NGQUSHWA LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2022

General Information

Legal form of entity	Local Municipality
	Ngqushwa Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act No. 56 of 2003 and other legislation.
Nature of business and principal activities	Ngqushwa is a Local Municipality rendering basic services such as Refuse Collection, Infrastructure, Economic Development and Community Services.
Executive Committee	S. Maneli - Mayor (Elected 1 November 2021)
	D. Ncanywa - Speaker (Elected 1 November 2021)
	L. Mdabula - (Member of the Executive Committee)
	A. Nodikida - Chief-whip and (Member of the Executive Committee)
	Z. Ndonga - (Member of the Executive Committee)
	M. Gqo (MPAC - Chairperson)
Councillors	N. Seti
	T. Dinginto
	N. Mlotana
	L. Nomatye
	N. Hempe
	R. Taylor
	P. Nodala
	B. Ntabeni
	N. Ntsunguzi
	N. Lawu
	B. Ntabeni
	N. Lawu
	S. Mhlakane
	M. Luzipho
	N. Totyi
	N. Mtati
	L. Mcoboki
	X. Magini
	N. Jako
Traditional Leaders	Z. Njokweni (Chief)
	MM. Matomela (Prince)

General Information

Grading of local authority	3
Chief Finance Officer (CFO)	Mr. S. Ndakisa
Accounting Officer	Mr. N. Mgengo
Registered office	Corner of N2 and R345 Road Peddie 5640
Business address	Corner of N2 and R345 Road Peddie 5640
Postal address	P.O. Box 539 Peddie 5640
Bankers	First National Bank
Auditors	Auditor General of South Africa
Attorneys	N. Majikela (Internal - Legal Advisor) External Panel of Attorneys (for 36 months)
Contact number and e-mail addresses for the municipality	(040) 673 3095 nmgengo@ngqushwamun.gov.za sndakisa@ngqushwamun.gov.za

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

AFS	Annual Financial Statements
ASB	Accounting Standards Board
CETA	Construction Education and Training Authority
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IEC	Independent Electoral Commission
IPSAS	International Public Sector Accounting Standards
mSCOA	Municipal Standard Chart of Accounts
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PAYE	Pay As You Earn
SARS	South African Revenue Services
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 6 - 75 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022:

Mr. N. Mgengo
Municipal Manager

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	15 458 590	15 458 590
Operating lease asset	4	2 261 454	1 638 479
Receivables from non-exchange transactions	5	17 674 421	18 152 683
VAT receivable	6	3 615 838	2 200 304
Receivables from exchange transactions	7	2 011 428	1 515 332
Cash and cash equivalents	8	56 979 297	58 841 329
		98 001 028	**97 806 717**
Non-Current Assets			
Investment property	9	33 726 346	43 342 419
Property, plant and equipment	10	292 253 199	290 446 955
Heritage assets	11	3	3
		325 979 548	**333 789 377**
Total Assets		**423 980 576**	**431 596 094**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	20 309 900	18 074 916
Payables from non-exchange transactions	13	2 652 077	1 057 840
Employee benefit obligation	14	566 000	521 000
Unspent conditional grants and receipts	15	-	10 931 632
		23 527 977	**30 585 388**
Non-Current Liabilities			
Employee benefit obligation	14	3 937 000	3 606 000
Provisions	16	11 955 716	11 142 353
		15 892 716	**14 748 353**
Total Liabilities		**39 420 693**	**45 333 741**
Net Assets		**384 559 883**	**386 262 353**
Accumulated surplus		384 559 883	386 262 353
Total Net Assets		**384 559 883**	**386 262 353**

* See Note 38

Statement of Financial Performance for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	1 596 702	1 425 128
Rental of facilities and equipment	18	1 141 697	1 085 989
Agency fees	19	400 805	418 241
Licences and permits	20	2 082 867	1 921 144
Other revenue	21	545 124	641 472
Interest earned on Outstanding Debtors	22	2 681 530	2 964 081
Interest received - investment	23	2 699 052	1 901 199
Total revenue from exchange transactions		**11 147 777**	**10 357 254**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	25 796 062	41 423 405
Transfer revenue			
Government grants	25	124 236 627	131 779 389
Fines and penalties	26	286 750	123 150
Other transfer revenue	27	619 904	582 976
Total revenue from non-exchange transactions		**150 939 343**	**173 908 920**
Total revenue		**162 087 120**	**184 266 174**
Expenditure			
Employee related costs	28	(77 328 152)	(73 394 625)
Remuneration of councillors	29	(9 949 995)	(10 362 745)
Depreciation and amortisation	30	(17 136 976)	(20 450 897)
Impairment of assets	31	(10 508 707)	-
Finance costs	32	(815 020)	(771 241)
Debt Impairment	33	(373 563)	(1 492 834)
Bad debts written off		-	(2 771 106)
Contracted services	34	(7 464 852)	(9 324 560)
General Expenses	35	(30 263 690)	(29 110 886)
Total expenditure		**(153 840 955)**	**(147 678 894)**
Operating surplus (deficit)		**8 246 165**	**36 587 280**
Loss on disposal and revaluation of assets	36	9 948 636	3 067 904
(Deficit) surplus for the year		**(1 702 471)**	**33 519 376**

