Amahlathi Local Municipality
(Registration number EC 124)
Annual Financial Statements
for the year ended 30 June 2023

General Information

Mayoral committee	
Executive Mayor	NC Nongqayi
	P Qaba (EXCO)
	XM Tokwe (EXCO)
	T Balindlela (EXCO)
	B Xongwana (EXCO)
	NA Kato-Manyika (EXCO)
Councillors	NP Mlahleki
Speaker	ZA Qonto (MPAC Chair)
	PM Onceya-Sauti
	A Hobo
	N Ngxakangxaka
	RB Pickering
	N Mbulana
	M Gantsho
	NV Mjandana
	NC Mkiva
	N Nyangwa
	N Charlie
	NZ Klaas
	M Busakwe
	ZE Mfulana
	X Neti
	M Nqini
	M Neku
	NO Sidinana
	PA Simandla
	N Ncevu
	ME Maweni
	N Salaze
	O Mgunculu
Traditional leaders	NJ Ulana
Grading of local authority	Grade 3
Chief Finance Officer (CFO)	L Manjingolo
Accounting Officer	Dr Z Shasha
Registered office	12 Maclean Street Stutterheim 4930
Business address	Cnr Brownlee & Dragoon Street Stutterheim 4930
Postal address	Private Bag X4002 Stutterheim 4930
Auditors	Auditor General of South Africa - Registered Auditors

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

Abbreviations used:

EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
INEG	Integrated National Electrification Programme Grant
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
mSCOA	Municipal Standard Chart of Accounts

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 were 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 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 92, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2023 and were signed by him.

Dr Z Shasha
Accounting Officer

Statement of Financial Position as at 30 June 2023

Figures in Rand	Notes	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	6 053	211 321
Consumer debtors	4	14 892 173	6 486 025
Receivables from non-exchange transactions	5	25 797 081	31 103 478
Cash and cash equivalents	6	15 702 466	10 231 906
VAT receivable	7	1 809 507	-
		58 207 280	**48 032 730**
Non-Current Assets			
Biological assets that form part of an agricultural activity	8	6 213 921	5 005 978
Investment property	9	11 687 411	11 687 949
Property, plant and equipment	10	396 743 402	389 848 764
Intangible assets	11	68 387	107 121
Heritage assets	12	610 183	610 183
		415 323 304	**407 259 995**
Total Assets		**473 530 584**	**455 292 725**
Liabilities			
Current Liabilities			
Finance lease obligation	13	227 671	191 482
Payables from exchange transactions	14	162 576 716	108 587 736
Consumer deposits	15	1 843 855	1 839 851
Employee benefit obligations	16	16 027 185	15 662 032
VAT payable	17	-	407 600
Unspent conditional grants and receipts	18	8 318 649	3 887 412
Provisions	19	353 263	440 703
		189 347 339	**131 016 816**
Non-Current Liabilities			
Finance lease obligation	13	222 266	449 937
Employee benefit obligations	16	31 728 153	31 245 765
Provisions	19	7 862 150	7 436 169
		39 812 569	**39 131 871**
Total Liabilities		**229 159 908**	**170 148 687**
Net Assets		**244 370 676**	**285 144 038**
Accumulated surplus		244 370 676	285 144 038
Total Net Assets		**244 370 676**	**285 144 038**

* See Note 41

Statement of Financial Performance

Figures in Rand	Notes	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	51 397 213	54 476 857
Rental of facilities and equipment		283 304	171 206
Interest received - debtors		11 338 111	8 181 818
Licences and permits		2 272 473	1 780 476
Miscellaneous other revenue		567 085	269 383
Administration and management fees received		33 176	36 322
Insurance refunds		1 573 775	-
Interest received - investment	21	1 613 439	366 008
Gain on disposal of assets and liabilities		-	40 457
Fair value adjustments	8	1 207 943	945 891
Total revenue from exchange transactions		**70 286 519**	**66 268 418**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	23 330 964	22 178 071
Transfer revenue			
Government grants & subsidies	23	162 308 861	150 075 578
Fines, penalties and forfeits		19 583	12 024
Motor vehicle registrations		1 343 000	1 059 061
Total revenue from non-exchange transactions		**187 002 408**	**173 324 734**
Total revenue		**257 288 927**	**239 593 152**
Expenditure			
Employee related costs	24	(135 383 396)	(123 338 898)
Remuneration of councillors	25	(13 662 315)	(11 532 567)
Vending management fee	26	(281 231)	(285 659)
Depreciation and amortisation	27	(23 467 961)	(23 732 560)
Impairment loss on assets	28	(2 389 828)	(2 316 302)
Finance costs	29	(10 047 464)	(2 535 798)
Lease rentals on operating lease		(8 199)	(121 573)
Debt impairment	30	(29 141 767)	7 489 041
Bulk purchases	31	(43 193 741)	(42 657 682)
Contracted services	32	(12 071 625)	(10 882 496)
Inventory losses	3	(196 479)	-
General expenses	33	(28 218 284)	(24 365 225)
Total expenditure		**(298 062 290)**	**(234 279 719)**
(Deficit) surplus for the year		**(40 773 363)**	**5 313 433**

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	268 490 769	268 490 769
Prior year adjustments 41	11 339 836	11 339 836
Balance at 01 July 2021 as restated*	**279 830 605**	**279 830 605**
Surplus for the year	3 291 532	3 291 532
Prior year adjustments 41	2 021 901	2 021 901
Total changes	5 313 433	5 313 433
Balance at 01 July 2022 as restated*	**285 144 039**	**285 144 039**
Surplus for the year	(40 773 363)	(40 773 363)
Total changes	(40 773 363)	(40 773 363)
Balance at 30 June 2023	**244 370 676**	**244 370 676**

* See Note 41

Cash Flow Statement

Figures in Rand	Notes	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		48 583 060	69 306 788
Grants		166 740 098	150 075 578
Interest income		12 951 550	8 547 826
		228 274 708	227 930 192
Payments			
Employee costs		(148 198 170)	(136 872 827)
Suppliers		(31 653 878)	(66 181 375)
Finance costs		(10 047 464)	(2 535 798)
		(189 899 512)	(205 590 000)
Net cash flows from operating activities	35	**38 375 196**	**22 340 192**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(32 713 154)	(27 008 661)
Proceeds from sale of property, plant and equipment	10	-	848 724
Net cash flows from investing activities		**(32 713 154)**	**(26 159 937)**
Cash flows from financing activities			
Finance lease payments		(191 482)	625 175
Net increase/(decrease) in cash and cash equivalents		**5 470 560**	**(3 194 570)**
Cash and cash equivalents at the beginning of the year		10 231 906	13 426 476
Cash and cash equivalents at the end of the year	6	**15 702 466**	**10 231 906**

The accounting policies on pages 13 to 45 and the notes on pages 46 to 90 form an integral part of the annual financial statements.

* See Note 41

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	54 287 999	2 584 773	**56 872 772**	51 397 213	**(5 475 559)**	FinPerf01
Rental of facilities and equipment	100 000	190 500	**290 500**	283 304	**(7 196)**	FinPerf02
Interest received (trading)	8 645 892	1 648 128	**10 294 020**	11 338 111	**1 044 091**	FinPerf03
Licences and permits	2 429 000	-	**2 429 000**	2 272 473	**(156 527)**	FinPerf05
Miscellaneous other revenue	5 446 000	(1 893 309)	**3 552 691**	567 085	**(2 985 606)**	FinPerf07
Administration and management fees received	50 000	(49 000)	**1 000**	33 176	**32 176**	FinPerf06
Insurance refund	500 000	1 500 000	**2 000 000**	1 573 775	**(426 225)**	FinPerf08
Interest received - investment	1 040 000	15 000	**1 055 000**	1 613 439	**558 439**	FinPerf09
Total revenue from exchange transactions	**72 498 891**	**3 996 092**	**76 494 983**	**69 078 576**	**(7 416 407)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23 784 700	-	**23 784 700**	23 330 964	**(453 736)**	FinPerf10
Transfer revenue						
Government grants & subsidies	162 428 806	3 341 225	**165 770 031**	162 308 861	**(3 461 170)**	FinPerf11
Fines, Penalties and Forfeits	15 000	11 000	**26 000**	19 583	**(6 417)**	FinPerf12
Agency services	1 828 785	-	**1 828 785**	1 343 000	**(485 785)**	FinPerf04
Total revenue from non-exchange transactions	**188 057 291**	**3 352 225**	**191 409 516**	**187 002 408**	**(4 407 108)**	
Total revenue	**260 556 182**	**7 348 317**	**267 904 499**	**256 080 984**	**(11 823 515)**	
Expenditure						
Personnel	(106 959 384)	(3 304 449)	**(110 263 833)**	(135 383 396)	**(25 119 563)**	FinPerf13
Remuneration of councillors	(11 996 067)	(1 504 952)	**(13 501 019)**	(13 662 315)	**(161 296)**	FinPerf14
Administration	(419 500)	20 000	**(399 500)**	(281 231)	**118 269**	FinPerf15
Depreciation and amortisation	(26 000 000)	-	**(26 000 000)**	(23 467 961)	**2 532 039**	FinPerf16
Impairment loss/ Reversal of impairments	-	-	**-**	(2 389 828)	**(2 389 828)**	FinPerf16
Finance costs	(4 000 000)	(500 000)	**(4 500 000)**	(10 047 464)	**(5 547 464)**	FinPerf17
Lease rentals on operating lease	(324 168)	314 168	**(10 000)**	(8 199)	**1 801**	FinPerf18
Debt Impairment	(27 000 000)	-	**(27 000 000)**	(29 141 767)	**(2 141 767)**	FinPerf19
Bulk purchases	(38 070 343)	(8 853 107)	**(46 923 450)**	(43 193 741)	**3 729 709**	FinPerf20
Contracted Services	(19 154 306)	(2 648 805)	**(21 803 111)**	(12 071 625)	**9 731 486**	FinPerf21
General Expenses	(21 415 030)	(4 557 628)	**(25 972 658)**	(28 218 284)	**(2 245 626)**	FinPerf22
Total expenditure	**(255 338 798)**	**(21 034 773)**	**(276 373 571)**	**(297 865 811)**	**(21 492 240)**	
Operating deficit	**5 217 384**	**(13 686 456)**	**(8 469 072)**	**(41 784 827)**	**(33 315 755)**	
Loss on disposal of assets and liabilities	-	-	**-**	(196 479)	**(196 479)**	
Fair value adjustments	-	-	**-**	1 207 943	**1 207 943**	

