued)

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

1.5 Intangible assets

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

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

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

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

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

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

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

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

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

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

1.5 Intangible assets (continued)

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life

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

1.6 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 8).

Accounting Policies

1.6 Heritage assets (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

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.

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.

1.7 Financial instruments

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

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

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

1.7 Financial instruments (continued)

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.

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

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

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

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

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

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.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

1.7 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Employee benefit obligations	Financial liability measured at amortised cost
Provision for rehabilitation of Landfill sites	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at cost

1.7 Financial instruments (continued)

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

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.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for
that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

Reclassification

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

1.7 Financial instruments (continued)

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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 asset; and
- recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

1.7 Financial instruments (continued)

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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.

1.8 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 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

1.8 Statutory receivables (continued)

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

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 is 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

1.8 Statutory receivables (continued)

- 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.

1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

1.9 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

When estimating the value in use of an asset, the 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.

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Accounting Policies

1.9 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.

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.

1.10 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Accounting Policies

1.10 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.10 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

Accounting Policies

1.10 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 be settled.

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

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

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

1.11 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the 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 33.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

1.12 Commitments (continued)

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

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

1.13 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.14 Revenue from non-exchange transactions

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

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

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

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, 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.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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.

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

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

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 degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

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

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

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

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

1.14 Revenue from non-exchange transactions (continued)

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 entity.

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.

1.15 Investment income

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

1.16 Borrowing costs

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred in bullet points 2, 3 and 4 of the definition of "allocation" otherwise than in accordance with any conditions of allocation; or
- a grant by the municipality otherwise than in accordance with this Act.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure must be disclosed in the note to the annual financial statements

1.20 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

(a) expenditure incurred by the municipality in contravention of, or not in accordance with, a requirement of this Act, and has not been condoned in terms section 170;

1.20 Irregular expenditure (continued)

(b) expenditure incurred by the municipality in contravention of, or not in accordance with a requirement of the municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by the municipality in contravention of, or that is not in accordance with a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by the municipality in contravention of, or not in accordance with., a requirement of supply chain management policy of the municipality, or any municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure". Irregular expenditure is recognised when a payment is made.

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.

1.21 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.

1.22 Budget information

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

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

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

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

1.23 Related parties

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

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

Accounting Policies

1.23 Related parties (continued)

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

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

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

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

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

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

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

1.24 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	Undetermined dates	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	Undetermined dates	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2021	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2021	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2021	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2021	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2021	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2021	Unlikely there will be a material impact

3. Receivables from exchange transactions

	2021	2020
Trade debtors	46 799 325	52 883 498
Debt impairment	(40 195 636)	(41 438 041)
Sundry debtors	142 520	142 520
Department of Transport	226 098	-
Sundry debtors - Land disposal	3 750 000	-
	10 722 307	**11 587 977**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Receivables from exchange transactions (continued)

	2021	2020
Current assets	10 722 307	11 587 977
	10 722 307	**11 587 977**

30 June 2021

Consumer debtors by debtor type	0 - 30 Days	90 Days	120 Days +	Total
Government	154 703	70 809	767 126	992 638
Residents and others	2 338 850	1 873 866	40 573 910	44 786 626
Industries	267 969	181 428	570 664	1 020 061
	2 761 522	**2 126 103**	**41 911 700**	**46 799 325**

Consumer debtors by revenue type	0 - 30 Days	90 Days	120 Days +	Total
Electricity	768 672	329 798	3 270 487	4 368 957
Refuse removal	1 992 850	1 796 305	38 641 213	42 430 368
	2 761 522	**2 126 103**	**41 911 700**	**46 799 325**

30 June 2020

Consumer debtors by revenue type	0 - 30 Days	90 Days	120 Days +	Total
Government	239 811	64 103	547 048	850 962
Residents and others	1 310 790	3 301 231	42 811 121	47 423 142
Industries	1 669 827	308 213	2 631 353	4 609 393
	3 220 428	**3 673 547**	**45 989 522**	**52 883 497**

Consumer debtors by revenue type	0 - 30 Days	90 Days	120 Days +	Total
Electricity	134 339	77 863	250 467	462 669
Refuse removal	1 959 368	1 905 603	42 922 254	46 787 225
Sundries	1 126 721	1 690 081	2 816 801	5 633 603
	3 220 428	**3 673 547**	**45 989 522**	**52 883 497**

Figures in Rand	2021	2020

3. Receivables from exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

[State how the transaction arises, with specific reference to applicable legislation, supporting regulations, or similar means]

Determination of transaction amount

[State how the transaction amount is determined]

Interest or other charges levied/charged

[State description of interest or other charges levied/charged (where applicable), including the basis and rate used]

Basis used to assess and test whether a statutory receivable is impaired

[State the basis used to assess and test whether a statutory receivable is impaired, including how receivables are grouped and assessed for collective impairment]

Reconciliation of provision for impairment

	2021	2020
Relating specifically to Statutory Receivables		
Opening balance	41 416 109	33 621 319
Provision for impairment	-	7 794 880
	41 416 109	**41 416 199**

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

Significant impairment losses recognised or reversed

Loss 1: [State main events and circumstances]

Loss 2: [State main events and circumstances]

Loss 3: [State main events and circumstances]

Other impairment losses recognised or reversed

[State main events and circumstances]

Key indicators and assumptions used to assess and calculate whether statutory receivables were impaired during the reporting period

[State key indicators and assumptions]

Receivables past due but not impaired

Relating specifically to Statutory Receivables

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, - (2020: -) were past due but not impaired.

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

Factors the entity considered in assessing statutory receivables impaired

[State factors]

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Receivables from exchange transactions (continued)

Receivables impaired

Relating specifically to Statutory Receivables

As of 30 June 2021, statutory receivables of - (2020: -) were impaired and provided for.

The amount of the provision was - 30 June 2021 (2020: -).

The ageing of these loans is as follows:

Factors the entity considered in assessing statutory receivables impaired

[State factors]

There were no trade and other receivables pledged as security.