* See Note 38

Statement of Changes in Net Assets for the year ended 30 June 2022

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	317 546 391	317 546 391
Adjustments		
Prior year adjustments	35 196 586	35 196 586
Balance at 01 July 2020 as restated*	**352 742 977**	**352 742 977**
Changes in net assets		
Surplus for the year	33 519 376	33 519 376
Total changes	33 519 376	33 519 376
Restated* Balance at 01 July 2021	**386 262 354**	**386 262 354**
Changes in net assets		
Surplus/(Loss) for the year	(1 702 471)	(1 702 471)
Total changes	(1 702 471)	(1 702 471)
Balance at 30 June 2022	**384 559 883**	**384 559 883**
Note(s)		

* See Note 38

Cash Flow Statement for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Billed services		28 786 084	40 000 027
Government Grants		124 236 627	131 779 389
Interest income		2 699 052	1 901 199
Receipts from other services		3 935 450	3 686 983
		159 657 213	177 367 598
Payments			
Payments to and on behalf of employees and councillors		(86 902 147)	(83 785 370)
Cash paid to suppliers for goods and services		(44 832 604)	(32 652 437)
		(131 734 751)	(116 437 807)
Net cash flows from operating activities	49	**27 922 462**	**60 929 791**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(29 784 494)	(23 765 148)
Net increase/(decrease) in cash and cash equivalents		**(1 862 032)**	**37 164 643**
Cash and cash equivalents at the beginning of the year		58 841 329	21 676 686
Cash and cash equivalents at the end of the year	8	**56 979 297**	**58 841 329**

* See Note 38

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2022

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	1 521 337	-	**1 521 337**	1 596 702	**75 365**	54.1
Rental of facilities and equipment	744 960	-	**744 960**	1 141 697	**396 737**	54.2
Agency fees	581 509	-	**581 509**	400 805	**(180 704)**	54.3
Licences and permits	2 568 699	-	**2 568 699**	2 082 867	**(485 832)**	54.4
Other revenue	4 899 116	-	**4 899 116**	545 124	**(4 353 992)**	54.5
Interest earned on Outstanding Debtors	5 463 328	-	**5 463 328**	2 681 530	**(2 781 798)**	54.6
Interest received - investment	4 724 397	800 000	**5 524 397**	2 699 052	**(2 825 345)**	54.7
Total revenue from exchange transactions	**20 503 346**	**800 000**	**21 303 346**	**11 147 777**	**(10 155 569)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	41 322 057	-	**41 322 057**	25 796 062	**(15 525 995)**	54.8
Transfer revenue						
Government grants	120 188 000	4 049 042	**124 237 042**	124 236 627	**(415)**	54.9
Fines and penalties	652 559	-	**652 559**	286 750	**(365 809)**	54.10
Other transfer revenue	691 436	-	**691 436**	619 904	**(71 532)**	54.11
Total revenue from non-exchange transactions	**162 854 052**	**4 049 042**	**166 903 094**	**150 939 343**	**(15 963 751)**	
Total revenue	**183 357 398**	**4 849 042**	**188 206 440**	**162 087 120**	**(26 119 320)**	
Expenditure						
Employee related costs	(78 868 401)	4 382 165	**(74 486 236)**	(77 328 152)	**(2 841 916)**	54.12
Remuneration of councillors	(10 195 796)	940 352	**(9 255 444)**	(9 949 995)	**(694 551)**	54.13
Depreciation and amortisation	(15 254 021)	(27 094 637)	**(42 348 658)**	(17 136 976)	**25 211 682**	54.14
Impairment loss/ Reversal of impairments	-	-	**-**	(10 508 707)	**(10 508 707)**	54.15
Finance costs	-	-	**-**	(815 020)	**(815 020)**	54.16
Debt Impairment	(3 993 331)	(300 000)	**(4 293 331)**	(373 563)	**3 919 768**	54.17
Contracted Services	(21 977 973)	(3 492 764)	**(25 470 737)**	(7 464 852)	**18 005 885**	54.18
General Expenses	(52 067 877)	(9 762 843)	**(61 830 720)**	(30 263 690)	**31 567 030**	54.19
Total expenditure	**(182 357 399)**	**(35 327 727)**	**(217 685 126)**	**(153 840 955)**	**63 844 171**	
Operating surplus	**999 999**	**(30 478 685)**	**(29 478 686)**	**8 246 165**	**37 724 851**	
Loss on disposal and revaluation of assets	-	-	**-**	9 948 636	**9 948 636**	54.20
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**999 999**	**(30 478 685)**	**(29 478 686)**	**(1 702 471)**	**27 776 215**	