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
	-	**-**	**-**	**1 011 464**	**1 011 464**	
Deficit before taxation	**5 217 384**	**(13 686 456)**	**(8 469 072)**	**(40 773 363)**	**(32 304 291)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**5 217 384**	**(13 686 456)**	**(8 469 072)**	**(40 773 363)**	**(32 304 291)**	
Reconciliation						

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						
Inventories	229 697	(18 376)	**211 321**	6 053	**(205 268)**	FinPos01
Receivables from non-exchange transactions	4 775 113	19 345 891	**24 121 004**	25 797 081	**1 676 077**	FinPos02
VAT receivable	-	-	**-**	1 809 507	**1 809 507**	FinPos03
Consumer debtors	2 795 151	3 277 524	**6 072 675**	14 892 173	**8 819 498**	FinPos04
Cash and cash equivalents	7 619 616	4 274 686	**11 894 302**	15 702 466	**3 808 164**	FinPos05
	15 419 577	**26 879 725**	**42 299 302**	**58 207 280**	**15 907 978**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	4 060 087	945 891	**5 005 978**	6 213 921	**1 207 943**	FinPos06
Investment property	11 810 023	(122 074)	**11 687 949**	11 687 411	**(538)**	FinPos07
Property, plant and equipment	403 286 242	1 878 694	**405 164 936**	396 743 402	**(8 421 534)**	FinPos08
Intangible assets	187 039	(67 541)	**119 498**	68 387	**(51 111)**	FinPos09
Heritage assets	610 183	-	**610 183**	610 183	**-**	FinPos10
Long-term receivables	346 551	-	**346 551**	-	**(346 551)**	FinPos11
	420 300 125	**2 634 970**	**422 935 095**	**415 323 304**	**(7 611 791)**	
Total Assets	**435 719 702**	**29 514 695**	**465 234 397**	**473 530 584**	**8 296 187**	
Liabilities						
Current Liabilities						
Finance lease obligation	16 244	175 238	**191 482**	227 671	**36 189**	FinPos12
Payables from exchange transactions	106 121 712	33 291 928	**139 413 640**	162 576 716	**23 163 076**	FinPos13
VAT payable	302 783	104 817	**407 600**	-	**(407 600)**	FinPos14
Consumer deposits	1 838 186	1 665	**1 839 851**	1 843 855	**4 004**	FinPos15
Employee benefit obligations	16 676 139	(1 014 107)	**15 662 032**	16 027 185	**365 153**	FinPos16
Unspent conditional grants and receipts	-	2 742 425	**2 742 425**	8 318 649	**5 576 224**	FinPos17
Provisions	440 703	-	**440 703**	353 263	**(87 440)**	FinPos18
	125 395 767	**35 301 966**	**160 697 733**	**189 347 339**	**28 649 606**	
Non-Current Liabilities						
Finance lease obligation	-	449 937	**449 937**	222 266	**(227 671)**	FinPos12
Employee benefit obligations	35 849 000	(4 603 235)	**31 245 765**	31 728 153	**482 388**	FinPos16
Provisions	7 048 501	387 667	**7 436 168**	7 862 150	**425 982**	FinPos18
	42 897 501	**(3 765 631)**	**39 131 870**	**39 812 569**	**680 699**	
Total Liabilities	**168 293 268**	**31 536 335**	**199 829 603**	**229 159 908**	**29 330 305**	
Net Assets	**267 426 434**	**(2 021 640)**	**265 404 794**	**244 370 676**	**(21 034 118)**	

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
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	267 426 434	(2 021 640)	**265 404 794**	244 370 676	**(21 034 118)**	

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						
Cash receipts from customers	72 826 944	(1 395 970)	**71 430 974**	48 583 060	**(22 847 914)**	CF01
Grants	161 656 000	261 054	**161 917 054**	166 740 098	**4 823 044**	CF02
Interest income	1 040 000	-	**1 040 000**	12 951 550	**11 911 550**	
	235 522 944	**(1 134 916)**	**234 388 028**	**228 274 708**	**(6 113 320)**	
Payments						
Employee costs	(118 955 451)	(4 809 401)	**(123 764 852)**	(148 198 170)	**(24 433 318)**	CF03
Suppliers	(78 583 347)	15 413 738	**(63 169 609)**	(31 653 878)	**31 515 731**	CF04
Finance costs	(4 000 000)	(500 000)	**(4 500 000)**	(10 047 464)	**(5 547 464)**	
	(201 538 798)	**10 104 337**	**(191 434 461)**	**(189 899 512)**	**1 534 949**	
Net cash flows from operating activities	**33 984 146**	**8 969 421**	**42 953 567**	**38 375 196**	**(4 578 371)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(39 791 000)	(1 500 171)	**(41 291 171)**	(32 713 154)	**8 578 017**	CF05
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(191 482)	**(191 482)**	
Net increase/(decrease) in cash and cash equivalents	(5 806 854)	7 469 250	**1 662 396**	5 470 560	**3 808 164**	
Cash and cash equivalents at the beginning of the year	13 426 470	(3 194 564)	**10 231 906**	10 231 906	**-**	
Cash and cash equivalents at the end of the year	**7 619 616**	**4 274 686**	**11 894 302**	**15 702 466**	**3 808 164**	
Reconciliation						

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes 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 is calculated on an individual debtor basis,based on historical loss ratios,debtor type and other indicators present at the reporting date that correlate with defaults on the portfolio.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - 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 16.

Effective interest rate

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

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Accounting Policies

1.6 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.

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 over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	20-30 years
Lifts	10-80 years
Air-conditioners	10-15 years
Other components	05-50 years

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

1.7 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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	**Depreciation method**	**Average useful life**
Infrastructure	Straight-line	
• Roads and paving	10-80 years	
• Cemeteries	25-30 years	
• Airports	25-30 years	
Community	Straight-line	
• Capital work-in-progress	Not depreciated	
• Land	Indefinite	
• Electricity	10-60 years	
• Landfill sites	15-40 years	
Other	Straight-line	
• Buildings	15-30 years	
• Machinery and equipment	04-15 years	
• Computer equipment	03-05 years	
• Furniture and office equipment	05-07 years	
• Transport assets	04-15 years	
• Office equipment - Leased assets	03-15 years	
• Buildings airconditioning system	10-15 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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

Incomplete construction work

Incomplete construction work is stated at historical cost, depreciation only commences when the asset is available for use.

Finance leases

Asets capitalised under finance lease are depreciated over the expected useful lives on the same basis as property, plant and equipment controlled by the municipality, or where the shorter the term of the relevant lease if there is no reasonable surety terms of the asset.

Infrastructure assets

Infrastructure assets are any assets that are part of a network or similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similar to all assets of the municipality in terms of the asset management policy.

1.8 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.

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

Accounting Policies

1.8 Intangible assets (continued)

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

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

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

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
Computer software, other	Straight-line	2-5 years

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

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

1.9 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.

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

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.

1.9 Heritage assets (continued)

Subsequent measurement

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

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 (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 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.

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

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- 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.

Accounting Policies

1.10 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
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Bank and cash	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

1.10 Financial instruments (continued)

Fair value measurement considerations

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

1.10 Financial instruments (continued)

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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.

Accounting Policies

1.10 Financial instruments (continued)

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.

1.11 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

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).

Accounting Policies

1.11 Statutory receivables (continued)

Impairment losses

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

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

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

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

1.12 Leases

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

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

1.12 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

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

1.13 Inventories (continued)

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

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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.

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement of 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.

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.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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.

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

Redesignation

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

1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

1.16 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.

Post-employment benefits: Defined contribution plans

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

1.16 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.

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.

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

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.

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.

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits 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.

The entity shall recognise the net total of the following amounts as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.17 Provisions and contingencies

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

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

1.17 Provisions and contingencies (continued)

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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.

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.19 Revenue from exchange transactions

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

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.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Accounting Policies

1.19 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 in surplus or deficit using the effective interest rate method.

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

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. The tariffs are determined per category if property usage and levied monthly based on the number of refuse containers on each property, regardless of whether or not the containers are emptied during the month.

Finance income

Interest earned on investment is recognised in the statement of financial performance on the time apportionment basis taking into account the effective yield on the investment.

Tariff charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant authorisation tariff. This includes the issue of licenses and permits.

Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of the agents has been quantified. The income is recognised in terms of the agency agreement.

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one financial year a straight-line basis is used.

1.20 Revenue from non-exchange transactions

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

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

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

1.20 Revenue from non-exchange transactions (continued)

Exchange transactions are transactions in which one 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.

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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.

1.20 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.

Public contributions

Bequests that satisfy the definition of an asset 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.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment are brought into use.

Where contributions have been received, but the conditions have not been met, a liability is recognised.

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.

Government grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investment is treated in accordance with the grant conditions. If it is payable to the founder it is recorded as part of the creditor, and if it is the municipality's interest it is recognised as interest earned in the statement of financial performance in the period in which it is received.

Government grants are recognised as revenue when
it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Concessionary loans received

The municipality transfers money to individuals or organisations and other sectors of government from time to time, when making these transfers the municipality does not:

-receive goods and services in return as would be expected in a purchase or sale transaction;
-expect to be repaid in future and ;
-expect a financial return as would be expected from investment;

These transfers are recognised in the statement of financial performance in the period that the events giving rise to the transfer occured.

1.21 Investment income

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

Accounting Policies

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

Accounting Policies

1.23 Accounting by principals and agents (continued)

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

1.24 Comparative figures

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

1.25 Unauthorised expenditure

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

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

1.26 Fruitless and wasteful expenditure

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

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

Fruitless and wasteful expenditure is accounted for as an expense in the ststement of financial performance. If the expenditure is not certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

If the expenditiure is not subsequently certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (No.32 of 2000), and the Public Office Bearers Act (No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

Accounting Policies

1.27 Irregular expenditure (continued)

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.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (No.56 of 2003) and is recognised when the recovery from the responsible councilors or officials is virtually certain. Such revenue is based on legislated procedures.

1.28 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.29 Budget information

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

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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The budget for the economic 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.

1.30 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.

Accounting Policies

1.30 Related parties (continued)

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

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

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

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

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

Close members of the family of a person are 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.

1.31 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.

1.32 Change in accounting policy, estimates and errors

Change in accounting policies that are aaffected by management have been applied retrospectively in accordance with GRAP 3 - Accounting polices, changes in accounting estimete and errors, requirements except to the extent that it is impracticable to determine the period-specific effects or the accumulative effect of the change in policy. In such cases the municipality shall restate the opening balance of assets and liabilities and net assest for the earliest period for which retrospective restatement is practicable.

Details for the change in accounting policy are disclosed in the notes to the financial statements where applicable. Change in accounting estimate are applied prospectively in accoundance with GRAP 3 requirements. Detailsod change in estimates are disclosed in the notes to the annual financial statements where applicable.