Reconciliation of provision for impairment of trade and other receivables

	2021	2020
Opening balance	41 438 040	33 621 319
Correction of error	-	(4 783)
Restated balance	**41 438 040**	**33 616 536**
Movements for the year	(1 242 406)	7 821 504
	40 195 634	**41 438 040**

4. Statutory receivables

	2021	2020
Fines	258 098	214 798
Consumer debtors - Rates	58 271 365	49 777 684
Debt impairment	(54 351 615)	(45 794 024)
	4 177 848	**4 198 458**

	2021	2020
Current assets	4 177 848	4 198 458
	4 177 848	**4 198 458**

30 June 2021

Consumer debtors by debtor type	0-30 Days	90 Days	120 Days	Total
Government	226 746	213 148	1 125 249	1 565 144
Residents and others	5 395 919	4 190 429	45 010 867	54 597 215
Industries	170 699	128 109	1 810 199	2 109 007
	5 793 364	**4 531 686**	**47 946 315**	**58 271 366**

30 June 2020

Consumer debtors by debtor type	0-30 Days	90 Days	120 Days	Total
Government	470 199	417 706	1 322 913	2 210 818
Residents and others	8 152 736	12 229 104	20 381 841	40 763 681
Industries	439 587	390 550	5 973 048	6 803 185
	9 062 522	**13 037 360**	**27 677 802**	**49 777 684**

4. Statutory receivables (continued)

Statutory receivables general information

Transaction(s) arising from statute

Determination of transaction amount

Interest or other charges levied/charged

Basis used to assess and test whether a statutory receivable is impaired

Discount rate applied to the estimated future cash flows

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, - (2020: -) were past due but not impaired.

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

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

[State factors]

Statutory receivables impaired

As of 30 June 2021, Statutory receivables of - (2020: -) were impaired and provided for.

The amount of the provision was - as of 30 June 2021 (2020: -).

The ageing of these loans is as follows:

Factors the entity considered in assessing statutory receivables impaired

[State factors]

Reconciliation of provision for impairment for statutory receivables

	2021	2020
Opening balance	65 523 325	53 094 674
Provision for impairment	-	12 428 651
	65 523 325	**65 523 325**

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

Significant impairment losses recognised or reversed

Loss 1: [State main events and circumstances]

Loss 2: [State main events and circumstances]

Loss 3: [State main events and circumstances]

Other impairment losses recognised or reversed

Key indicators and assumptions used to assess and calculate whether statutory receivables were impaired during the reporting period

Statutory receivables pledged as security

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Statutory receivables (continued)

There were no trade and other receivables pledged as security.

Reconciliation of provision for impairment of statutory receivables

	2021	2020
Opening balance	45 579 225	53 094 674
Correction of error	-	(16 840 204)
Restated balance	**45 579 225**	**36 254 470**
Movement for the year	8 514 292	9 324 755
	54 093 517	**45 579 225**

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Cash on hand	1 419	1 246
Bank balances	393 030	140 874
Short-term deposits	5 049 538	5 967 693
	5 443 987	**6 109 813**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Standard Bank - Primary Bank - 280720963	403 759	201 028	141 876	393 030	140 874	138 373
Standard Bank - Call account - 285973452	86 233	85 648	7 510	86 233	85 648	7 510
Standard Bank - Call account - 388528672-004	40 540	141 002	5 402	40 540	141 002	5 402
Standard Bank - Call account - 388527544-402	386 809	6 993	13 767	386 809	6 993	13 767
Standard Bank - Call account - 388529768-402	2 313 702	3 598 850	813 582	2 313 702	3 598 850	813 582
Standard Bank - Call acount - 3885282672-002	417 758	62 693	353 151	417 758	62 693	353 151
Standard Bank - Call account - 388523786-002	1 769 352	2 033 325	213	1 769 352	2 033 326	213
First National Bank - Fixed Maturity Notice - 78841787622	35 145	39 182	-	35 145	39 182	-
Total	**5 453 298**	**6 168 721**	**1 335 501**	**5 442 569**	**6 108 568**	**1 331 998**

6. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	77 800 547	-	77 800 547	82 043 547	-	82 043 547

Reconciliation of investment property - 2021

	Opening balance	Disposals	Transfers	Total
Investment property	82 043 547	(4 015 000)	(228 000)	77 800 547

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property	82 043 547	82 043 547

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.

7. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	82 367 489	-	82 367 489	82 819 489	-	82 819 489
Buildings	149 980 859	(82 694 717)	67 286 142	144 780 542	(79 489 908)	65 290 634
Infrastructure	263 089 026	(189 570 678)	73 518 348	253 938 298	(181 903 864)	72 034 434
Other property, plant and equipment	12 101 909	(9 405 072)	2 696 837	12 403 617	(8 873 887)	3 529 730
Work in progress	15 688 858	-	15 688 858	13 306 717	-	13 306 717
Finance lease assets	-	-	-	(1 443 220)	1 443 220	-
Landfill site asset	9 521 013	(7 281 330)	2 239 683	9 521 013	(7 200 113)	2 320 900
Total	**532 749 154**	**(288 951 797)**	**243 797 357**	**515 326 456**	**(276 024 552)**	**239 301 904**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	82 819 489	228 000	(680 000)	-	-	-	82 367 489
Buildings	65 290 634	488 584	-	4 711 732	(3 204 808)	-	67 286 142
Infrastructure	72 034 434	-	-	9 150 730	(7 647 353)	(19 463)	73 518 348
Other property, plant and equipment	3 529 730	167 574	(185 534)	-	(814 933)	-	2 696 837
Work in progress	13 306 717	16 244 603	-	(13 862 462)	-	-	15 688 858
Landfill site asset	2 320 900	-	-	-	(81 217)	-	2 239 683
	239 301 904	**17 128 761**	**(865 534)**	**-**	**(11 748 311)**	**(19 463)**	**243 797 357**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	82 819 489	-	-	-	-	82 819 489
Buildings	68 624 249	-	-	(3 333 615)	-	65 290 634
Infrastructure	85 838 140	-	1 874 841	(15 678 547)	-	72 034 434
Other property, plant and equipment	4 459 589	449 478	-	(1 017 146)	(362 191)	3 529 730
Work in progress	9 107 782	6 220 423	(2 021 488)	-	-	13 306 717
Landfill site asset	2 444 837	-	-	(83 604)	(40 333)	2 320 900
	253 294 086	**6 669 901**	**(146 647)**	**(20 112 912)**	**(402 524)**	**239 301 904**

Pledged as security

No assets are pledged as security:

Compensation received for losses on property, plant and equipment – included in operating profit.

Other property, plant and equipment	34 943	968 636

Figures in Rand	2021	2020

7. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Land	100	Project halted / stopped as it is under investigation by SIU

Work-in-Progress

	Included within Infrastructure	Total
Plangeni / Kwelerha Sportsfield Phase 2	824 848	824 848

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2021

Buildings
Office equipment
Other property, plant and equipment
Mini dumping site

Maintenance of property, plant and equipment by condition - 2020

Buildings
Office equipment
Other property, plant and equipment

Maintenance of property, plant and equipment by nature and type of expenditure - 2020

Buildings
Other property, plant and equipment

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.