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2022

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	15 458 590	-	**15 458 590**	15 458 590	**-**	54.21
Operating lease asset	994 789	641 402	**1 636 191**	2 261 454	**625 263**	54.22
Receivables from non-exchange transactions	13 813 517	-	**13 813 517**	17 674 421	**3 860 904**	54.23
VAT receivable	-	-	**-**	3 615 838	**3 615 838**	54.24
Receivables from exchange transactions	1 500 000	-	**1 500 000**	2 011 428	**511 428**	54.25
Cash and cash equivalents	1 736 167	42 733 536	**44 469 703**	56 979 297	**12 509 594**	54.26
	33 503 063	**43 374 938**	**76 878 001**	**98 001 028**	**21 123 027**	
Non-Current Assets						
Intangible assets	498 568	(498 568)	**-**	-	**-**	
Investment property	19 452 752	29 812 667	**49 265 419**	33 726 346	**(15 539 073)**	54.27
Property, plant and equipment	289 527 370	(25 190 490)	**264 336 880**	292 253 200	**27 916 320**	54.28
Heritage assets	-	-	**-**	3	**3**	
	309 478 690	**4 123 609**	**313 602 299**	**325 979 549**	**12 377 250**	
Total Assets	**342 981 753**	**47 498 547**	**390 480 300**	**423 980 577**	**33 500 277**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	14 286 219	(7 367 580)	**6 918 639**	20 309 900	**13 391 261**	54.29
Payables from non-exchange transactions	-	-	**-**	2 652 077	**2 652 077**	54.30
Employee benefit obligation	-	-	**-**	566 000	**566 000**	54.31
Provisions	569 000	(48 000)	**521 000**	-	**(521 000)**	54.32
	14 855 219	**(7 415 580)**	**7 439 639**	**23 527 977**	**16 088 338**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	3 937 000	**3 937 000**	54.33
Provisions	13 970 327	-	**13 970 327**	11 955 716	**(2 014 611)**	54.34
	13 970 327	**-**	**13 970 327**	**15 892 716**	**1 922 389**	
Total Liabilities	**28 825 546**	**(7 415 580)**	**21 409 966**	**39 420 693**	**18 010 727**	
Net Assets	**314 156 207**	**54 914 127**	**369 070 334**	**384 559 884**	**15 489 550**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	364 732 961	(4 966 328)	**359 766 633**	384 559 882	**24 793 249**	

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2022

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						
Billed Services	33 754 275	-	**33 754 275**	28 786 084	**(4 968 191)**	54.35
Government Grants	120 879 436	4 049 042	**124 928 478**	124 236 627	**(691 851)**	54.36
Interest income	-	2 000 000	**2 000 000**	2 699 052	**699 052**	54.37
Receipt from other services	8 800 728	-	**8 800 728**	3 935 450	**(4 865 278)**	54.38
	163 434 439	**6 049 042**	**169 483 481**	**159 657 213**	**(9 826 268)**	
Payments						
Cash payments to suppliers for goods and services	(136 310 943)	2 245 192	**(134 065 751)**	(131 734 751)	**2 331 000**	54.39
Net cash flows from operating activities	**27 123 496**	**8 294 234**	**35 417 730**	**27 922 462**	**(7 495 268)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(26 799 104)	(10 233 249)	**(37 032 353)**	(29 784 494)	**7 247 859**	54.40
Proceeds from sale of property, plant and equipment and investment property	100 000	-	**100 000**	-	**(100 000)**	54.41
Net cash flows from investing activities	**(26 699 104)**	**(10 233 249)**	**(36 932 353)**	**(29 784 494)**	**7 147 859**	
Net increase/(decrease) in cash and cash equivalents	424 392	(1 939 015)	**(1 514 623)**	(1 862 032)	**(347 409)**	54.42
Cash and cash equivalents at the beginning of the year	45 984 326	-	**45 984 326**	58 841 329	**12 857 003**	54.43
Cash and cash equivalents at the end of the year	**46 408 718**	**(1 939 015)**	**44 469 703**	**56 979 297**	**12 509 594**	

The accounting policies on page 13-33 and the notes on page 34-75 form an integral part of the annual financial statements.

Refer to Note 54 for explanations on material budget differences.

Accounting Policies

Figures in Rand	Note(s)	2022	2021

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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.

Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying 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. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality’s Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Accounting Policies

1.3 Materiality (continued)

Property, plant and equipment

The useful lives of property, plant and equipment are based on management’s estimation. Infrastructure’s useful lives are based on technical estimates of the practical, useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management’s judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method, which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality’s asset register;
- Cost of items with a similar nature in other municipalities’ asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality’s asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator’s valuation was based on assumptions about the market’s buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management’s estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method, which was based on assumptions about the remaining duration of the assets.

Accounting Policies

1.3 Materiality (continued)

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historical patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by the Council.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP.

1.3 Materiality (continued)

Post-retirement medical obligations, Long service awards

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 14.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Impairment of statutory receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.4 Investment property

Includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (I.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:
- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.

- Land held for a currently undetermined future use;

- A building owned (or held by under a finance lease) and leased out under one or more operating leases;

- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;

1.4 Investment property (continued)

- A building that is vacant but is held to be leased out under one or more operating leases;

- Property that is being constructed or developed for future use as investment property

Subsequent measurement - fair value model

Investment property is subsequently measured using the fair value model.

Investment property is carried at fair value, representing open market value determined by external valuers.
Land is not depreciated as it as it is considered to have an indefinite useful life.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the Municipality measures that investment property using the cost model.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

1.5 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.

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	15 - 60 years
Plant and machinery	Straight-line	10 - 20 years
Furniture and fixtures	Straight-line	5 - 7 years
Motor vehicles	Straight-line	7 - 15 years
Office equipment	Straight-line	5 - 18 years
Computer equipment	Straight-line	3 - 13 years
Security equipment	Straight-line	5 - 10 years
Other equipment	Straight-line	5 years
Infrastructure	Straight-line	See detail below
- Roads paved	Straight-line	30 years
- Roads graded	Straight-line	5 - 30 years
- Electricity (Street lights and High masts)	Straight-line	7 - 21 years
Minor assets		Immediately
Park facilities	Straight-line	5 - 60 years
Maintenance equipment	Straight-line	10 - 16 years
Landfill sites	Straight-line	69 - 98 years
Work-in-progress	Straight-line	Not depreciated

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.

1.5 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.