Accounting Policies

1.32 Change in accounting policy, estimates and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the ealiest period for which retrospective treatment is practicable. Details for the prior period errors are disclosed in the note to the financial statements where applicable.

1.33 Contingent assets and liabilities

The municipality does not recognised contingent liabilities or contingent assets, but discloses them. A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefit is probable. Contingent assest and contingent liabilities are disclosed in note 39.

1.34 Value added tax (VAT)

Output VAT is levield on taxable supplies in terms of the Value Added Tax Act.

Input VAT is claimed on those supplies allowed in terms of the Value Added Tax Act.

Where input VAT exceeds output VAT the Municipality recognises a receivable for VAT. Where output VAT exceeds input VAT the Municipality would a recognise a payable for VAT.

The Municipality accounts for VAT on a payments basis.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2022	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2022	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2022	Unlikely there will be a material impact

2.2 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 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103: Heritage Assets	01 April 2023	Unlikely there will be a material impact
• GRAP 1: Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2023	Unlikely there will be a material impact

3. Inventories

	2023	2022
Electricity	-	196 436
Rates and general	6 053	14 885
	6 053	**211 321**

3.1 Non - Financial information

	2023	2022
Electricity inventories recognised as an expense during the year	196 436	-
Rates and general inventories recognised as an expense during the year	8 832	18 561
	205 268	**18 561**

Inventories amounting to R196 436 (2022: R201 287) were stolen during the year. Council resolved that the items be written off and that an investigation be performed.

Included in the inventory balances above are the folowing types of inventory.

Electricity
Electricity sockets, transformers, plugs, meter boxes and other smaller items.

Rates and general
Cleaning materials, printing and stationery materials and other smaller items.

Inventory pledged as security

None of the inventory was pledged as security for period.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Consumer debtors

Gross balances		
Consumer Debtors - Electricity	10 606 639	3 991 368
Consumer Debtors - Fire levy	11 989 173	5 368 218
Consumer Debtors - Refuse	64 024 380	51 393 973
Consumer Debtors - Sundry debtors	223 210	3 073 552
Other debtors	1 735 164	(198 070)
Consumer Debtors - Impairment of exchange debtors	(73 686 393)	(57 143 016)
	14 892 173	**6 486 025**

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer debtors past due but not impaired

At 30 June 2023, R 2 561 812 (2022: R 3 174 738) were past due but not impaired.

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

1 month past due	1 113 962	1 033 634
2 months past due	734 318	949 470
3 months past due	713 532	1 191 634

Consumer debtors impaired

The amount of the provision was R 73 686 393 as of 30 June 2023 (2022: R 57 143 016).

Reconciliation of allowance for impairment of consumer debtors

Opening balance	57 143 016	58 259 653
Provision for impairment	16 543 377	(1 116 637)
	73 686 393	**57 143 016**

5. Receivables from non-exchange transactions

Consumer debtors - Rates	72 990 246	65 698 252
Consumer debtors - Impairment non-exchange debtors	(47 193 165)	(34 594 774)
	25 797 081	**31 103 478**

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Statutory receivables - Property rates

Included in Receivables from non-exchange transactions are statutory receivables of R72 990 246 (2022: R65 698 252)

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. Property Rates arise from the Municipal Property Rates Act, No 6 of 2004 as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipalities approved rates policy.

Impairment of Statutory receivables are assessed based on indicators that exist at each reporting date. These include but not limited to payment history and the customers overall profile.

Reconciliation of statutory receivables from non-exchange transactions

Consumer debtors - Rates	72 990 246	65 698 252
Impairment	(47 193 165)	(34 594 774)
	25 797 081	**31 103 478**

Credit quality of receivables from non-exchange transactions

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

Receivables from non-exchange transactions past due but not impaired

At 30 June 2023, R 2 298 350 (2022: R 2 580 810) were past due but not impaired.

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

1 month past due	855 788	756 734
2 months past due	744 722	681 223
3 months past due	697 840	1 142 853

Receivables from non-exchange transactions impaired

The amount of the provision was R 47 193 165 as of 30 June 2023 (2022: R 34 594 774).

The ageing of these provisions is as follows:

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	34 594 774	40 967 179
Provision for impairment	12 598 391	(6 372 405)
	47 193 165	**34 594 774**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023	2022
Cash on hand	64 881	479 358
Bank balances	678 056	1 243 836
Other cash and cash equivalents	14 959 529	8 508 712
	15 702 466	**10 231 906**

Cash and cash equivalents guarantees

	2023	2022
Guarantee for Department of Minerals and Energy	73 700	73 700
Guarantee for Eskom	4 848 000	4 848 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Cash on hand	-	-	-	64 881	479 360	538 741
First National Bank Cheque Account (Primary Bank Account): 53813535227	677 049	1 243 836	(78 402)	678 056	1 243 836	(71 201)
First National Bank Account: 62135193770	1 000	2 006	7 382 705	1 000	2 006	7 382 705
First National Bank Account: 62063171351	4 711 326	1 048	48	4 711 326	1 048	48
First National Bank: 61381739619	888 118	7 660	45 747	888 118	7 660	45 747
First National Bank Account: 74568809858	5 776 635	5 391 516	5 364 781	5 776 635	5 391 516	5 364 781
First National Bank Account: 62774381942	730 794	1 077	33 573	730 794	1 077	33 573
First National Bank Account: 62774381009	1 802	1 135	1 103	1 802	1 135	1 103
First National Bank Account: 62774381413	18 667	17 624	17 124	18 667	17 624	17 124
First National Bank Account: 62774382445	2 307	2 178	2 116	2 307	2 178	2 116
First National Bank Account: 62774382966	2 800 238	3 079 746	102 099	2 800 238	3 079 746	102 099
First National Ban Account: 62774383592	28 641	4 720	9 640	28 642	4 720	9 642
Total	**15 636 577**	**9 752 546**	**12 880 534**	**15 702 466**	**10 231 906**	**13 426 478**

7. VAT receivable

	2023	2022
VAT	1 809 507	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Biological assets that form part of an agricultural activity

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in plantation forest	6 213 921	-	6 213 921	5 005 978	-	5 005 978

Reconciliation of biological assets that form part of an agricultural activity - 2023

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in plantation forest	5 005 978	1 207 943	6 213 921

Reconciliation of biological assets that form part of an agricultural activity - 2022

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in plantation forest	4 060 087	945 891	5 005 978

Non-financial information

Immature biological assets

	2023	2022
Trees in timber plantation forest	197 607	199 107

Pledged as security

None of the biological assets are pledged as security.

Revaluation

The biological assets were revalued by Mr M Engelbrecht, an independent Forest Economist as at 30 June 2023. The Faustmann valuation technique was applied for the valuation of biological assets.

9. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29 229 916	(17 542 505)	11 687 411	27 897 854	(16 209 905)	11 687 949

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	11 687 949	(538)	11 687 411

Reconciliation of investment property - 2022

	Opening balance	Impairments	Depreciation	Total
Investment property	11 810 023	(116 697)	(5 377)	11 687 949

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The municipality has developed a comprehensive asset register encompassing movable assets, land, buildings and infrastructure assets.

The investment property includes land registered under the name of the municipality and Mlungisi Mall.

The Mlungisi Mall components are the only assets within the investment properties which are depreciated.

10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	6 933 932	-	6 933 932	6 933 932	-	6 933 932
Buildings	73 742 968	(35 785 790)	37 957 178	73 742 969	(33 134 159)	40 608 810
Machinery and equipment	5 792 416	(4 664 979)	1 127 437	5 792 416	(4 368 238)	1 424 178
Furniture and office equipment	1 641 706	(1 575 770)	65 936	1 629 545	(1 542 675)	86 870
Transport assets	26 023 262	(18 906 971)	7 116 291	25 495 628	(17 832 950)	7 662 678
Computer equipment	2 984 576	(2 179 857)	804 719	2 446 619	(1 980 204)	466 415
Roads	405 468 885	(186 643 139)	218 825 746	393 816 173	(170 097 766)	223 718 407
Electricity	44 126 528	(20 184 764)	23 941 764	44 126 528	(19 217 923)	24 908 605
Work-in-progress	90 265 036	(1 062 821)	89 202 215	72 672 174	(1 062 821)	71 609 355
Office equipment - leased	670 233	(189 746)	480 487	670 233	(55 700)	614 533
Cemeteries	1 256 961	(875 500)	381 461	1 256 961	(847 451)	409 510
Airports	1 127 000	(873 309)	253 691	1 127 000	(850 557)	276 443
Landfill sites	14 957 955	(5 305 410)	9 652 545	14 957 955	(3 828 927)	11 129 028
Total	**674 991 458**	**(278 248 056)**	**396 743 402**	**644 668 133**	**(254 819 371)**	**389 848 764**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	6 933 932	-	-	-	-	6 933 932
Buildings	40 608 810	-	-	(2 651 632)	-	37 957 178
Machinery and equipment	1 424 178	-	-	(296 741)	-	1 127 437
Furniture and office Equipment	86 870	12 160	-	(33 094)	-	65 936
Transport Assets	7 662 678	527 635	-	(1 074 022)	-	7 116 291
Computer Equipment	466 415	537 959	-	(199 655)	-	804 719
Roads	223 718 407	-	14 042 540	(16 545 373)	(2 389 828)	218 825 746
Electricity	24 908 605	-	-	(966 842)	-	23 941 764
Work-in-progress	71 609 355	31 635 400	(14 042 540)	-	-	89 202 215
Office equipment - leased assets	614 533	-	-	(134 046)	-	480 487
Cemeteries	409 510	-	-	(28 049)	-	381 461
Airports	276 443	-	-	(22 752)	-	253 691
Landfill sites	11 129 028	-	-	(1 476 483)	-	9 652 545
	389 848 764	**32 713 154**	**-**	**(23 428 689)**	**(2 389 828)**	**396 743 402**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	6 933 932	-	-	-	-	-	6 933 932
Buildings	32 817 786	3 421 984	-	6 853 514	(2 484 474)	-	40 608 810
Machinery and equipment	1 542 988	155 303	(1 350)	-	(272 763)	-	1 424 178
Furniture and office equipment	113 822	6 913	(5 503)	-	(28 362)	-	86 870
Transport assets	9 481 106	-	(770 918)	-	(1 047 510)	-	7 662 678
Computer equipment	438 148	192 016	(12 049)	-	(151 700)	-	466 415
Roads	216 686 509	5 257 715	-	19 449 327	(17 675 144)	-	223 718 407
Electricity	28 213 966	-	-	-	(1 105 756)	(2 199 605)	24 908 605
Work-in-progress	84 635 600	17 304 497	-	(30 330 743)	-	-	71 609 355
Office equipment - leased assets	-	670 233	-	-	(55 700)	-	614 533
Cemeteries	437 560	-	-	-	(28 050)	-	409 510
Airports	299 195	-	-	-	(22 752)	-	276 443
Landfill sites	7 894 630	-	-	4 027 902	(793 504)	-	11 129 028
	389 495 242	**27 008 661**	**(789 820)**	**-**	**(23 665 715)**	**(2 199 605)**	**389 848 764**