Figures in Rand

8. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	36 000	-	36 000	36 000	-	36 000

Reconciliation of heritage assets 2021

	Opening balance	Total
Art Collections, antiquities and exhibits	36 000	36 000

Reconciliation of heritage assets 2020

	Opening balance	Total
Art Collections, antiquities and exhibits	36 000	36 000

Details of the asset:

The municipality owns the following heritage asset:

- Mayoral Gold Palted Brass Chain.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Payables from exchange transactions

Trade payables	31 898 922	34 210 279
Payments received in advance	12 164 033	10 044 234
Deposits received	(225 431)	391 758
Salary control	10 484 894	15 123 776
Retentions	1 508 414	977 148
	55 830 832	**60 747 195**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. VAT payable

VAT	-	3 509 444

11. Employee benefit obligation

Defined benefit plan

Bonuses

Bonuses are paid out to all employees, excluding some senior managers, in the month of their birthdays each year and are based on a 13th monthly basic.d

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 signed by the Bargaining Council. The basis on which this was calculated is as follows:

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

The estimated contribution for the next financial year.

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

	2021	2020
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(11 712 208)	(8 854 004)
Bonus accrual	(1 006 820)	(1 048 192)
Leave pay accrual	(4 399 539)	(4 401 330)
	(17 118 567)	**(14 303 526)**
Non-current liabilities	(11 125 257)	(8 665 748)
Current liabilities	(5 993 310)	(5 637 778)
	(17 118 567)	**(14 303 526)**

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

	2021	2020
Opening balance	8 854 004	12 324 918
Benefits paid	(661 369)	(348 540)
Net expense recognised in the statement of financial performance	3 519 573	(3 122 374)
	11 712 208	**8 854 004**

11. Employee benefit obligation (continued)

Net expense recognised in the statement of financial performance

	2021	2020
Current service cost	727 474	979 769
Past service cost	-	1 085 053
Interest cost	1 181 401	(4 127 411)
Actuarial losses / (gains)	1 610 698	(1 240 188)
Curtailment	-	200 334
Settlement	-	598 230
Assets not recognised	-	(618 161)
	3 519 573	**(3 122 374)**

Key assumptions used

Assumptions used at the reporting date:

	2021	2020
Medical aid benefit		
Discount rates used	12,01 %	14,29 %
Consumer price inflation	7,30 %	9,06 %
Health care cost inflation	8,80 %	10,06 %
Net discount rate	2,95 %	3,84 %
Long service awards		
Discount rate	12,79 %	8,02 %
Consumer price inflation	7,58 %	5,02 %
Salary increase rate	8,58 %	6,02 %
Net Discount Rate	3,88 %	1,89 %

The long term discount rate was determined as the avarege of the BEASSA yield curve whilst the CPI was determined from the difference in averages in the Nominal and Real Bond.

Other assumptions

Mortality rate

The value of the liabilities is particularly sensitive to the assumed healthcare cost of inflation. The table below sets out the sensitivity of the valuation due to higher or lower mortality rates by increasing and decreasing mortality rates. The effect is as follows:

	20% Mortality rate	Valuation Assumption	+20% Mortality rate
Employer's accrued liability	8 258 570	8 800 900	9 472 564
Employer's current service cost	396 110	400 493	396 110
Employer's expense cost	969 280	1 034 343	933 230

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	1 726 553	1 204 683
Effect on defined benefit obligation	10 326 245	7 575 446

Amounts for the current and previous four years are as follows:

	2021	2020	2019	2018	2017
Defined benefit obligation	11 712 208	8 854 004	12 324 918	9 955 824	10 231 000

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	-	4 028 672
Finance Management Grant (FMG)	-	128 854
Expanded Public Works Programme Grant (EPWP)	13 009	616
Intergrated National electrification Programme (INEP)	479 901	2 027 517
	492 910	**6 185 659**

Movement during the year

Balance at the beginning of the year	6 185 722	350 057
Additions during the year	13 470 000	21 257 000
Income recognition during the year	(19 033 958)	(15 071 398)
Surrendered to National revenue fund	(128 854)	(350 000)
	492 910	**6 185 659**

The municipality received conditional grants relating to the construction of Infrastructure assets.

See note 19 for reconciliation of grants from National/Provincial Government.

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

13. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	16 470 113	1 936 451	18 406 564

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	16 124 114	345 999	16 470 113

Non-current liabilities	17 727 362	15 748 722
Current liabilities	679 202	721 391
	18 406 564	**16 470 113**

Environmental rehabilitation provision

The obligation for the environmental rehabilitation results form the onus imposed by the Environmental Conservation Act No.73 of 1989 to rehabilitate landfill sites after use. The provision for the rehabilitation of the landfill sites relate to the obligation to rehabilitate the landfill site used for waste disposal.

The landfill sites are nearing the end of their useful lives and the Municipality is still using the existing landfill site for waste disposals because the planned arrangement of utilising the ADM's site which is in Butterworth did not continue for long as planned. However the Municipality had applied for the closure licence for the existing lanfill site from the Department of Economic Development and Environmental Affairs and Tourism to continue using it as a short-term measure, but that has not been granted yet due to long processes that are followed by the Department.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Service charges

Sale of electricity	9 415 007	6 084 886
Refuse removal	10 827 008	5 718 476
	20 242 015	**11 803 362**

15. Rental of facilities and equipment

Premises	43 549	472 244

16. Other income

Handling / payroll commission	69 025	69 125
Building plan fees	462 413	255 595
Business licences	7 903	-
Clearance fees	11 526	834
Sundry revenue	32 200	106 900
Tender documents	97 826	17 870
Burial and cemetry fees	5 145	6 566
Connection fees - electricity	96 809	76 542
	782 847	**533 432**

17. Interest received

Interest revenue		
Interest from non-exhanged transactions	5 161 296	2 106 848
Bank	458 246	455 531
Interest from exhanged transactions	5 864 674	2 067 933
	11 484 216	**4 630 312**

The amount included in Investment revenue arising from non-exchange transactions amounted to R5,161,296. **2020**: R2 106 848.

The amont included in Investment income arising from exchange transactions amounted to R5,864,674. **2020**: R2,067,933.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Property rates

Rates revenue

Property rates	25 215 426	22 370 943

Valuations

Commercial	32 192 000	168 991 000
Industrial	5 618 000	530 000
Multipurpose	3 415 000	8 280 000
Residential	2 776 525 000	2 060 120 634
Municipal	-	76 560 051
Churches	-	880 000
Schools	-	27 100 000
Small holdings and farms	1 310 486 000	1 053 130 737
State	96 516 000	47 787 000
Public benefit organisation	1 346 000	32 468 000
Vacant	731 859 800	685 174 561
Public service infrastructure	33 947 800	233 471 496
	4 991 905 600	**4 394 493 479**

General valuations on land and buildings are performed every 4 years and supplementary valuations are performed annualy. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis

The new general valuation will be implemented as from 01 July 2020 to 30 June 2025.