With regards to Land the Municipality makes reference to the principles contained within IGRAP 18 whereby legal title though an indicator of control does not necessarily always confer control itself. As a result, the Municipality assesses the control with regards regard to all land that it has legal title over to determine if it has the right to direct access to land, and to restrict or deny the access of others to land, by determining whether it can
**Direct the use of the land's future economic benefits or service potential to provide services to beneficiaries
**exchange, dispose of, or transfer the land; and/or
**use the land in any other way to generate future economic benefits or service potential.

1.6 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.

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

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

1.6 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

1.7 Heritage assets

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

1.7 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

1.8 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.

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

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

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

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

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

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 counterpart has failed to make a payment when contractually due.

Accounting Policies

1.8 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Operating lease asset	Financial asset measured at amortised cost
Cash and cash equivalents	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
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

1.9 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.

Accounting Policies

1.9 Statutory receivables (continued)

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- 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:
  - derecognises the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

Accounting Policies

1.9 Statutory receivables (continued)

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.

1.10 Leases

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

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

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.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through non-exchange transactions, 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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.12 Impairment of cash-generating assets

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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.

Cash-generating units

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

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

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

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

1.14 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.

1.14 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.

1.15 Provisions and contingencies

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

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

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

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.

Accounting Policies

1.15 Provisions and contingencies (continued)

Provisions are not recognised for future operating surplus.

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 46.

1.16 Capital Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

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

1.17 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.

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

1.18 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

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

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

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.

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure 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 a 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.

Accounting Policies

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

1.25 Budget information

The Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisation's (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 2021/07/01 to 2022/06/30.

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

1.26 Related parties

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

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

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

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

Significant influence is the power to participate in the financial and operating policy decisions of 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.

Accounting Policies

1.26 Related parties (continued)

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.

1.27 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.

1.28 Value Added Tax (VAT)

The municipality accounts for value added tax on accrual basis but pays to/claims from SARS on a payment basis.

1.29 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).

Recognition

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.

1.30 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.

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

Accounting Policies

1.30 Segment information (continued)

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.

1.31 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Standards of GRAP set out how an item should be recognised, measured and disclosed in the financial statements. In some cases, the Municipality does not recognise, measure, present or disclose information in accordance with the specific requirements outlined in the Standards of GRAP if the effect of applying those requirements are immaterial.

1.32 Cash and cash equivalents

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.33 Offsetting

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board amended its existing Standards to deal with these issues. The IASB issued IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS on Financial Instruments: Presentation and the IFRS Standard on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

GRAP 25: Employee Benefits (revised April 2021)

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Guideline: Application of Materiality of Financial Statements

The guideline is not authoritative but only encouraged. No significant impact is expected as the municipality's current treatment is already in line with the standard's treatment.

GRAP 103: Heritage Assets

The objective of this Standard is to prescribe the accounting and disclosure for Heritage Assets.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Inventories

Land held for distribution	15 458 590	15 458 590

Inventories consist of RDP houses not yet transferred and land grabs.

4. Operating lease asset

Leases

Leases for Land	2 261 454	1 638 479

The municipality leases land to tenants under leases covering periods ranging from 3 - 30 years. The leases are subject to escalation clauses as per lease agreements resulting in straight-lining of the rentals received and receivable. The amount included above represents the difference between the actual rentals received and the calculated straight-line lease.

Minimum lease payments receivable		
within one year	533 484	516 111
in second to fifth year inclusive	1 912 786	1 948 143
later than five years	24 169 282	24 504 669
	26 615 552	**26 968 923**

5. Receivables from non-exchange transactions

Property Rates	9 319 675	13 170 569
Interest on Property Rates	9 097 349	7 156 890
Less: Impairment on Property Rates and Interest	(7 412 041)	(7 277 440)
Other Receivables	6 669 438	5 102 664
	17 674 421	**18 152 683**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions (continued)

Property Rates		
0 - 30 days	273 871	443 459
31 - 60 days	396 570	384 661
61 - 90 days	166 569	169 434
91-120 days	330 106	370 104
121 - 150 days	361 651	347 652
> 151 days	17 198 439	18 646 915
	18 727 206	**20 362 225**

Summary of Total Debtors (Exchange and Non-Exchange) By Customer Classification:

Residential		
0 - 30 days	1 018 364	472 480
31 - 60 days	188 762	183 279
61 - 90 days	175 846	171 024
91 - 120 days	141 551	164 245
121 - 150 days	160 550	133 691
> 151 days	6 794 291	7 056 754
Less: Allowance for Impairment	(6 474 676)	(6 704 733)
	2 004 688	**1 476 740**

Business		
0 - 30 days	341 221	328 368
31 - 60 days	106 337	96 588
61 - 90 days	94 031	92 273
91 - 120 days	88 401	80 623
121 - 150 days	84 688	74 812
> 151 days	2 909 202	2 744 024
Less: Allowance for Impairment	(1 892 304)	(1 781 414)
	1 731 576	**1 635 274**

Government		
0 - 30 days	(873 849)	414 570
31 - 60 days	179 467	205 517
61 - 90 days	177 085	194 295
91 - 120 days	153 500	234 640
121 - 150 days	165 175	89 831
>150 days	9 479 893	11 672 330
	9 281 271	**12 811 183**

The long outstanding debtors' balances (>150 days) for the Government category relate to interest calculated on outdated/old valuations of properties.