Pledged as security

No property, plant and equipment assets were pledged as security:

Assets subject to finance lease (Net carrying amount)

Office equipment - leased assets	480 487	614 533

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Electricity	27 363 343	27 146 443
Landfill Site	514 323	299 973

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Property, plant and equipment (continued)

	27 877 666	**27 446 416**

Details of projects that are taking a significantly longer period of time to complete than expected		
Amahlathi Highmast Lights	6 862 128	6 862 128
Highmast lights were erected and completed but still needs to be commissioned by Eskom to meet the intended purpose of the project.		
No impairment losses have been recognised in relation to these assets.		
Electricity WIP	4 260 139	4 260 139
Project requires funding.		
No impairment losses have been recognised in relation to these assets.		
LV Networks	14 430 793	14 430 793
Project requires funding.		
No impairment losses have been recognised in relation to these assets.		
Upgrade Cathcart Substation	1 346 708	1 129 808
Project requires funding.		
No impairment losses have been recognised in relation to these assets.		
Upgrade Electricity Infrastructure	463 575	463 575
Project requires funding.		
No impairment losses have been recognised in relation to these assets.		
KKH Waste Site	514 323	299 973
Contractor defaulted on the project.		
No impairment losses have been recognised in relation to these assets.		
	27 877 666	**27 446 416**

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	45 953 263	25 656 093	-	71 609 356
Additions/capital expenditure	21 728 245	2 027 157	7 879 999	31 635 401
Transferred to completed items	(14 042 540)	-	-	(14 042 540)
	53 638 968	**27 683 250**	**7 879 999**	**89 202 217**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	62 616 857	15 165 228	6 853 513	84 635 598
Additions/capital expenditure	13 153 732	10 490 865	3 151 002	26 795 599
Transferred to completed items	(29 817 326)	-	(10 004 515)	(39 821 841)
	45 953 263	**25 656 093**	**-**	**71 609 356**

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.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 183 428	(1 115 041)	68 387	1 183 428	(1 076 307)	107 121

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	107 121	(38 734)	68 387

Reconciliation of intangible assets - 2022

	Opening balance	Disposals	Amortisation	Total
Computer software	187 038	(18 449)	(61 468)	107 121

Pledged as security

No intangible assets were pledged as security.

12. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	610 183	-	610 183	610 183	-	610 183

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	610 183	610 183

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	610 183	610 183

Pledged as security

No heritage assets were pledged as security.

13. Finance lease obligation

	2023	2022
Minimum lease payments due		
- within one year	288 495	288 495
- in second to fifth year inclusive	240 413	528 908
	528 908	817 403
less: future finance charges	(78 971)	(175 984)
Present value of minimum lease payments	**449 937**	**641 419**
Present value of minimum lease payments due		
- within one year	227 671	191 482
- in second to fifth year inclusive	222 266	449 937
	449 937	**641 419**
Non-current liabilities	222 266	449 937
Current liabilities	227 671	191 482
	449 937	**641 419**

The finance lease obligation is made up of numerous rental agreements for the office equipment.

Office equipment leases

The discount rate used in calculating the present value of the minimum lease payments is the implicit interest rate in the lease, if this is practicable to determine; if not, it is the prime interest rate. Due to the nature of the information provided the implicit rate for copiers could not be determined, as the cost of the copiers is not provided in the agreement. Any initial direct costs of leases are added to the amount recognised as an asset. Only the terms and payment amount are provided. The office equipment finance lease has an implicit interest rate ranging between 7.50% - 19% per annum, by taking into account the market values of the office equipment at initial recognition

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Payables from exchange transactions

Trade payables	153 810 909	85 742 199
Consumer debtors with credit balances	2 188 252	2 412 770
Other payables	2 407 668	18 571 520
Retention creditors	3 558 166	1 228 479
Agency fees payable	611 721	632 768
	162 576 716	**108 587 736**

Consumer receivables with net credit balances have been classified to Payables from exchange transactions.

15. Consumer deposits

Electricity	1 843 855	1 839 851

Consumer deposits are made of deposits from consumers for electricity connections, for those making use of conventional electricity.

16. Employee benefit obligations

Defined benefit plan

The defined benefit plan comprises of the Post Retirement Medical Aid.

Post retirement medical aid plan

The municipality operates six accredited medical aid schemes, namely:
Bestmed
Bonitas
Discovery La Health
Hosmed
Keyhealth
Samwu

Pensioners continue on the option they belonged to on the day of retirement.

The independent valuers, One Pangaea Financial carried out a statutory valuation on 30 June 2023.

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

Carrying value		
Opening balance	25 088 416	30 027 000
Current service costs	1 077 101	1 266 000
Interest Costs	3 044 147	2 982 000
Net actuarial gains	(2 607 217)	(8 045 584)
Benefits paid	(930 938)	(1 141 000)
	25 671 509	**25 088 416**

Non-current liabilities	24 439 632	23 971 162
Current liabilities	1 231 877	1 117 254
	25 671 509	**25 088 416**

Key assumptions used

Assumptions used at the reporting date:

Figures in Rand	2023	2022

16. Employee benefit obligations (continued)

Discount rates used	13,25 %	12,41 %
Expected rate of return on assets	4,11 %	3,19 %
Medical cost trend rates	8,78 %	8,94 %

Other assumptions

	One percentage point increase	**One percentage point decrease**
Pre-retirement age	SA 85-90 L	SA 85-90 L
Post retirement age	PA (90) - 1	PA (90) - 1
Normal retirement age	65 years	65 years
Spouse age differences (male older females)	3 years	3 years
AIDS	No assumptions made	No assumptions made

Membership data

Female members	80	80
Male members	72	72

	1% decrease	Base (8,94%)	1% increase
Defined benefit obligation	(22 822)	(25 671)	(29 079)
Service costs (next financial year)	(887)	(1 057)	(1 270)
Interest cost (next financial year)	(2 942)	(3 319)	(3 770)

Long service awards

The Long service bonus for the portion of the next interval already rendered by the employee. The employee receives a leave pay and percentage of salary amount for reaching certain interval (5 years, 10 years, 15 years etc.). This provision is accrued in terms of the collective bargain agreement. The long service bonus plans are defined benefit plans. As at period ended 30 June 2023, 270 (2022: 281) employees were eligible for long service bonuses.

Carrying value		
Opening balance	8 572 838	8 197 000
Current service costs	963 000	942 000
Interest Costs	809 804	688 000
Net actuarial gains	(1 656 999)	(20 162)
Benefits paid	(481 044)	(1 234 000)
	8 207 599	**8 572 838**

Non-current assets	7 288 520	7 274 603
Current assets	919 079	1 298 235
	8 207 599	**8 572 838**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,60 %	10,22 %
Net discount rates used	4,03 %	2,33 %
Salary inflation	6,32 %	7,71 %

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Employee benefit obligations (continued)

Other assumptions

Normal retirement age	62 years	62 years
Net discount rates used	252	252
Normal retirement age	65 years	65 years
Spouse age differences (male older females)	3 years	3 years
AIDS	No assumptions made	No assumptions made

Membership data

Female members	100	100
Male members	170	189

Provision for bonus

A bonus provision is raised for the amount which the Municipality is obligated to pay employees.

Carrying value		
Opening balance	3 858 332	4 120 374
Service bonus	4 090 990	3 858 332
Utilised during the year	(3 858 332)	(4 120 374)
	4 090 990	**3 858 332**

Accrual for leave gratuity

Leave gratuity is raised for the amount which the Municipality is obligated to pay employees in lieu of annual leave, if they are to leave the Municipality.

Carrying value		
Opening balance	9 388 211	10 203 740
Utilised - terminated employees	(1 456 489)	-
Movement in income statement	1 853 520	815 529
Leave gratuity - obligation	8 553 338	6 302 841
Utilsed - current employees	(6 699 821)	(7 118 470)
	9 785 239	**9 388 211**

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

Carrying value		
Non-current portion of post retirement benefits	(24 439 633)	(23 971 162)
Non-current portion of long service awards	(7 288 520)	(7 274 603)
Current portion of post retirement benefits	(1 231 877)	(1 117 254)
Current portion of long service awards	(919 079)	(1 298 235)
Provision for bonus	(4 090 990)	(3 858 332)
Accrual for leave gratuity	(9 785 239)	(9 388 211)
	(47 755 338)	**(46 907 797)**

Non-current liabilities	(31 728 153)	(31 245 765)
Current liabilities	(16 027 185)	(15 662 032)
	(47 755 338)	**(46 907 797)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2023	2022
Current service cost	2 040 150	2 208 000
Intrerest cost	3 853 951	3 670 000
Actuarial (gains) losses	(2 607 217)	(8 065 746)
	3 286 884	**(2 187 746)**

Other assumptions

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

	2023 R	2022 R	2021 R	2020 R	2019 R
Post Retirement Benefits	25 671 509	25 088 416	30 027 000	25 981 000	27 804 355
Long Service Awards	8 207 599	8 572 838	8 197 000	7 628 000	7 134 236

17. VAT payable

	2023	2022
VAT payable	-	407 600

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2023	2022
Waste grant	2 526 108	3 080 170
Disaster relief grant	4 700 000	-
Staff training	1 055 491	807 242
Human settlements grant	37 050	-
	8 318 649	**3 887 412**

Movement during the year

	2023	2022
Balance at the beginning of the year	3 887 412	906 313
Grants received during the year	166 740 098	153 056 678
Income recognition during the year	(162 308 861)	(150 075 579)
	8 318 649	**3 887 412**

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

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

See note 24 for reconciliation of grants from National/Provincial Government.

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

19. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Increased during the year	Total
Provision for landfill sites	7 876 873	338 540	8 215 413

Reconciliation of provisions - 2022

	Opening Balance	Increased during the year	Total
Provisions for landfill sites	7 466 229	410 644	7 876 873

	2023	2022
Non-current liabilities	7 862 150	7 436 170
Current liabilities	353 263	440 703
	8 215 413	**7 876 873**

Environmental rehabilitation provision

The municipality has an obligation to restore three landfill sites situated in Stutterheim, Erf 80, Cathcart, Erf 474 and Keiskammahoek, Erf 1. The Stutterheim and Keiskammahoek sites are currently licenced and used for general waste disposal (nonhazardous) purposes. The Cathcart site was previously licenced and the permit expired in 2013. The municipality has approached the Department of Environmental Affairs (DEA) with the view of obtaining assistance to renew the licence for the site.