Figures in Rand	2021	2020

19. Government grants and subsidies

Operating grants		
Equitable share	51 374 854	42 659 063
Library Subsidy	500 000	-
Small Town Revitalization Grant - Office of the Premier	2 727 022	-
Disaster management Grant (COVID relief)	-	417 000
COGTA Grant	6 688 691	1 230 795
	61 290 567	**44 306 858**
Conditional grants		
Municipal Infrastructure Grant	15 098 672	7 224 322
Finance Management Grant	2 400 000	2 286 146
Expanded Public Works Programme	1 011 607	1 188 384
Intergrated Electrification Programme	1 547 617	1 932 009
	20 057 896	**12 630 861**
	81 348 463	**56 937 719**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	15 488 335	59 378 193
Unconditional grants received	-	43 889 858
	15 488 335	**103 268 051**

Municipal Infrastructure Grant

Balance unspent at beginning of year	4 028 672	314 619
Current-year receipts	11 070 000	11 253 000
Conditions met - transferred to revenue	(15 098 672)	(7 224 322)
Other	-	(314 625)
	-	**4 028 672**

Conditions still to be met - remain liabilities (see note 12).

Intergrated National Electrification Programme

Balance unspent at beginning of year	2 027 517	-
Current-year receipts	-	3 959 526
Conditions met - transferred to revenue	(1 547 616)	(1 932 009)
	479 901	**2 027 517**

Conditions still to be met - remain liabilities (see note 12).

Financial Management Grant

Balance unspent at beginning of year	128 854	-
Current-year receipts	2 400 000	2 415 000
Conditions met - transferred to revenue	(2 400 000)	(2 286 146)
Surrendered to National Revenue Fund	(128 854)	-
	-	**128 854**

Conditions still to be met - remain liabilities (see note 12).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

19. Government grants and subsidies (continued)

EPWP Grant

Balance unspent at beginning of year	616	35 438
Current-year receipts	1 024 000	1 189 000
Conditions met - transferred to revenue	(1 011 607)	(1 188 384)
Surrendered to National Revenue Fund	-	(35 438)
	13 009	**616**

Conditions still to be met - remain liabilities (see note 12).

Intergrated National Electrification Grant (INEP)

Balance unspent at beginning of year	2 027 517	-
Current-year receipts	-	6 400 000
Conditions met - transferred to revenue	(1 547 616)	(4 372 483)
	479 901	**2 027 517**

Conditions still to be met - remain liabilities (see note 12).

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

20. Donations received

Donations received	416 000	436 000

The current year donation received from EC-COGTA was for prefabs to assist with office accomodation.
Buffalo City Metropolitan Municipality donated service delivery vehicles to the municipality during the 2020 financial year.

Figures in Rand	2021	2020

21. Employee related costs

Basic	32 484 634	33 345 893
Bonus	2 732 709	3 004 007
Medical aid - company contributions	2 723 324	2 856 193
UIF	209 501	220 114
SDL	311 830	290 927
Other payroll levies	12 621	13 347
Leave pay provision charge	625 935	1 151 059
Pension	4 629 312	4 942 246
Travel, motor car, accommodation, subsistence and other allowances	1 460 694	1 588 145
Overtime payments	581 997	907 395
Long-service awards	(56 590)	(270 474)
Acting allowances	4 166	35 096
Housing benefits and allowances	574 118	666 127
Post employment benefits expense	122 695	607 634
	46 416 946	**49 357 709**

Remuneration of Municipal Manager - L.N. Mambila

Annual Remuneration	739 532	739 532
Car Allowance	216 511	216 511
Housing allowance	216 511	216 511
Bonus provision	60 000	40 000
	1 232 554	**1 212 554**

Remuneration of Chief Financial Officer - A. Lwana

Annual Remuneration	607 147	461 431
Car Allowance	283 573	202 382
Bonus provision	20 000	-
Housing allowance	101 191	67 461
	1 011 911	**731 274**

Remuneration of Director: Strategic Services - M. Mtalo

Annual Remuneration	625 052	625 052
Car Allowance	168 029	168 029
Housing allowance	156 029	156 029
Bonus provision	60 000	65 000
	1 009 110	**1 014 110**

Remuneration of non-executive directors

Annual Remuneration	-	-
Performance Bonuses	-	64 000
Other	-	71 122
	-	**(135 122)**
	-	**-**

Remuneration of Chief Financial Officer - S. Mini

Car Allowance	-	71 122
Performance Bonuses	-	64 000
	-	**135 122**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

21. Employee related costs (continued)

Remuneration of Director: Technical and Community Services - O. Kwababana

Annual Remuneration	126 499	625 053
Car Allowance	34 006	168 029
Bonus provision	37 714	48 000
Housing allowance	34 006	168 029
	232 225	**1 009 111**

Remuneration of Director - Corporate Services - J.A. Gomomo

Bonus provision	-	65 000
Leave	-	113 020
	-	**178 020**

Remuneration of Director - Corporate Services

Annual Remuneration	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Other	-	-
	-	**-**

22. Remuneration of councillors

Executive Major	789 653	789 653
Chief Whip	347 069	347 069
Councillors	2 196 319	1 878 605
Councillor's allowances	1 254 965	1 571 293
	4 588 006	**4 586 620**

Remuneration of Mayor (Speaker) - N.W. Tekile		
Basic allowance	558 940	558 940
Other allowances	230 713	230 713
	789 653	**789 653**

Remuneration of Chief Whip - N. Khantshashe		
Basic allowance	227 002	227 002
Other allowances	120 067	120 067
	347 069	**347 069**

The salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

The honorable mayor is a full time councillor and is provided with an office and secretariat support. The Mayor also holds the position of the Council Speaker.

23. Depreciation, impairment loss and amortisation

Property, plant and equipment	11 631 168	20 596 544
Intangible assets	-	1 113 012
Impairment loss	21 955	-
	11 653 123	**21 709 556**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Finance costs

Bank overdraft	214 151	346 922
Provisions	721 391	520 809
Employement benefit obligations	1 181 401	1 085 053
Trade and Other Payables	613 829	1 036 188
	2 730 772	**2 988 972**

25. Debt impairment

Debt impairment	29 107 275	17 146 560

26. Bulk purchases

Electricity - Eskom	10 765 184	9 575 380

Electricity losses

	Number 2021	Number 2020		
Units purchased	8 822 706	8 481 914	10 765 184	9 575 380
Units sold	(6 478 771)	(7 040 703)	(7 905 189)	(7 948 372)
Total loss	**2 343 935**	**1 441 211**	**2 859 995**	**1 627 008**
Comprising of:				
Technical losses	2 343 935	1 441 211	2 859 995	1 627 008
Percentage Loss:				
Technical losses	27 %	19 %	27 %	19 %

Electricity distribution losses have increased from the prior by 8%. Distribution losses are caused by:
1. Dilapidated electrical infrastructure
2. Illegal tempering by consumers - illegal temperings during the National Lockdown period increased substationally..