Total debtors past due but not impaired

0 - 30 days	485 736	635 987
30 - 60 days	469 249	442 979
60 - 90 days	321 427	306 187
91 - 120 days	203 016	262 777
121 - 150 days	215 105	223 658
>151 days	11 323 003	12 693 760
	13 017 536	**14 565 348**

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment allowance

Opening balance	8 102 666	6 707 963
Contributions to allowance	264 314	1 394 703
	8 366 980	**8 102 666**

Total Debtors (Exchange and Non-Exchange)

Balance net of credit balances		
Balance inclusive of credit balances	21 384 515	22 668 013
Gross up of credit balances	2 652 077	1 057 841
	24 036 592	**23 725 854**

6. VAT receivable

VAT	3 615 838	2 200 304

Included in the above line item are the following items:		
VAT Input Control Account	593 391	422 070
VAT Output Control Account	-	17 061
VAT Receivable from SARS	3 022 447	1 761 173
	3 615 838	**2 200 304**

The municipality accounts for value added tax on accrual basis but pays to/claims from SARS on a payment basis.

7. Receivables from exchange transactions

Gross balances		
Refuse	1 708 544	1 433 894
Rent	329 038	217 863
Interest on Overdue Accounts	928 785	688 802
	2 966 367	**2 340 559**

Less: Allowance for impairment		
Refuse	(703 465)	(591 686)
Rent	(73 923)	(65 216)
Interest on Overdue Accounts	(177 551)	(168 325)
	(954 939)	**(825 227)**

Net balance		
Refuse	1 005 079	842 208
Rent	255 115	152 647
Interest on Overdue Accounts	751 234	520 477
	2 011 428	**1 515 332**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	199 715	175 246
31 - 60 days	69 997	56 712
61 - 90 days	55 739	256 157
91 - 120 days	45 348	42 103
121 - 150 days	41 708	41 818
> 151 days	1 385 425	1 083 264
	1 797 932	**1 655 300**

Rental		
Current (0 -30 days)	12 149	19 658
31 - 60 days	7 999	6 435
61 - 90 days	7 999	6 235
91 - 120 days	7 999	47 385
121 - 150 days	7 055	-
> 151 days	145 733	102 733
	188 934	**182 446**

Interest on Overdue Accounts		
Current (0 -30 days)	-	(2 377)
> 150 days	453 790	473 283
	453 790	**470 906**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	55 581 002	55 476 271
Investments	1 398 295	3 365 058
	56 979 297	**58 841 329**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
FNB Main Account - 62022000898	55 581 002	55 476 271	11 155 636	55 581 002	55 476 271	11 155 636
FNB Rates Accounts - 62414349763	1 398 295	3 365 058	2 372 946	1 398 295	3 365 058	2 372 946
FNB - Investment Account - 74848177719	-	-	8 148 104	-	-	8 148 104
Total	**56 979 297**	**58 841 329**	**21 676 686**	**56 979 297**	**58 841 329**	**21 676 686**

Figures in Rand	2022	2021

9. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	33 726 346	-	33 726 346	43 342 419	-	43 342 419

Reconciliation of investment property - 30 June 2022

	Opening balance	Fair value adjustments	Total
Investment property	43 342 419	(9 616 073)	33 726 346

Reconciliation of investment property - 30 June 2021

	Opening balance	Total
Investment property	43 342 419	43 342 419

Revenue derived from rental of Investment Property	1 141 697	1 085 989

Investment property relates to land and buildings as such no repairs and maintenance or other operating expenditure is incurred with respect to Investment Property.

There is no Investment Property which is in the process of being constructed or developed.

As there is no Investment Property which is in the process of being constructed or developed, there is no Investment Property that is taking a significantly longer time to complete than expected.

There is no Investment Property where construction or development has been halted.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

No impairment losses or reversals are noted with respect to Investment Property.

There is no Investment Property used in Service Concession Agreements.

No items of Investment Property have been pledged as security

Investment property relates to land and buildings and is not depreciated.

Land controlled, but the Municipality does not have legal ownership or custodianship

Carrying value of land included in the carrying value of Investment property	320 150	320 150

The above relates to 6 properties for which there is no registered title deed, but for which the Municipality exercises control through lease or other binding agreements as well as having the ability to restrict others from accessing economic benefits and service potential.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Investment property (continued)

Land not controlled, but the Municipality is the legal owner/custodian

Refer to the Property, Plant and Equipment, note 10 for details regarding these properties.

10. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 436 140	-	8 436 140	8 503 748	-	8 503 748
Buildings	154 519 086	(59 192 118)	95 326 968	154 322 175	(54 058 504)	100 263 671
Plant and Equipment	10 071 893	(4 602 438)	5 469 455	9 890 390	(3 699 086)	6 191 304
Office Furniture	2 019 163	(1 497 949)	521 214	2 019 162	(1 308 051)	711 111
Motor Vehicles	8 623 784	(4 100 634)	4 523 150	7 358 625	(3 382 635)	3 975 990
Office Equipment	1 834 295	(1 416 451)	417 844	1 805 695	(1 163 557)	642 138
IT Equipment	4 555 934	(3 008 574)	1 547 360	3 466 987	(2 515 449)	951 538
Infrastructure	319 652 257	(180 243 845)	139 408 412	323 244 141	(191 588 128)	131 656 013
Maintenance Equipment	1 062 258	(399 626)	662 632	583 864	(325 525)	258 339
Security Equipment	742 285	(684 557)	57 728	742 285	(589 579)	152 706
Other Equipment	563 430	(243 263)	320 167	563 434	(185 707)	377 727
Capital Works in Progress	25 692 267	-	25 692 267	26 392 289	-	26 392 289
Park Facilities	14 231 505	(4 361 643)	9 869 862	14 231 505	(3 861 124)	10 370 381
Minor Equipment	1 193 302	(1 193 302)	-	1 193 302	(1 193 302)	-
Total	**553 197 599**	**(260 944 400)**	**292 253 199**	**554 317 602**	**(263 870 647)**	**290 446 955**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2022