An environmental specialist was appointed to assist the municipality with the management of the landfill sites. The environmental specialist has undertaken site visits and prepared preliminary designs and costing of works to be completed.

Where appropriate a discounting rate of 4.30% (2022: 9.64%) was used.

The remaining site life:
- Cathcart landfill site is approximately +/-4 years.
- Stutterheim landfill site is approximately +/- 4 years.
- Keiskammahoek landfill site is approximately +/-4 years.

20. Service charges

	2023	2022
Sale of electricity	35 380 571	38 647 741
Fire levy	4 727 895	4 763 859
Refuse removal	11 106 980	10 855 560
Other service charges	181 767	209 697
	51 397 213	**54 476 857**

21. Investment revenue

	2023	2022
Interest revenue		
Bank	1 613 439	366 008

Interest is earned on municipal investments and municipal cheque account in note 6.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

22. Property rates

Rates received

Property rates	24 742 216	23 601 420
Less: Rebates	(1 411 252)	(1 423 349)
	23 330 964	**22 178 071**

Valuations

Residential	1 167 646 000	1 159 618 500
Commercial	232 813 755	225 211 255
State	749 894 877	752 576 208
Municipal	357 165 101	357 463 601
Small holdings and farms	2 530 143 423	2 462 899 299
Public service infrastructure	61 696 346	60 562 346
Vacant land	101 478 403	101 280 903
Properties used for multi purpose (Mix)	4 744 500	5 165 000
Industrial properties	45 197 500	42 887 501
	5 250 779 905	**5 167 664 613**

Valuations on land and buildings are performed every 4 years. 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 as per the approved tariffs with interest at prime plus 1% per annum is levied on rates outstanding monthly.

23. Government grants & subsidies

Operating grants		
Equitable share	124 987 000	115 504 000
Library grant	1 200 000	1 200 000
Municipal infrastructure grant (MIG)	-	1 477 900
Expanded public works programme (EPWP)	1 568 000	1 263 000
Financial management grant (FMG)	2 200 000	2 100 000
Staff training	-	97 243
Human settlements grant	98 799	-
Waste grant	554 062	219 829
Disaster relief grant (covid-19)	-	133 506
	130 607 861	**121 995 478**
Capital grants		
Municipal infrastructure grant (MIG)	31 701 000	28 080 100
	162 308 861	**150 075 578**

Equitable Share

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

Operating and maintenance cost of municipalities.

Figures in Rand	2023	2022

23. Government grants & subsidies (continued)

Finance management grant (FMG)

Current-year receipts	2 200 000	2 100 000
Conditions met - transferred to revenue	(2 200 000)	(2 100 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The grant is received to ensure sound and sustainable management of the fiscal and financial affairs of the municipality. To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Act.

Library grant

Current-year receipts	1 200 000	1 200 000
Conditions met - transferred to revenue	(1 200 000)	(1 200 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

To transform urban and rural community infrastructure, facilities and services through a recapitalised programme.

Expanded public works works programme (EPWP)

Current-year receipts	1 568 000	1 263 000
Conditions met - transferred to revenue	(1 568 000)	(1 263 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Waste collection grant

Balance unspent at beginning of year	3 080 170	-
Current-year receipts	-	3 300 000
Conditions met - transferred to revenue	(554 062)	(219 830)
	2 526 108	**3 080 170**

Conditions still to be met - remain liabilities (see note 18).

To support in respect of waste management activities & EPWP cleansing project.

Disaster relief grant - Floods

Current-year receipts	4 700 000	-

Conditions still to be met - remain liabilities (see note 18).

For floods intervention.

23. Government grants & subsidies (continued)

Staff training (LGSETA)

Balance unspent at beginning of year	807 242	772 807
Current-year receipts	248 249	131 678
Conditions met - transferred to revenue	-	(97 243)
	1 055 491	**807 242**

Conditions still to be met - remain liabilities (see note 18).

The grant was obtained from the Sectoral Education Training Authority (SETA) for training of staff. In terms of the Skills Development Act regarding monies by SETA's published in Government Notice 990 in Government Gazette No. 34940, LGSETA is required to disburse in quarterly intervals.

Disaster relief grant - COVID

Balance unspent at beginning of year	-	133 506
Conditions met - transferred to revenue	-	(133 506)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

To assist in response to COVID-19.

Human settlements grant

Current-year receipts	135 849	-
Conditions met - transferred to revenue	(98 799)	-
	37 050	**-**

Conditions still to be met - remain liabilities (see note 18).

For skills development.

Municipal Infrastructure Grant

Current-year receipts	31 701 000	29 558 000
Conditions met - transferred to revenue	(31 701 000)	(28 080 100)
Operating expenditure	-	(1 477 900)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

The grant was received from the Department of Cooperative Governance and Traditional Affairs. The purpose of the grant is to provide specific finance for basic Municipal Infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Figures in Rand	2023	2022

24. Employee related costs

Basic	92 128 934	90 286 762
Bonus	8 101 741	7 308 771
Medical aid - company contributions	6 011 442	4 692 392
UIF	558 379	581 158
Defined benefit plans	217 854	(5 887 896)
Travel, motor car, accommodation, subsistence and other allowances	1 185 885	1 402 424
Overtime payments	1 113 025	787 713
Acting allowances	262 962	382 048
Travel allowance	5 297 221	4 985 162
Housing benefits and allowances	2 641 761	2 819 450
Industrial council levy	35 317	35 845
Pension fund contributions by council	15 742 697	14 867 498
Bonus provision	232 658	262 042
Leave provision	1 853 520	815 529
	135 383 396	**123 338 898**

Remuneration of Municipal Manager

Annual Remuneration	792 664	868 986
Travel Allowance	186 877	322 524
Contributions to UIF, Medical and Pension Funds	40 096	206 382
Cellphone allowance	13 200	24 000
	1 032 837	**1 421 892**

Mrs S Nqwena contract ended 31 July 2022.

Dr Z Shasha appointed from 1 November 2022.

Remuneration of Chief Finance Officer

Annual Remuneration	974 129	899 977
Travel Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	13 914	11 027
Cellphone allowance	16 800	16 800
Leave	212 459	-
	1 337 302	**1 047 804**

Remuneration of Corporate Services Manager

Annual Remuneration	1 051 536	817 848
Cellphone allowance	33 600	-
Contributions to UIF, Medical and Pension Funds	13 106	10 240
	1 098 242	**828 088**

Remuneration of Development and Planning Manager

Annual Remuneration	629 972	669 148
Travel Allowance	120 000	-
Contributions to UIF, Medical and Pension Funds	7 930	8 504
Cellphone allowance	11 200	12 600
	769 102	**690 252**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Employee related costs (continued)

Remuneration of Infrastructure Director

Annual Remuneration	540 849	678 254
Travel Allowance	30 000	120 000
Performance Bonuses	33 333	59 854
Contributions to UIF, Medical and Pension Funds	26 810	67 392
Cellphone allowance	9 800	16 800
Leave	57 245	30 874
	698 037	**973 174**

Mr M Bukubukwana contract ended 30 September 2022.

Mrs N Dlova appointed from 1 March 2023.

Remuneration of community service manager

Annual Remuneration	321 144	838 545
Travel Allowance	45 000	-
Contributions to UIF, Medical and Pension Funds	9 569	63 734
Cellphone allowance	5 918	16 800
	381 631	**919 079**

Mr L Roji contract ended 31 August 2022.

Mrs A Noholoza appointed from 1 April 2023.

25. Remuneration of councillors

Mayor	885 456	809 156
Speaker	780 808	657 583
Councillors' salaries	8 452 371	6 985 416
Councillors' allowances	3 543 680	3 080 412
	13 662 315	**11 532 567**

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

26. Vending management fee

Management fees - third party	281 231	285 659

The municipality pays vendor management fees to Contour, this service provider owns the system used to manage the sales of prepaid electricity to external outlets and municipal office cashiers.

27. Depreciation and amortisation

Property, plant and equipment	23 428 689	23 665 715
Investment property	538	5 377
Intangible assets	38 734	61 468
	23 467 961	**23 732 560**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Impairment loss on assets

Impairments		
Property, plant and equipment	2 389 828	2 316 302

During the current year, a number of roads damaged due to flooding.

29. Finance costs

Interest expense	-	429 912
Interest on overdue account	10 047 464	2 105 886
	10 047 464	**2 535 798**

30. Debt impairment

Debt impairment	29 141 767	(7 489 041)

31. Bulk purchases

Electricity - Eskom	43 193 741	42 657 682

32. Contracted services

Outsourced Services		
Animal Care	135 000	-
Burial Services	60 810	15 000
Catering Services	190 343	28 065
Cleaning Services	3 284	2 200
Professional Staff	186 729	97 243
Electrical	1 145 523	848 510
Consultants and Professional Services		
Business and Advisory	2 541 225	4 082 223
Legal Cost	3 979 788	2 903 203
Contractors		
Event Promoters	629 007	103 710
Graphic Designers	53 903	26 951
Maintenance of Buildings and Facilities	84 741	27 009
Maintenance of Equipment	14 000	49 193
Maintenance of Unspecified Assets	2 806 319	2 284 944
Safeguard and Security	240 953	414 245
	12 071 625	**10 882 496**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

33. General expenses

Advertising	296 631	174 784
Auditors remuneration	2 712 584	1 937 948
Bank charges	104 969	1 134 126
Consumables	159 490	206 029
Electricity	4 298 950	2 832 823
Free basic electricity	180 626	517 049
Fuel and oil	2 199 338	1 701 489
Insurance	918 374	1 424 712
Other expenses	8 546 572	1 759 946
Postage and courier	39 891	47 095
Printing and stationery	843 807	549 645
Project maintenance costs	334 203	392 608
Skills development levy	1 085 433	1 023 845
Subscriptions and membership fees	1 189 964	1 495 991
Telephone and fax	4 427 712	8 498 687
Training	348 458	167 249
Uniforms	259 190	119 552
Vehicle license fees	272 092	381 647
	28 218 284	**24 365 225**