The municipality has managed to secure funding / grant from the Office of the Premier to the value of R5 million to upgrade the dilapidated infrastructure.On a monthly basis, the municipality monitors electricity sales for each consumer electricity meter and identifies and investigates meters that are possibly tempered with illegally.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. General expenses

Advertising	240 766	2 822
Auditors remuneration	4 036 528	2 728 824
Bank charges	473 776	348 960
Commission paid	-	135 102
Insurance	1 344 693	817 788
Conferences and seminars	284 252	64 408
Motor vehicle expenses	-	114 509
Fuel and oil	1 139 444	1 403 379
Postage and courier	247	25 166
Delivery services	41 068	236 328
Protective clothing	56 301	201 517
I.T related expenses	1 527 163	237 601
Subscriptions	558 254	746 486
Telephone costs	2 145 260	2 440 273
Travel - local	179 419	53 952
Electricity	548 645	188 276
Water	1 928 146	1 337 272
Life saving services	-	231 948
Ward Committee expense	717 880	745 380
Electrical materials purchased	307 443	404 818
Valuation roll	324 291	-
	15 853 576	**12 464 809**

28. Auditors' remuneration

Fees	4 036 528	2 728 824

29. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Mayor	Cllr N.W. Tekile 22
Chief Whip	Cllr N Khantshashe
Councillors	Cllr N.P. Mgema
	Cllr N. Dyani
	Cllr L. Plika
	Cllr L. Mhlontlo
	Cllr B. Wood
	Cllr S. Jacobs
	Cllr T. Ndolose
	Cllr Z. Nzuzo
	Cllr W. Sinqana
	Cllr Z. Tshali
	Cllr M. Njekanye
Members of key management	.
Chief Financial Officer	Mr A Lwana
Director Technical and Community Services	Ms O Kwababana
Director Strategic Services	Mr M Mtalo

Related party balances

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Cash generated from operations

Surplus (deficit)	8 399 683	(22 904 916)
Adjustments for:		
Depreciation and amortisation	11 653 123	21 709 556
Actuarial gains / (losses)	2 825 758	(5 067 937)
Loss on sale of assets and liabilities	1 238 966	(844 682)
Debt impairment	29 107 275	17 146 560
Donations	(416 000)	(436 000)
Movements in employee benefit obligation	2 901 367	(2 595 306)
Movements in provisions	1 936 451	345 999
Changes in working capital:		
Receivables from exchange transactions	-	2 523 682
Consumer deposits	(29 519 842)	(17 146 560)
Other receivables from non-exchange transactions	20 610	2 339 920
Payables from exchange transactions	(4 916 360)	2 088 865
VAT	(3 837 363)	2 104 322
Unspent conditional grants and receipts	(5 692 749)	5 835 603
	-	4 943 971
	13 700 919	**10 043 077**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

31. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	10 722 307	10 722 307
Statutory receivables	4 177 848	4 177 848
Cash and cash equivalents	5 443 987	5 443 987
	20 344 142	**20 344 142**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	55 830 831	55 830 831

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	11 587 977	11 587 977
Statutory receivables	4 198 458	4 198 458
Cash and cash equivalents	6 109 813	6 109 813
	21 896 248	**21 896 248**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	60 747 196	60 747 196

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Construction contracts	2 156 150	10 048 519
• Community service contracts	-	75 396
	2 156 150	**10 123 915**

Total capital commitments		
Already contracted for but not provided for	2 156 150	10 123 915

Authorised operational expenditure

Already contracted for but not provided for		
• ICT services	2 713 025	491 129
• Accounting services	3 348 078	3 510 069
	6 061 103	**4 001 198**

Total operational commitments		
Already contracted for but not provided for	6 061 103	4 001 198

Total commitments

Total commitments		
Authorised capital expenditure	2 156 150	10 123 915
Authorised operational expenditure	6 061 103	4 001 198
	8 217 253	**14 125 113**

The committed capital expenditure relates to Infrastructure assets and will be financd by government conditional grants.

The committed +operational expenditure relates to ICT services and accounting services and will be financed by retained surpluses, existing cash resources, funds internally generated.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

33. Contingencies

Pending legal claims	-	2 100 000

Pending legal claims

1. IODENE GEZA// GREAT KEI LOCAL MUNICIPALITY AND ANOTHER EC/EL/RC228/15C

An interdict application was brought against the municipality where a member of the Iodene Geza a member of the Public who opened a case of assault against a former GKM Traffic Officer (Mr Denzil Fillis) while he was an employee and he resigned in April 2016.

The municipality could not determine the current year amount claimed by the applicant (**2021:** R0; **2020:** R400 000)

2. JETVEST 1072 (Pty) LTD // GREAT KEI MUNICIPALITY

Great Kei Municipality was challenging the ownership of the land that was historically belonging to the Municipality, an application was submitted wherein, the applicant (Jetvest) interdicts land ownership historically belonging to the Municipality.

The municipality could not determine the current year amount claimed by the applicant (**2021:** R0; **2020:** R1000 000).

3. GREAT KEI MUNICIPALITY // MR.MTALO

This is an application that was brought by Great Kei versus Mr.Mtalo who is the director Strategic Services, the disciplinary hearing has not been finalised.

The municipality will incur approximately R200 000 (Two Hundred Thousand Rands) on legal fees

The municipality could not determine the current year amount claimed by the applicant (**2021:** R0; **2020:** R200 000)

4. GREAT KEI LOCAL MUNICIPALITY // F.FIKENI

This is an application that was brought by Great Kei Municipality vs F.Fikeni, the employee was dismissed for misconduct and the matter is pending before SALGBC.

The municipality will incur approximately R350 000 (Three Hundred and Fifty Thousand Rands) on legal fees.

The municipality could not determine the current year amount claimed by the applicant (**2021:** R0; **2020:** R0)

5. GREAT KEI LOCAL MUNICIPALITY // TSHWATI

This is an application that was brought by Great Kei Municipality vs Tshwati, an arbitration award against Great Kei, it's considered to take on review to the labour court

The municipality will incur approximately R400 000 (Four Hundred Thousand Rands) on legal fees including fees.

The municipality could not determine the current year amount claimed by the applicant (**2021:** R0; **2020:** R0)

6. GREAT KEI LOCAL MUNICIPALITY // MAKHWAYIBA

This is an application that was brought by Great Kei Municipality vs Makhwayiba, the employee was dismissed for misconduct and the matter is pending before SALGBC.

33. Contingencies (continued)

The municipality will incur approximately R350 000 (Three Hundred and Fifty Thousand Rands) on legal fees.