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	8 503 748	-	(67 608)	-	-	-	8 436 140
Buildings	100 263 671	196 911	-	-	(5 133 614)	-	95 326 968
Plant and Equipment	6 191 304	181 500	-	-	(903 349)	-	5 469 455
Office Furniture	711 111	-	-	-	(189 897)	-	521 214
Motor Vehicles	3 975 990	1 265 159	-	-	(717 999)	-	4 523 150
Office Equipment	642 138	28 600	-	-	(252 894)	-	417 844
IT Equipment	951 538	1 088 948	-	-	(493 126)	-	1 547 360
Infrastructure	131 656 013	12 409 209	(264 954)	4 326 083	(8 717 939)	-	139 408 412
Maintenance Equipment	258 339	478 396	-	-	(74 103)	-	662 632
Security Equipment	152 706	-	-	-	(94 978)	-	57 728
Other Equipment	377 727	-	-	-	(57 560)	-	320 167
Capital Works in Progress	26 392 289	14 134 768	-	(4 326 083)	-	(10 508 707)	25 692 267
Park Facilities	10 370 381	-	-	-	(500 519)	-	9 869 862
Minor Equipment	-	1 000	-	-	(1 000)	-	-
	290 446 955	**29 784 491**	**(332 562)**	**-**	**(17 136 978)**	**(10 508 707)**	**292 253 199**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2021

	Opening balance	Additions	Disposals	Transfers	Write-off	Depreciation	Total
Land	8 503 748	-	-	-	-	-	8 503 748
Buildings	95 289 186	5 117 342	-	4 891 592	-	(5 034 449)	100 263 671
Plant and Equipment	4 675 882	2 346 720	(150 465)	-	-	(680 833)	6 191 304
Office Furniture	620 408	237 940	(2 218)	-	-	(145 019)	711 111
Motor Vehicles	4 983 382	578 063	(859 095)	-	-	(726 360)	3 975 990
Office Equipment	826 055	70 000	(7 915)	-	-	(246 002)	642 138
IT Equipment	1 353 728	378 207	(14 132)	-	-	(766 265)	951 538
Infrastructure	145 441 931	-	-	-	(1 646 603)	(12 139 315)	131 656 013
Maintenance Equipment	321 130	-	(9 891)	-	-	(52 900)	258 339
Security Equipment	250 159	-	(1 812)	-	-	(95 641)	152 706
Other Equipment	720 605	128 926	(375 773)	-	-	(96 031)	377 727
Capital Works in Progress	16 375 929	14 907 952	-	(4 891 592)	-	-	26 392 289
Park Facilities	10 838 464	-	-	-	-	(468 083)	10 370 381
	290 200 607	**23 765 150**	**(1 421 301)**	**-**	**(1 646 603)**	**(20 450 898)**	**290 446 955**

Pledged as security

No items of Property, Plant and Equipment have been pledged as security.

Work-in-progress Disclosure

Cumulative expenditure amounts recognised in the Work-in-progress balance are for the following classes:		
Roads	22 775 860	13 098 984
Buildings	131 810	-
Electricity	2 356 213	12 864 920
Landfill site	428 384	428 385
	25 692 267	**26 392 289**

Figures in Rand	2022	2021

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress - 30 June 2022

30 June 2022	**Buildings**	**Electricity**	**Roads**	**Landfill**	**Total**
Opening balance	-	12 864 920	13 098 984	428 384	26 392 288
Additions	131 810	-	14 002 959	-	14 134 769
Impairment	-	(10 508 707)	-	-	(10 508 707)
Transfer out	-	-	(4 326 083)	-	(4 326 083)
	131 810	**2 356 213**	**22 775 860**	**428 384**	**25 692 267**

Reconciliation of Work-in-Progress - 30 June 2021

30 June 2021	**Buildings**	**Electricity**	**Roads**	**Landfill**	**Total**
Opening balance	4 891 592	10 897 698	586 669	-	16 375 959
Additions	-	1 967 222	12 512 315	428 385	14 907 922
Transfer out	(4 891 592)	-	-	-	(4 891 592)
	-	**12 864 920**	**13 098 984**	**428 385**	**26 392 289**

No items of Property, Plant and Equipment are considered to be taking a significantly longer period of time to complete than expected. .

No items of Property, Plant and Equipment are noted where construction or development has been halted.

Impairment losses of R 10,508,708 have been noted with respect to Work-in-Progress projects relating to the Integrated National Electrification Programme (INEP). Please refer to note 31 on Impairment of Assets.

No changes in estimates have been noted with respect to Property, Plant and Equipment.

No items of Property, Plant and Equipment are subject to Service Concession Arrangements.

Land which the Municipality controls without legal ownership or custodianship

Carrying value of land included in the carrying value of Property, plant and equipment	283 500	283 500

The above relates to 4 properties for which there is no registered title deed but which houses municipal buildings (offices and community halls), they are thus being used for municipal purposes. The Municipality is assessed as being in control of the economic benefits and service potential with respect to the items as they have the right to direct access to land, and to restrict/deny the access of others.