34. Auditors' remuneration

Fees	2 712 584	1 937 948

35. Cash generated from operations

(Deficit) surplus	(40 773 363)	5 313 433
Adjustments for:		
Depreciation and amortisation	23 467 961	23 732 560
Loss on sale of assets and liabilities	-	(40 457)
Fair value adjustments	(1 207 943)	(945 891)
Impairment deficit	2 389 828	2 316 302
Debt impairment	29 141 767	(7 489 041)
Movements in retirement benefit assets and liabilities	847 541	(5 640 317)
Movements in provisions	338 541	410 643
Changes in working capital:		
Inventories	205 268	18 376
Consumer debtors	(24 949 524)	418 376
Other receivables from non-exchange transactions	(7 291 994)	(14 712 899)
Payables from exchange transactions	53 988 980	12 325 524
VAT	(2 217 107)	3 650 819
Unspent conditional grants and receipts	4 431 237	2 981 099
Consumer deposits	4 004	1 665
	38 375 196	**22 340 192**

36. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Consumer debtors and other debtors	14 892 173	14 892 173
Cash and cash equivalents	15 637 585	15 637 585
	30 529 758	**30 529 758**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	449 937	449 937
Payables from exchange transactions	162 576 716	162 576 716
Consumer deposits	1 843 855	1 843 855
	164 870 508	**164 870 508**

2022

Financial assets

	At amortised cost	Total
Consumer debtors and other debtors	6 486 025	6 486 025
Cash and cash equivalents	9 752 548	9 752 548
	16 238 573	**16 238 573**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	641 419	641 419
Payables from exchange transactions	108 587 736	108 587 736
Consumer deposits	1 839 851	1 839 851
	111 069 006	**111 069 006**

Figures in Rand	2023	2022

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	27 637 960	16 680 304
Total capital commitments		
Already contracted for but not provided for	27 637 960	16 680 304

Total commitments

Total commitments		
Authorised capital expenditure	27 637 960	16 680 304

This committed expenditure relates to property, plant and equipment and will be financed by a combination of MIG and internally generated funds.

38. Contingencies

2023

Contingent liabilities:

The total contingent liabilites for the year 2023 is R13 327 668 (Contingencies: R8 412 769 and Legal fees: R4 914 899) and the details are as follows.

The Municipality has legal cases relating to claims for outstanding payments. Capital claimed R4 736 624 and Legal Fees is R1 491 044.

Case Number EL456/2023:
Application to oppose the claim for loss of rental income for an alleged breach of contract by Municipality to install electricity. Total amount claimed including legal fees is R2 000 000.

Case Number: 1570/2022:
Claim for damages arising out of motor vehicle collision. Total amount claimed including legal fees is R150 000.

Case Number A303:
An unfair dismissal dispute to the SALGBC claiming that they had reasonable expectation that they would be permanently appointed. R700 000 for back-pay costs.

Case Number A339:
An unfair dismissal dispute to the SALGBC. Total amount claimed including legal fees is R1 000 000.

Case Number 735/2022:
The Municipality is seeking an order declaring the standardisation policy unlawful. Legal fees R750 000.

Case Number: 2389/2020:
There's a claim for damages for a breach of contract. Total amount claimed including legal fees is R2 500 000.

2022

Contingent liabilities:

The total contingent liabilites for the year 2022 is R7 764 605 (Contingencies: R6 890 453 and Legal fees: R874 152) and the details are as follows.

Case Number 1268/2022:
There's an order sought that requires the Municipality to furnish all documents relating to the fire levy.

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38. Contingencies (continued)

Case Numbers 1797/2021, 454/2021, 214/2021, 3400/2019:
The Municipality has legal cases relating to claims for outstanding payments. Amounts claimed R5 322 783, legal fees R71 654.

Case Number 735/2022:
The municipality is seeking an order declaring the standardisation policy unlawful. Legal fees R750 000.

Case Number 108/2021:
There is an application for the restoration of electricity to the property which was disconnected by the Municipality.

Case Number 2389/2020:
There's a claim for damages for a breach of contract. Amount claimed R603 670, legal fees R52 497.

39. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Councillors	Refer to general information page
Members of key management and close family members	Dr Z Shasha - Municipal Manager
	L Manjingolo - Chief Financial Officer
	S Mnweba - Director Development and Planning
	N Nqulo - Director Corporate Services
	A Noholoza - Director Community Services

Related party balances

	2023	2022
Companies owned by people / spouses / partners / associate in the service of the state		
ICT Choice	94 179	-
Ebusha General Trading	-	428 000

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

Remuneration of management

Management class: Councillors

2023

Name	Councillors' salaries	Telephone allowance	Travel allowance	3G card	Subsistence	Backpay	Total
NC Nogqayi (Mayor)	643 314	40 800	214 438	3 600	695	48 412	951 259
NP Mlahleki (Speaker)	500 674	40 800	166 891	3 600	556	99 029	811 550
P Qaba (EXCO)	454 608	40 800	153 475	3 600	278	50 845	703 606
XM Tokwe (EXCO)	494 506	40 800	164 835	3 600	-	55 197	758 938
T Balindlela (EXCO)	275 875	40 800	91 959	4 800	-	38 293	451 727
B Xongwana (EXCO)	494 506	40 800	164 835	3 600	-	55 197	758 938
NA Kato-Manyika (EXCO)	494 506	40 800	164 835	3 600	-	68 639	772 380
PM Onceya-Sauti	267 776	40 800	89 259	3 600	-	24 577	426 012
A Hobo	208 657	40 800	69 552	3 600	-	50 154	372 763
N Ngxakangxaka	208 657	40 800	69 552	3 600	-	28 962	351 571
RB Pickering	208 657	40 800	69 552	3 600	-	28 962	351 571
N Mbulana	208 657	40 800	69 552	3 600	-	28 962	351 571
M Gantsho	208 656	40 800	69 553	3 600	-	19 151	341 760
NV Mjandana	208 657	40 800	69 552	3 600	-	19 151	341 760
N Nyangwa	208 657	40 800	69 552	3 600	-	19 151	341 760
NC Mkiva	208 657	40 800	69 552	3 600	-	28 962	351 571
ZA Qonto	250 974	40 800	83 658	3 600	2 270	31 974	413 276
N Charlie	208 657	40 800	69 552	3 600	-	19 151	341 760
NZ Klaas	208 657	40 800	69 552	3 600	-	28 962	351 571
M Busakwe	208 657	40 800	69 552	3 600	-	19 151	341 760
ZE Mfulana	208 657	40 800	69 552	3 600	-	19 151	341 760
X Neti	208 657	40 800	69 552	3 600	-	19 151	341 760
M Nqini	208 657	40 800	69 552	3 600	-	28 962	351 571
M Neku	208 657	40 800	69 552	3 600	-	19 151	341 760
NO Sidinana	208 657	40 800	69 552	3 600	-	19 151	341 760
PA Simandla	208 657	40 800	69 552	3 600	-	19 151	341 760

Figures in Rand

39. Related parties (continued)

N Ncevu	208 657	40 800	69 552	3 600	-	28 962	351 571
ME Maweni	208 657	40 800	69 552	3 600	-	19 151	341 760
N Salaze	208 657	40 800	69 552	3 600	-	19 151	341 760
O Mgunculu	233 044	40 800	77 681	3 600	-	101 035	456 160
N Pose	-	-	-	-	-	23 253	23 253
NP Tikazayo	-	-	-	-	-	9 811	9 811
SC Matini	-	-	-	-	-	9 811	9 811
DS Gxekwa	-	-	-	-	-	9 811	9 811
GD Mxosa	-	-	-	-	-	9 811	9 811
GP Noxeke	-	-	-	-	-	9 811	9 811
M Mjikelo	-	-	-	-	-	24 803	24 803
MN Ngcofe	-	-	-	-	-	9 811	9 811
N Monti	-	-	-	-	-	23 253	23 253
NJ Ulana	18 768	6 000	6 000	-	-	-	30 768
TR Desi	-	-	-	-	-	9 811	9 811
VW Tshaka	-	-	-	-	-	9 811	9 811
X Mngxaso	-	-	-	-	-	9 811	9 811
X Nqata	-	-	-	-	-	12 591	12 591
CT Ngxingolo	-	-	-	-	-	9 811	9 811
NA Nkonya-Mtati	-	-	-	-	-	9 811	9 811
P Zwelakhe-Gayika	-	500	500	-	-	-	1 000
	8 301 690	**1 230 500**	**2 769 407**	**109 200**	**3 799**	**1 247 719**	**13 662 315**

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

2022

Name	Councillors' salaries	Telephone allowance	Travel allowance	3G card	Subsistence	Backpay	Total
O Mgunculu (Mayor)	370 177	26 259	123 392	2 316	-	-	522 144
NC Nongqayi (Speaker)	380 394	40 195	126 798	3 547	-	11 122	562 056
NP Mlahleki (Exco)	425 459	40 195	141 819	3 547	-	11 084	622 104
XM Tokwe (Exco)	338 256	40 195	111 168	3 547	-	5 175	498 341
T Balindlela (Exco)	245 978	40 195	79 898	3 547	-	6 565	376 183
B Xongwana (Exco)	337 068	40 195	112 356	3 547	-	5 175	498 341
NA Kato-Manyika	449 792	40 195	117 487	3 547	-	11 084	622 105
P Qaba	221 035	40 195	77 932	3 547	-	5 175	347 884
PM Onceya-Sauti	151 813	26 259	50 935	2 316	-	-	231 323
A Hobo	325 467	40 195	109 489	3 547	-	14 491	493 189
N Ngxakangxaka	187 292	40 195	60 847	3 547	-	5 175	297 056
RB Pickering	187 292	40 195	60 847	3 547	-	5 175	297 056
N Mbulawa	186 104	40 195	62 035	3 547	-	5 175	297 056
M Gantsho	121 580	26 259	40 530	2 317	-	-	190 686
NV Mjandana	121 580	26 259	40 527	2 317	-	-	190 683
NC Mkiva	186 104	40 195	62 035	3 547	-	5 175	297 056
ZA Qonto	121 582	26 259	40 527	2 317	-	-	190 685
N Nyangwa	121 618	26 259	40 491	2 317	-	-	190 685
N Charlie	121 582	26 259	40 527	2 317	-	-	190 685
NZ Klaas	186 104	40 195	62 035	3 547	-	5 175	297 056
M Busakwe	121 582	26 259	40 527	2 317	-	-	190 685
ZE Mfulana	121 582	26 259	40 527	2 317	-	-	190 685
X Neti	121 582	26 259	40 527	2 317	-	-	190 685
M Nqini	187 292	40 195	60 847	3 547	-	5 175	297 056
M Neku	121 582	26 259	40 527	2 317	-	-	190 685
NO Sidinana	121 582	26 259	40 527	2 317	-	-	190 685
PA Simandla	121 582	26 259	40 527	2 317	-	-	190 685
N Ncevu	186 104	40 195	62 035	3 547	-	5 175	297 056
ME Maweni	121 582	26 259	40 527	2 317	-	-	190 685
N Salaze	121 582	26 259	40 527	2 317	-	-	190 685