The municipality could not determine the current year amount claimed by the applicant (**2021:** R0; **2020:** R0)

7. GREAT KEI LOCAL MUNICIPALITY // VAN DALEN MATTER
This is an application that was brought by former employee of the Municipality Mr Van Dalen on unfair labour practice by the employer in relation to his dismissal

The municipality could not determine the current year amount claimed by the applicant (**2021:** R0; **2020:** R500 000)

34. Prior-year adjustments

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

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Statutory receivables	4	14 070 834	(7 532 455)	6 538 379
Trade and other Receivables from Exchange Transactions	3	32 302 445	(18 190 786)	14 111 659
Cash and cash equivalents		1 332 001	-	1 332 001
Investment Properties		82 043 547	-	82 043 547
Property Plant and Equipment	7	253 113 951	80 505	253 194 456
Intangible assets		1 113 012	-	1 113 012
Heritage assets		36 000	-	36 000
Trade and Other Payable Exchange Transactions	9	(58 655 183)	(3 145)	(58 658 328)
Landfill Sites - Current Liabilities		(520 809)	-	(520 809)
VAT		(4 822 019)	3 416 898	(1 405 121)
Defined Benefit Obligations -Current Liabilities		(6 943 040)	-	(6 943 040)
Unspent conditional grants		(350 057)	-	(350 057)
Defined Benefit Obligations -Non-current Liabilities		(9 955 792)	-	(9 955 792)
Landfill Sites - Non-current liabilities		(15 603 305)	-	(15 603 305)
Equity		(287 161 585)	22 228 983	(264 932 602)
		-	-	-

The opening balances for 2019 have been restated as follows:
1. Restatement on receivables from exchange transactionsd was due to a reversal of incorrect billing that was effected on debtors and thus affected the existence of debtors and also cleansing of the debtors masterfile data.
2. statutory receivables was due to a reversal of incorrect billing that was effected on debtors and thus affected the existence of debtors and also cleansing of the debtors masterfile data and also INEP grant that was recognized in an incorrect period R2 440 474.
3. The restatement on trade and other payables from exchage transactions is a result of retention amounts that were incorrectly valued.
4. Being reversal of an incorrect VAT estimate journal passed in prior years.

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Statutory receivables	4	15 373 209	(11 174 751)	-	4 198 458
Trade and other Receivables from Exchange Transactions	3	33 050 123	(21 462 146)	-	11 587 977
Cash and cash equivalents		6 109 813	-	-	6 109 813
Investment Properties		82 043 547	-	-	82 043 547
Property Plant and Equipment	7	239 098 186	203 716	-	239 301 902
Heritage assets		36 000	-	-	36 000
Trade and Other Payable Exchange Transactions	9	(60 523 236)	(223 957)	-	(60 747 193)
VAT		(6 909 587)	3 400 144	-	(3 509 443)
Landfill Sites - Current Liabilities		(721 391)	-	-	(721 391)
Defined Benefit Obligations -Current Liabilities		(6 697 029)	-	1 059 251	(5 637 778)
Unspent conditional grants		(6 185 659)	-	-	(6 185 659)
Defined Benefit Obligations -Non-current Liabilities		(7 606 497)	-	(1 059 251)	(8 665 748)
Landfill Sites - Non-current liabilities	13	(15 923 532)	174 810	-	(15 748 722)
Equity		(271 143 947)	29 082 184	-	(242 061 763)
		-	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

34. Prior-year adjustments (continued)

The comparative figures for 2020 have been restated as a result of:

1. Restatement on receivables from exchange transactions and statutory receivables was due to a reversal of incorrect billing that was effected on debtors and thus affected the existence of debtors and also cleansing of the debtors masterfile data.
2. The restatement on trade and other payables from exchage transactions is a result of retention amounts that were incorrectly valued.
3.Restatement on provision for impairment amount as per the GRAP 19 provision
4. The restatement is due to the increase in costs after an asset was capitalised exclusive of retention, and also an increase in accummulated depreciation for the same asset.
5 . Being reversal of an incorrect VAT estimate journal passed in prior years.

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Electricity		(6 617 956)	533 070	(6 084 886)
Waste Management		(7 938 840)	2 220 364	(5 718 476)
Rental from Fixed Assets Market Related		(472 244)	-	(472 244)
Revenue from non-exchange transactions		(59 378 193)	2 440 474	(56 937 719)
Agency services		(90 329)	-	(90 329)
Licences and permits		(461 240)	-	(461 240)
Other income		(533 432)	-	(533 432)
Property rates		(26 397 492)	4 026 549	(22 370 943)
Interest received - exchange transactions		(2 700 365)	632 432	(2 067 933)
Interest from investments		(455 531)	-	(455 531)
Interest received - non-exchange transactions		(2 387 408)	280 560	(2 106 848)
Donations received		(436 000)	-	(436 000)
Fines, Penalties and Forfeits		(300)	-	(300)
Employee Related Cost		49 357 709	-	49 357 709
Remuneration of councillors		4 586 620	-	4 586 620
Finance costs		2 988 972	-	2 988 972
Lease rentals on operating lease		185 411	-	185 411
Depreciation, imapairment loss and amortisation		21 709 556	-	21 709 556
Debt impairment		20 223 831	(3 077 271)	17 146 560
Operational Cost		12 464 809	-	12 464 809
Bulk purchases		9 575 380	-	9 575 380
Contracted services		8 538 399	-	8 538 399
Actuarial gains/losses		(4 893 127)	(174 810)	(5 067 937)
Loss / gain on disposal of non-current assets		(844 682)	-	(844 682)
Surplus for the year		**16 023 548**	**6 881 368**	**22 904 916**

Errors

The following prior period errors adjustments occurred:

PAYE AND UIF

	2021	2020
Opening balance as previously reported	-	12 996 596
Restated	-	12 996 596
Restated opening balance	**-**	**12 996 596**

The error is due to an incorrect application of S32 of the MFMA Act, where accrued interest was included in fruitless and wasteful expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

34. Prior-year adjustments (continued)

Fruitless and wasteful expenditure

Opening balance	2 181 734	-
Adjustments made	(908 000)	-
Restated opening balance	**1 273 734**	**-**

Adjustment made to opening balance of fruitless and wasteful expenditure is due to an incorrect application of S32 of the MFMA Act, where accrued interest was included in fruitless and wasteful expenditure

Change in accounting policy

No change in accounting policies occurred during the year under review.

35. Risk management

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. The municipality uses non derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

Credit risk

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Amounts owed by customers are settled in cash or using major credit cards.

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

Financial instrument	2021	2020
Receivables from exchange transactions	10 722 307	11 587 977
Statutory receivables	4 177 848	4 198 458
Short term deposits	5 049 538	5 967 693

Market risk

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.