Land not controlled by the Municipality, however the Municipality is the legal owner/custodian

Number of parcels: 26		
Value of Land Parcels	-	-

Included in the above are 16 properties relating to housing projects which have been allocated as housing in terms of the National Housing Program and are thus not considered to be under the control of the Municipality in terms of the Housing Guideline and IGRAP18.

The remaining 10 properties are not considered to be under the control of the Municipality as the usage of the properties pertains to non-municipal activities such as schools, clinics and private enterprises.

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Monuments	3	-	3	3	-	3

Reconciliation of heritage assets - 30 June 2022

	Opening balance	Total
Historical Monuments	3	3

Reconciliation of heritage assets - 30 June 2021

	Opening balance	Total
Historical Monuments	3	3

All the municipality's heritage assets are held under a freehold interest and no heritage asset have been pledged as security for any liabilities of the municipality. The heritage assets comprise of the Dick King Memorial site, a Fingo Milkwood Tree and Fort Peddie Tower Complex.

These are not income generating assets and shown on the face of the statement of financial position at a nominal value of R 1 each.

No impairment losses have been recognised on the heritage assets of the municipality at the reporting date.

These heritage assets have not been revalued due to their fair value not being easily and reliably measured due to the lack of a market for these assets.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Payables from exchange transactions

Trade payables	6 677 056	5 952 535
Accrued Leave Pay	6 081 351	6 219 758
Other payables	1 342 756	1 125 339
Accrued Bonus	1 874 550	1 655 970
Retentions	4 334 187	3 121 314
	20 309 900	**18 074 916**

13. Payables from non-exchange transactions

Receivables with credit balances	2 652 077	1 057 840

All receivables with credit balances have been reallocated to Payables from non-exchange transactions to achieve fair presentation.

14. Employee benefit obligations

Long Service Awards

The Long Service Award is payable after every 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date.

The actuarial valuation of the long service awards accrued liability was carried out by Arch Actuarial Consulting. The assumptions used in the valuation are outlined below:

Key Assumptions:
1. Discount rate - 11.16%
2. General earnings inflation rate (long-term) - 7.33%
3. Net effective discount rate - 3.57%
4. Pre-retirement mortality rate of SA 85-90
5. Average retirement age of 62 years.

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

Carrying value		
Opening balance	(4 127 000)	(4 155 000)
Current service costs	(504 000)	(536 000)
Utilisation	521 000	569 000
Change in discount factor	(362 000)	(286 000)
Actuarial (loss)/gain for the period	(31 000)	281 000
	(4 503 000)	**(4 127 000)**

Non-current liabilities	(3 937 000)	(3 606 000)
Current liabilities	(566 000)	(521 000)
	(4 503 000)	**(4 127 000)**

14. Employee benefit obligations (continued)

Sensitivity Analysis

The liability at the valuation date was recalculated to show the effect of:
i) A 1% increase and decrease in the assumed general earnings inflation rate;
ii) A 1% increase and decrease in the discounted rate;
iii) A two-year increase and decrease in the assumed average retirement age of eligible employees; and
iv) A two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.
The table below summarises the results of the sensitivity analysis:

Assumption	**Change**	**Liability**	**%Change**
Central assumption		4 503 000	
General earnings inflation rate	+1%	4 790 000	6%
	-1%	4 243 000	-6%
Discount rate	+1%	4 238 000	-6%
	-1%	4 800 000	7%
Average retirement age	+2 yrs	4 695 000	4%
	-2 yrs	4 299 000	-5%
Withdrawal rates	x2	3 554 000	-22%
	x0.5	5 152 000	15%
		-	

	30 June 2022 R	30 June 2021 R	30 June 2020 R	30 June 2019 R	30 June 2018 R
Long service awards (history of liability)	4 503 000	4 127 000	4 155 000	3 582 000	3 225 000

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	6 212 646
Integrated National Electrification Programme	-	4 718 986
	-	**10 931 632**

See note 25 for reconciliation of grants from National/Provincial Government.

16. Provisions

Reconciliation of provisions - 30 June 2022

	Opening Balance	Change in discount factor	Total
Provision for Rehabilitation of Landfill Site	11 142 353	813 363	11 955 716

Reconciliation of provisions - 30 June 2021

	Opening Balance	Change in discount factor	Total
Provision for Rehabilitation of Landfill Site	10 384 327	758 026	11 142 353

Rehabilitation of Landfill Sites Provision

The Provision for Rehabilitation of Landfill Sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation. The amount for the provision was adjusted retrospectively in accordance with the report produced by qualified engineers specialising in Landfill Sites valuations.

Total cost and estimated date of decommission of the sites are as follows:

Location	**Estimated Decommission Date (Year)**	**2022**	**2021**
Peddie	2029	19 577 912	19 577 919

In determining the cost of closure and rehabilitation of the landfill site, the following methodology was employed:
1. Site Visit and Assessment
2. Literature and Legislative Review
3. Assessment of Closure and Rehabilitation Requirements
4. Design Review and Quantity Calculation
5. Costing Analysis

A risk always exists that the site could be required to close at any time based on acceptability of operations at the site by the Department of Environmental Affairs. That implies all the rehabilitation work would have to be carried out in that particular year should the site be required to close.

Future events may result in significant changes to the estimated total expenditures; capacity used and the estimated liability, and would be recognized prospectively as a change in estimate, when applicable.