39. Related parties (continued)

N Pose	179 177	13 600	19 802	1 200	-	-	213 779
NP Jikazayo	64 157	13 600	19 802	1 200	-	-	98 759
SC Matini	62 969	13 600	20 990	1 200	-	-	98 759
DS Gxekwa	64 157	13 600	19 802	1 200	-	-	98 759
GD Mxosa	64 157	13 600	19 802	1 200	-	-	98 759
GP Noxeke	64 157	13 600	19 802	1 200	-	-	98 759
K Sandile	57 936	2 500	1 500	-	1 000	-	62 936
M Mjikelo	159 183	13 600	53 061	1 200	-	-	227 044
MN Ngcofe	64 157	13 600	19 802	1 200	-	-	98 759
N Monti	174 798	13 600	24 180	1 200	-	-	213 778
NJ Ulana	9 792	3 000	1 800	-	1 200	-	15 792
TR Desi	64 157	13 600	19 802	1 200	-	-	98 759
VW Tshaka	64 157	13 600	19 802	1 200	-	-	98 759
X Mngxaso	59 779	13 600	24 180	1 200	-	-	98 759
X Nqata	80 810	13 600	26 937	1 200	-	-	122 547
CT Ngxingolo	64 157	13 600	19 802	1 200	-	-	98 759
NA Nkonya-Mtati	64 157	13 600	19 802	1 200	-	-	98 759
Z Ngudle	46 512	2 500	1 500	-	1 000	-	51 512
SN Mdledle	46 512	2 500	1 500	-	1 000	-	51 512
EX Zakhe	46 512	2 500	1 500	-	1 000	-	51 512
NG Mekuto	51 408	2 500	1 500	-	1 000	-	56 408
AT Daka	42 432	2 500	1 500	-	1 000	-	47 432
	7 727 562	**1 218 810**	**2 366 941**	**105 958**	**7 200**	**106 096**	**11 532 567**

Management class: Executive management

*Refer to note "Employee related costs" 25

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

40. Change in estimate

Property, plant and equipment

The useful life of certain items of Property, Plant and Equipment was revised during the current financial year. The effect of this revision has decreased the depreciation charges for the current period by R783 755 and increase in depreciation in future periods by R783 755.

41. Prior period errors

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 period errors:

Errors affecting the opening accumulated surplus for the prior year:
1. Error 1 - Long term debtors not recoverable have been written off in line with Council approval.
2. Error 2 - Pensioner medical payable was corrected. The 70% relating to Council's portion was restated.
3. Error 3 - Write-offs of trade payables after reconciliations performed on supplier accounts.
4. Error 4 - Eskom incorrectly captured amounts on the creditors statement.

Errors affecting the prior year:
1. Error 1 - Long term debtors not recoverable have been written off in line with Council approval.
2. Error 2 - Pensioner medical payable was corrected. The 70% relating to Council's portion was restated.
3. Error 3 - Intangible assets approved for disposal by Council was effected in the register.

Statement of financial position

2021

	As previously reported	Correction of error	Restated
Long term receivables	346 551	(346 551)	-
Trade and other payables	(122 275 424)	11 686 339	(110 589 085)
Accumulated surplus	(268 490 781)	(11 339 788)	(279 830 569)
	(390 419 654)	**-**	**(390 419 654)**

2022

	As previously reported	Correction of error	Restated
Long term receivables	-	32 915	32 915
Intangible assets	119 498	(12 377)	107 121
Trade and other payables	(110 589 085)	2 001 349	(108 587 736)
Accumulated surplus	(283 122 151)	(2 021 887)	(285 144 038)
	(393 591 738)	**-**	**(393 591 738)**

Statement of financial performance

2022

	As previously reported	Correction of error	Restated
Administration and management fees received	3 407	32 915	36 322
Gain on disposal of assets	58 906	(18 449)	40 457
Employee related costs	(125 340 260)	2 001 349	(123 338 911)
Amortisation	(23 738 632)	6 072	(23 732 560)
Surplus for the year	**(149 016 579)**	**2 021 887**	**(146 994 692)**

Accumulated Surplus

41. Prior period errors (continued)

2022

	As previously reported	Correction of error	Restated
Opening balance as previously reported	271 782 323	11 339 828	283 122 151
Employee costs	-	2 001 349	2 001 349
Long term debtors written off	-	32 915	32 915
Depreciation and amortisation	-	6 072	6 072
Loss on disposal of assets and liabilities	-	(18 449)	(18 449)
	271 782 323	**13 361 715**	**285 144 038**

42. 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.

Credit risk

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

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

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

Financial instrument	2023	2022
Consumer and other debtors	14 892 173	6 486 025
Receivables from non-exchange transactions	25 797 081	31 103 478
Cash and cash equivalents	15 702 466	10 231 906

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

42. Risk management (continued)

Liquidity risk

The municipality does not hedge foreign exchange fluctuations.

The municipality risk relates to funds available for future committments. The municipality manages liquidity risk through ongoing review of future committments, projected grant receipts and cash forcasting. Cash flow forecasts are prepared and borrowing facilities are monitored.

At 30 June 2023	1 month past due	2 months past due	3 months past due	12 months past due
Past due but not impaired	-	-	-	-
Receivables from exchange transactions - Consumer debtors	1 113 962	734 318	713 532	-
Receivables from non-exchange transactions - Consumer debtors	855 788	744 722	697 840	-
Past due but impaired	-	-	-	-
Receivables from exchange transactions - Consumer debtors	-	-	-	73 923 666
Receivables from non-exchange transactions - Consumer debtors	-	-	-	47 193 165

At 30 June 2022	1 month past due	2 months past due	3 months past due	12 months past due
Past due but not impaired	-	-	-	-
Receivables from exchange transactions - Consumer debtors	1 033 634	949 470	1 191 634	-
Receivables from non-exchange transactions - Consumer debtors	756 734	681 223	1 142 853	-
Past due but impaired	-	-	-	-
Receivables from exchange transactions - Consumer debtors	-	-	-	57 143 016
Receivables from non-exchange transactions - Consumer debtors	-	-	-	34 594 774

The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

No collateral is held as security for financial assets considered to be impaired.

The Municipality has credit control policies and processes which it applies in managing the risk of impaired debtors.
.

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	162 576 716	-	-	-

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	108 587 736	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality.

The municipality is facing a number of financial risks that negatively impact its ability to sustain its current level of operations in the near fufture, before taking into account government grants. The key financial risks identified include:

- An inability to pay creditors within due dates.
- Negative key financial ratios.
- Net current liability was realised.

There is a material uncertainty related to existing conditions that may cast significant doubt on the entity’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The actions taken by management to mitigate the impact of these risks include:
- Management maintains detailed financial plans and manages working capital elements as necessary.
- Budget controls are in place to ensure that over-expenditure is eliminated.
- The treasury will continue to provide funding to the municipality in the foreseeable future.
- Council of the municipality has approved cost containment policy in line with the MFMA: Cost Containment Regulations.

44. Events after the reporting date

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

45. Unauthorised expenditure

Opening balance as previously reported	288 102 218	272 801 436
Add: Unauthorised operating expenditure - current	36 221 353	15 300 782
Closing balance	**324 323 571**	**288 102 218**

No investigations or disciplinary action has been taken yet with regards to the expenditure above.

46. Fruitless and wasteful expenditure

Opening balance as previously reported	12 021 917	15 356 084
Add: Fruitless and wasteful expenditure identified - current	10 346 986	2 105 886
Less: Amount written off - current	(15 042 168)	(5 440 053)
Closing balance	**7 326 735**	**12 021 917**

Fruitless and wasteful expenditure is presented inclusive of VAT

Council committee (MPAC) performed investigations on the fruitless and wasteful expenditure as directed by council. This resulted in a write off of R15 042 168. This amount relates to fruitless and wasteful expenditure for the 2018; 2019, 2020 and 2023 financial years.

There are no other cases currently under investigation.

Amount written-off

After the council committee (MPAC) investigations, council adopted the council committee recommendation to write-off an amount of R 15 042 168 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Figures in Rand	2023	2022

47. Irregular expenditure

	2023	2022
Opening balance as previously reported	114 925 943	112 199 386
Add: Irregular Expenditure - current	16 673 396	17 044 012
Less: Amount written off - current	(15 863 885)	(14 317 455)
Closing balance	**115 735 454**	**114 925 943**

Irregular expenditure is presented inclusive of VAT

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2023	2022
Irregular expenditure on payroll	Due processes were not followed before standardisation of salaries were paid	15 104 977	15 408 182
Irregular expenditure on contracts	SCM processes were not followed	55 770	1 635 830
Supplier failed to honour the SARS arrangement		1 512 649	-
		16 673 396	**17 044 012**

Cases under investigation

There are no cases currently under investigation.

Scope limitation

The limitation of scope relates to the burning down of municipal buildings during the second quarter of the 2018/19 financial year. There are 14 contracts that were awarded during the first and second quarter of 2018/19 financial year which were affected by the fire. Efforts made by the municipality to recreate the lost documentation proved to be impracticable. The contracts affected amount to R34,429,654. No expenditure has been incurred on these contracts for the current and prior year.

A majority of the contracts affected relates to capital projects which are funded through the municipal infrastructure grant.

Due to the event of the fire as mentioned and the subsequent effort to recreate the lost documents that proved to be impracticable, we cannot determine whether the expenditure incurred on these contracts is irregular or not.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 15 863 885 (2022: R14 317 455) from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable. These amounts relate to the 2018, 2019, 2020 and 2023 financial years.

	2023	2022
SCM processes not followed	15 863 885	14 317 455

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 178 720	1 483 137
Amount paid - current year	(1 178 720)	(1 483 137)
	-	-

Material electrical distribution losses

Losses identified - current period	18 162 409	15 300 786

The municipality lost 10 753 357 kwhr (2022: 9 931 800 kwh) representing 42.07% (2022: 34.52%) of total bulk purchases of electricity from Eskom during the year. The losses are attributed to normal losses and illegal connections.