Interest rate risk

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

Figures in Rand	2021	2020

36. Unauthorised expenditure

Opening balance	27 275 159	17 876 691
Opening balance as restated	**27 275 159**	**17 876 691**
Add: Expenditure identified - current	31 718 596	9 398 468
Closing balance	**58 993 755**	**27 275 159**

The current unathorised expenditure was due to the debt write off as well as reversal of prior year incorrect debtors billings. The transactions included a process to perform data cleansing and the debtors master file

A register containing a detailed list of variances between the approved budget and actual transactions is kept at the registered municipal offices.

37. Fruitless and wasteful expenditure

Opening balance as previously reported	2 181 734	1 063 420
Correction of prior period error	(908 000)	-
Opening balance as restated	**1 273 734**	**1 063 420**
Add: Expenditure identified - current	1 078 955	1 118 314
Closing balance	**2 352 689**	**2 181 734**

38. Irregular expenditure

Opening balance	11 512 746	10 841 979
Opening balance as restated	**11 512 746**	**10 841 979**
Add: Irregular Expenditure - current	4 191 260	670 767
Closing balance	**15 704 006**	**11 512 746**

Notes to the Annual Financial Statements

Figures in Rand

38. Irregular expenditure (continued)

Particulars that lead to the incurrence of irregular expenditure

The irregular expenditure amount for prior year was reported to council for a re-investigation as the write off process was not in accordance to s32 of the MFMA and National Treasury Circulars, a council committee was appointed and thus Muninicipal Public Accounts Committee (MPAC) was appointed to re-investigate the causes of the expenditure and the recoverability thereof. The committee has not yet concluded with the investigations

The current year irregular expenditure R4 376 746 was incurred due to non-compliance with Supply Chain Management principles:

- R 1 272 998 - due expenditure incurred on prior year contracts appointed through SCM regulation 32.
- R 351 823 - due to non-copliance of s116 of MFMA on appointed prior year contracts.
- R 606 471 - result of non-compliance with SCM regulation 38.
- R2 145 454 - due to non compliance with SCM policies.

39. Deviation from supply chain management regulations

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

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

In the current year, the Accounting Officer has not deviated with supply chain management regulations.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Additional disclosures in terms of Municipal Finance Management Act

Contributions to organized local government		
Opening balance	2 460 400	1 832 770
Current year subscription fees	536 261	627 630
	2 996 661	**2 460 400**

Audit fees		
Opening balance	4 969 191	3 290 558
Current year fees	4 865 188	3 555 193
Amounts paid - current year	(3 046 382)	(1 876 560)
Grants received - current year	(3 688 691)	-
	3 099 306	**4 969 191**

PAYE and UIF		
Opening balance	11 927 582	12 996 596
Restated balance	**11 927 582**	**12 996 596**
Current year fees	7 911 018	8 238 824
Amounts paid - current year	(11 519 351)	(9 307 838)
	8 319 249	**24 924 178**

Pension and Medical Aid Contributions		
Opening balance	1 657 014	1 599 294
Current year subscription fees	11 867 822	12 339 793
Amounts paid - current year	(12 023 592)	(12 282 073)
	1 501 244	**1 657 014**

41. Segment information

General information

Identification of segments

The municipality is organised and reports to the municipal council on the basis of the following functional areas: Waste management services, Electrical Services, Traffic services, Halls and facilities and Town Planning. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates in the Eastern Cape, Amathole District and services the following areas:
1. Haga-Haga
2. Chintsa
3. Kei Mouth.
4. Komga
Segments were aggregated on the basis of services delivered, the type or class of customer to which goods and services are delivered and the method used to ditribute the goods or provide the service as management considered that the economic characteristics of the segments throughout the Great Kei Municipal area were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Waste management services	Waste removal
Electrical services	Electricity sales
Traffic services	Licences and permits and transport agency services
Town Planning	Building plan approvals
Halls and facilities	Rental of halls and facilities
Non-segments	**Administration Services**
Budget and Treasury	Financial services
Office of the Municipal Manager	Strategic services
Administration and Corporate Services	Administrative services

41. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Total
Revenue						
Revenue from exchange transactions	-	-	-	-	-	
Service Charges	10 827 005	9 415 010	-	-	-	20 242 015
Rental from Assets Market Related	-	-	-	43 549	-	43 549
Agency services	-	-	155 080	-	-	155 080
Licences and permits	-	-	155 575	-	-	155 575
Other income	-	86 916	-	8 889	462 413	558 218
Interest received	3 462 336	317 600	-	-	-	3 779 936
Revenue from non- exchange transactions	-	-	-	-	-	-
Government grants	-	1 547 617	-	535 981	-	2 083 598
Fines, penalties and forfeits	-	-	43 300	-	-	43 300
Total segment revenue	**14 289 341**	**11 367 143**	**353 955**	**588 419**	**462 413**	**27 061 271**
Non- segment revenue						
Revenue from exchange transactions						
Other income						224 622
Interest received						2 542 984
Revenue from non- exchange transactions						
Government grants and subsidies						79 264 873
Property rates						25 215 426
Interest received						5 161 295
Donations						416 000
Total revenue reconciling items						**112 825 200**
Entity's revenue						**139 886 471**

41. Segment information (continued)

	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Total
Expenditure						
Employee related costs	(12 341 208)	(1 218 778)	741 570	-	(1 688 681)	(14 507 097)
Bulk purchases	-	(10 765 184)	-	-	-	(10 765 184)
Contracted services	(130 606)	(29 352)	-	-	(103 992)	(263 950)
General expenses	(33 569)	(502 041)	18 521 513	(18 630 822)	(31 774)	(676 693)
Total segment expenditure	**12 505 383**	**12 515 355**	**(19 263 083)**	**18 630 822**	**1 824 447**	**26 212 924**
Total segmental surplus						**848 347**
Non segment expenditure						
Employee related costs						(31 909 849)
Remuneration of councillors						(4 588 006)
Depreciation and amortization						(11 653 123)
Finance costs						(2 730 772)
Lease rentals on operating lease						(220 002)
Debt impairment						(29 107 275)
Contracted services						(5 823 230)
General expenses						(15 176 883)
Acturial gain / (loss) on employment benefits						(1 610 698)
Acturial gain / (loss) on Landfill sites						(1 215 060)
Gain on disposal non-current assets						(1 238 966)
Total revenue reconciling items						112 825 200
Entity's total surplus for the period						**8 399 683**
Assets						
Receivables from exchange transactions	(16 435 639)	4 241 625	-	1 181 811	-	(11 012 203)
Property plant and equipment	2 261 133	4 459 838	754 271	42 548 077	-	50 023 319
Total segment assets	**(14 174 506)**	**8 701 463**	**754 271**	**43 729 888**	**-**	**39 011 116**

Notes to the Annual Financial Statements

Figures in Rand

	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Total
41. Segment information (continued)						
Non segment assets						
Receivables from exchange transactions						21 734 510
Statutory receivables						4 177 848
Vat receivable						327 919
Cash and cash equivalents						5 443 987
Investment property						77 800 547
Property, plant and equipment						193 774 038
Heritage assets						36 000
Total assets as per Statement of financial Position						**342 305 965**
Liabilities						
Payables from exchange transactions	-	(3 420 767)	-	-	-	(3 420 767)
VAT payable	4 239 604	(4 239 604)	-	-	-	-
Unspent conditional grants and receipts	-	(492 910)	-	-	-	(492 910)
Total segment liabilities	**4 239 604**	**(8 153 281)**	**-**	**-**	**-**	**(3 913 677)**
Non segment liabilties						
Payables from exchange transactions						(52 410 065)
Employee benefit obligation						(17 118 567)
Provisions						(18 406 564)
Total liabilities as per Statement of financial Position						**(91 848 873)**

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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

Information about geographical areas

41. Segment information (continued)

The municipality’s operations are in the Eastern Cape Province. Listed below are the geographical segments of the municipality:

1. Ward 1 - Chintsa
2. Ward 2 - Cefane, Makhaza, Ngxingxolo, Taiton and Slatsha
3. Ward 3 - Sotho, Elityeni, Sthumbu, Nyarha,Lusizini and Magrangxeni.
4. Ward 4 - Mzwini, Mangqukela, Msasa and Belekumntwana
5. Ward 5 - Morganá Bay, Haga-haga and Keith Mouth
6. Ward 6 - Siviwe, Draaibosch and Happy valley
7. Ward 7 - Komga, Tyityama, Waterfalls and Dongweni

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the Great Kei Municipal area were sufficiently similar to warrant aggregation

The municipality does however not monitor operating results of the geographical segments, and operational results are only monitored within the business units as previously disclosed.

42. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of 250 457 092 and that the municipality's total assets exceed its liabilities by 250 457 092.

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

However the municipality has noted that it is unable to meet its obligations on time due to cash flow constraints. The management of the municipality has assessed the financial status of the municipality and are confident that the municipal will continue with the operations in the forceable future, given the above, and that we are a government institution with legislated funding that enable us to provide services to the communities.

43. Events after the reporting date

There were no events that occured after reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

44. Budget differences

Material differences between budget and actual amounts

Difference below 10% are considered to be insignificant for the purposes of explaining budget differences,therefore, only differences above the 10% threshold are explained below:

Statement of Financial Performance
Revenue

1. Rental of Facilities – The variance is more than 10% when comparing budget and amount received, this variance is due to huge amount estimated on budget for rentals. The municipality projected that the review of leases will be finalized and increase the inflow of cash.

2. Licenses and permits – The variance is more than 10% when comparing budget and amount received, this variance is due to huge amount estimated on budget for licenses, and the traffic services was shut down from July 2020 – Mid December 2020 due to a break-in.

3. Other Income – The variance is more than 10% when comparing budget and amount received, this variance is due to VAT Refund estimated on budget for other revenue, however on receipt, this amount is shown under financial position.

4. Agency fees - Other services were not offered at traffic department due to covid19 restriction and shortage of staff.

5. Interest received - The variance is the misallocation of interest on exchange transaction.

6. Government grants & subsidies - This line item varied due to additional grants received by Provincial Departments on behalf of the institution.

7. Interest, dividends and rent on land - The variance is interest billed on non-paying customers and unwillingness to pay account on time due to valuation queries.

Expenditure

8. Remuneration of councillors - The variance was for anticipated upper limits on remuneration of councilor's increment that was not implemented due to financial constraints.

9. Depreciation & Amortisation –_The variance is more than 10% when comparing budget over amount spent to date. This is due to the fact that the municipality does not poses a live asset management module and only performs update of FAR quarterly.

10. Debt impairment – The variance is more than 10% when comparing budget over amount spent to date. This was due to the fact that the debt had a write-off in response to a uncorrected mi-statement from the 2020 Financial year.

11. Bulk Electricity - The variance is more than 10% when comparing budget over amount spent to date.The variance is due to the increase in eskom costs.

12. Finance costs - Interest charged by creditors due to late payment by municipality and also interest raised on Provision on Landfill site and Employee Benfit Obligations.

13. Lease rentals - Item misclassification.

14. Contracted services - Underspending was caused by limitations of covid19 pandemic.

15. General expenses - Underspending was due to cost containment measures and procurement limitations as a result of pandemic.

Statement of Financial Position

Assets

Figures in Rand	2021	2020

44. Budget differences (continued)

Current Assets

16. Receivables from exchange transactions - Variance was caused by incentive scheme that was perfomed by the municipality.

17. Statutory receivables - Variance was caused by incentive scheme that was perfomed by the municipality.

18 VAT receivable - This line item was not budgeted for.

19. Consumer debtors - Variance was caused by Debt incentive scheme that was perfomed by the municipality.

20. Cash & Cash Equivalents – The variance is more than 10% when comparing budget over cash collected to date.

Non - Current Assets

21. Investment Properties – The variance is below 10% when comparing budget over estimated to date.

22. Property, Plant & Equipment – The variance is more than 10% when comparing budget over estimated to date, this is due to depreciation and disposed assets.

23. Heritage Assets – The variance is more than 10% when comparing budget over estimated to date, this is due to overestimate on budget.

Current Liabilities

24. Trade and Other Payable Exchange Transactions – The variance is below 10% when comparing budget over estimated to date, this is due to reduction in payables during the year.

25. Vat Payable – The municipality did not budget for VAT payable because the history of returns in the previous years were yielding refunds.

26.Provisions - Item misclassification.

27. Employee obligation benefit - The variance is more than 10% when comparing budget over amount estimated to date.

28. Unspent conditional grants – the municipality did not budget for unspent conditional grants because it envisaged that all conditional grants will be spent in full in 2020/2021

29. Consumer deposits - Underspending was due to limited bookings made during the year as a result of COVID-19 pandemic.

Non-Current Liabilities

30. Landfill Sites: Non-current liabilities - The variance is more than 10% when comparing budget over amount estimated to date.

45. VAT receivable

VAT	327 919	-

Figures in Rand	2021	2020

46. Change in estimate

Property, plant and equipment

A change in estimated remaining useful lives of various assets of the Municipality based on their assessment conducted as at 30 June 201 will result in the following decreases in depreciation for property plant and equipment in the 2021 financial year and future periods:

The impact on the statement of financial performance (depreciation) in the 2021 financial year and future periods:

Effect of change	
Infrastructure assets	7 795 254
Buildings	51 969
	7 847 223

The impact on the statement of financial performance (depreciation) in the future periods:

Effect of change	
Infrastructure assets	7 795 254
Buildings	51 969
	7 847 223