Audit fees

Current year subscription / fee	2 712 584	1 937 948
Amount paid - current year	(2 712 584)	(1 937 948)
	-	-

PAYE and UIF

Opening balance	-	(239 713)
Current year subscription / fee	21 462 949	20 247 690
Amount paid - current year	(15 991 942)	(20 007 977)
	5 471 007	-

Pension and Medical Aid Deductions

Opening balance	-	10 062 551
Current year subscription / fee	32 418 899	31 974 546
Amount paid - current year	(29 592 499)	(42 037 097)
	2 826 400	-

VAT

VAT receivable	1 809 507	(407 600)

VAT output payables and VAT input receivables are shown in note 7 .

VAT returns for the period October 2022, February 2023 and June 2023 were not submitted within the required due dates.

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

Councillors' arrear consumer accounts

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

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
P Qaba	211	1 157	1 368

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
NA Kato-Manyika	99	237	336
P Qaba	145	600	745
N Salaze	796	34 190	34 986
	1 040	**35 027**	**36 067**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

Supply chain management regulations

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

Incident		
Abakwagasela Investments	38 100	-
Adapt IT	-	272 249
ADH Scales	98 612	-
Amathole Locksmith	3 200	-
Assessment Toolbox	14 575	-
Bose Tyres	219 305	2 340
Buffalo Toyota	16 775	38 159
Carthcart Farm Services	6 991	-
Caseware Africa	200 877	-
Eastern Cape Umbrella Fire Protection	-	25 416
ELB Engineering Services	34 093	-
Eyabantu Professional Services	18 522	-
Futro General Trading	-	97 390
Garden to Floors	219 052	-
H.S. Enterprise	8 510	-
Kariega Consulting	5 198	-
Kgolo Institute	161 000	-
Lighting Structures	-	49 567
Management Integrity Evaluation	5 806	2 267
MC Cormic Agric cc	22 182	-
MCR Hydraulic cc	13 594	-
Meyers Motors	23 719	-
Microsoft Ireland Operations Limited	940 670	115 000
PG Glass Queenstown	-	14 687
Payday Software Systems	-	51 635
Peugair Border CC	816 436	295 657
Rencor Engineering	134 459	423 824
SNR Electrical CC	-	324 296
Soma Workplace (Pty) Ltd	47 713	76 994
Sondlo & Knopp Advertising	129 186	-
Square Deal Engineering	108 775	83 950
Stutt Delta Garage	639 059	68 080
Syco Machinery (Pty) Ltd	-	12 075
The Assessment Toolbox	21 862	-
Titan Wheels	74 492	-
Yande Engineering	37 829	-
	4 060 592	**1 953 586**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: electricity, solid waste removal. The segments were organised around the type of service delivered and the target market. 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.

Segment surplus or deficit, assets and liabilities

2023

	Electricity	Solid waste removal	Total
Revenue			
Revenue from non-exchange transactions	-	554 062	554 062
Revenue from exchange transactions	35 562 337	11 106 980	46 669 317
Total segment revenue	**35 562 337**	**11 661 042**	**47 223 379**
Interest revenue			12 951 550
Property Rates			23 330 964
Government grants and subsidies			161 754 799
Other unallocated revenue			12 028 235
Total revenue reconciling items			**210 065 548**
Entity's revenue			**257 288 927**
Expenditure			
Salaries and wages	3 021 135	11 780 107	14 801 242
Vending management fee	281 231	-	281 231
Depreciation and amortisation	966 841	1 476 485	2 443 326
Bulk purchases	43 193 741	-	43 193 741
Contracted services	853 152	349 546	1 202 698
General expenses	39 217	139 264	178 481
Total segment expenditure	**48 355 317**	**13 745 402**	**62 100 719**
Total segmental surplus/(deficit)			**(14 877 340)**
Interest expense			(10 047 464)
Employee costs			(120 582 154)
Councillors remuneration			(13 662 315)
Depreciation and amortisation			(21 024 635)
Contracted services			(10 868 926)
Debt impairment			(29 141 767)
General expenses			(28 039 803)
Impairment losses on non-current assets			(2 389 828)
Lease rentals on operating lease			(8 199)
Inventory losses			(196 479)
Total expenditure reconciling items			**(235 961 570)**
Entity's surplus (deficit) for the period			**(40 773 363)**
Assets			
Segment assets	34 825 972	23 727 669	58 553 641

Notes to the Annual Financial Statements

Figures in Rand

49. Segment information (continued)

Unallocated assets			414 976 943
Total assets as per Statement of financial Position			**473 530 584**
Liabilities			
Segment liabilities	-	7 453 779	7 453 779
Unallocated liabilities			221 706 129
Total liabilities as per Statement of financial Position			**229 159 908**

2022

	Electricity	Solid waste removal	Total
Revenue			
Revenue from non-exchange transactions	-	353 335	353 335
Revenue from exchange transactions	38 857 438	10 855 560	49 712 998
Total segment revenue	**38 857 438**	**11 208 895**	**50 066 333**
Interest revenue			8 547 826
Property rates			22 178 071
Government grants and subsidies			149 722 243
Other unallocated revenue			9 078 679
Total revenue reconciling items			**189 526 819**
Entity's revenue			**239 593 152**
Expenditure			
Salaries and wages	2 369 161	12 352 806	14 721 967
Vending management fee	285 659	-	285 659
Depreciation and amortisation	1 105 756	793 504	1 899 260
Bulk purchases	42 657 682	-	42 657 682
Contracted services	315 760	126 023	441 783
General expenses	35 923	172 776	208 699
Total segment expenditure	**46 769 941**	**13 445 109**	**60 215 050**
Total segmental surplus/(deficit)	**(7 912 503)**	**(2 236 214)**	**(10 148 717)**
Total revenue reconciling items			189 526 819
Interest expense			(2 535 798)
Employee costs			(108 616 931)
Councillors remuneration			(11 532 567)
Depreciation and amortisation			(21 833 300)
Contracted services			(10 440 716)
Debt impairment			7 489 041
General expenses			(24 156 526)
Unallocated expenses			(2 437 872)
Entity's surplus (deficit) for the period			**5 313 433**
Assets			
Segment assets	35 575 913	26 736 001	62 311 914
Unallocated assets			392 980 811
Total assets as per Statement of financial Position			**455 292 725**
Liabilities			
Segment liabilities	-	3 271 653	3 271 653
Unallocated liabilities			166 877 034

49. Segment information (continued)

Total liabilities as per Statement of financial Position	**170 148 687**

Information about geographical areas

The municipality’s operations throughout Amahlathi Municipality in 3 towns in the Eastern Cape, ie., Stutterheim, Cathcart and Keiskamahoek. Segments were not organised on the basis of the differences in geographical areas of operation an the cost to develop such information would be excessive.

50. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 266 809 (2022: R1 059 061).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

MV Licences and registration		
Opening balance	733 881	147 854
Amount received on behalf of the principal	6 213 773	4 746 284
Amounts transferred to the principal	(5 349 616)	(3 101 196)
Amounts recognised as revenue for services rendered	(1 343 000)	(1 059 061)
	255 038	**733 881**

The Amahlathi Local Municipality (The Municipality) is the agent and the Eastern Cape Department of Transport (The Department) is the principal. The Department and the Municipaity have entered into an agreement on 1 April 2020 for the transfer of the registration and licensing of motor vehicle functions.

The agreement commenced on 1 December 2020 and terminates 3 years thereafter on 31 December 2023. An option to extend this agreement for a further 3 years exists and is at the discretion of the Department. The Municipality is entitled to a collection fee of 19%, including VAT for all fees collected in terms of motor vehicle registration and licensing functions as detailed in clause 6.2 of the agreement. No changes to the current arrangement has occurred to this agreement for the reporting period.

The Municipality has a duty to insure the Department against the loss of monies collected in terms of clause 6.2 of the agreement. The Municipality is also required t submit montly reconciliations to the Department for monies collected. The collection fees received by the Municipality represents an additional revenue stream which can be used to fund operational expenditure.

All categories		
Opening balance	733 881	147 854
Expenses incurred on behalf of the principal	6 213 773	4 746 284
Cash paid on behalf of the principal	(5 349 616)	(3 101 196)
Amounts transferred to the principal	(1 343 000)	(1 059 061)
	255 038	**733 881**

51. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance

FinPerf01
Slight increase in indigent registrations coupled with a decline in sale of electricity when compared to the prior year.

FinPerf02
Variance not material.

FinPerf03
Late payment by debtors.

FinPerf04
Capacity issues to conduct law enforcement.

FinPerf05
Variance not material.

FinPerf06
HT Line revenue recognition.

FinPerf07
Fire levy due to GRAP vs mSCOA classifications and under budgeting.

FinPerf08
Variance not material.

FinPerf09
Improvement due to increased repo rate which in turn increases the yield on money market investments.

FinPerf10
Variance not material.

FinPerf11
Variance not material.

FinPerf12
Capacity issues to conduct law enforcement.

FinPerf13
Due to standardisation.

FinPerf14
Variance not material.

FinPerf15
Savings from lower vending fee rate achieved by the Municipality.

FinPerf16
Variance not material.

FinPerf17
Late payment of creditors due to cash flow problems.

FinPerf18
Contracted service below projections in terms of price.

51. Budget differences (continued)

FinPerf19
Increase in debt book due to late payment by debtors.

FinPerf20
Impact of loadshedding affecting electricity consumption.

FinPerf21
Cost containment measures. GRAP and mSCOA classifications.

FinPerf22
Cost containment measures. GRAP and mSCOA classifications.

Statement of Financial Position

FinPos01
Inventory write off stolen.

FinPos02
Increase in gross debtors deue to more customers struggling to settle their debts due to prevailing economic challenges which resulted in an increased impairment provision.

FinPos03
Increase in creditors during the year under review.

FinPos04
Increase in gross debtors due to more customers struggling to settle their debts due to prevailing economic challen which resulted in an increased impairment provision.

FinPos05
Disaster Grant received at year end. It was not gazetted as part of the grants to be received in 2023.

FinPos06
Increase in valuation.

FinPos07
Variance not material.

FinPos08
Variance not material.

FinPos09
Disposal of intangible assets no longer in use.

FinPos10
Variance not material.

FinPos11
Write-off of long term debtors with no valid contract.

FinPos12
New lease agreement.

FinPos13
Late payment of creditors due to cash flow.

FinPos14
Increase in creditors during the year under review.

51. Budget differences (continued)

FinPos15
Variance not material.

FinPos16
Due to adjustments made based on experts report.

FinPos17
Disaster grant transferred.

FinPos18
Due to changes in the market as per expert valuation.

FinPos19
New lease agreement.

FinPos20
Variance not material.

FinPos21
Variance not material.

Cash Flow Statement

CF01
Slow payment by debtors.

CF02
Variance not material.

CF03
Due to standardisation.

CF04
Implementation of cost containment measures and cash flow projections.

CF05
Underspending on projects funded from own revenue.