The most critical assumptions in generating the report on the provision for landfill site rehabilitation are as follows:

1. A service provider would be used for the work to be done pertaining to the closure and rehabilitation of the site and reliance will not be solely placed on municipal personnel to perform tasks. It should be noted that part of the work done or to be done with regard to rehabilitation can be or is done by municipal personnel (e.g.capping layers). In that case, work to be done is accounted for using other GRAP standards, which may influence the cost price for rehabilitation work to be done.

2. The 2019-2020 Ngqushwa feasibility study report was reviewed and considered to still be relevant.

3. The estimated lifespan for the site is still considered to be realistic.

4. The straight line method is considered to be the appropriate method used to calculate depreciation since it spreads the cost evenly over the life of the asset due to the uncertainty regarding the closure date of the site. This is useful when the timing of and cost of activities is not well known or yet clear to the Municipality. Locating landfills near residential areas is no longer acceptable or preferred even legally.

5. The average rate of inflation in South Africa over the last 10 years has been +/- 5 percent and it is accepted as such in the report on the provision for landfill site rehabilitation.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Service charges

Refuse Removal	1 596 702	1 425 128

18. Rental of facilities and equipment

LAND AND OFFICES		
Various Rentals	1 141 697	1 085 989

Included in the above rentals are operating lease rentals at straight-lined amounts of R 1 150 126 (30 June 2021: R 1 056 777).

19. Agency fees

Amount received on behalf of the principle	2 111 733	1 460 925
Revenue the principal is entitled to	(1 710 928)	(1 042 684)
	400 805	**418 241**

The Municipality and the Department of Transport entered into an agreement for the transfer of registration and licensing of motor vehicles functions, wherein the Municipality will be entitled to the collection fee of 19%, including VAT for all fees collected in terms of the agreement entered into.

All receipts on behalf of the principal were paid over during the year. There are no receivables or payables from agency transactions.

20. Licences and permits

Drivers' Licences	1 927 695	1 680 361
Learners' Licences	155 172	240 783
	2 082 867	**1 921 144**

21. Other revenue

Insurance claims from loss of property, plant and equipment	203 407	13 509
Tender Fees	-	80 348
Sundry Income	129 829	387 338
Building Plan Fees	119 700	65 544
Commission	92 188	94 733
	545 124	**641 472**

22. Interest earned on Outstanding Debtors

Interest earned on Outstanding Debtors	2 681 530	2 964 081

23. Investment revenue

Interest from investments	2 699 052	1 901 199

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. Property rates

Rates received

Gross Property Rates	26 161 708	41 764 509
Less: Rebates	(365 646)	(341 104)
	25 796 062	**41 423 405**

The decrease in Property Rates revenue in the current year is as a result of a decrease in tariffs/exemptions applied against certain properties which falls into Government category.

Valuations

Residential	391 815 600	333 035 600
Commercial	253 897 500	96 338 500
Government	483 511 700	954 328 200
Municipal	90 094 500	90 292 000
Farm agricultural	386 269 900	151 391 400
Place of Worship	10 277 500	10 277 500
Vacant Land	145 130 800	118 195 300
Other	4 126 000	4 064 000
	1 765 123 500	**1 757 922 500**

Valuations on land and buildings within the boundaries of the municipality are performed every 5 years. The last general valuation came into effect on 1 July 2019. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last supplementary valuation (SV3) came into effect on 01 March 2022.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Government grants and subsidies

Equitable share	90 290 000	102 074 000
Expanded Public Works Programme	3 320 000	3 544 000
Municipal Infrastructure Grant	27 626 627	20 916 660
Finance Management Grant	3 000 000	3 000 000
Integrated National Electrification Programme	-	2 244 729
	124 236 627	**131 779 389**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	33 946 627	29 705 389
Unconditional grants received	90 290 000	102 074 000
	124 236 627	**131 779 389**

Equitable Share

In terms of section 227 of the Constitution, this is an unconditional grant and is used by the municipality to provide basic services and perform functions allocated to it.

The Equitable Share Grant also provides funding for the municipality to deliver free basic services to poor households and to subsidise the cost of administration and other core services for the municipality.

For the 2021/2022 financial year, an amount of R 90,290,000 was allocated to the Municipality as per the DORA schedules, however only R 83,407,000 was actually received. A total amount of R 6,882,910 was deducted from Equitable Share based on roll-over amounts not approved for the 2020/2021 financial year.

The decrease in the Equitable Share Grant allocation for the current year as compared to the previous financial year, is due to an additional allocation granted to assist the Municipality in 2020/2021 during the COVID pandemic.

Equitable Share		
Allocation for the year per Division of Revenue Act	90 290 000	102 074 000
Amount actually received	(83 407 000)	(100 314 000)
Conditions not met for the previous financial year - transferred from Municipal Infrastructure Grant	(2 164 014)	(1 370 798)
Conditions not met - transferred from Expanded Public Works Programme Grant	-	(186 501)
Conditions not met - transferred from Municipal Disaster Relief Grant	-	(202 701)
Conditions not met for the previous financial year - transferred from Integrated National Electrification Programme Grant	(4 718 986)	-
	-	**-**

Municipal Infrastructure Grant

Balance unspent at beginning of year	6 212 646	6 397 104
Current-year receipts	23 578 000	22 103 000
Conditions met - transferred to revenue	(27 626 632)	(20 916 660)
Conditions not met - transferred to Equitable Share	(2 164 014)	(1 370 798)
	-	**6 212 646**

Conditions still to be met - remain liabilities (see note 15).

The grant was used for the construction of infrastructure assets.

The grant was received from National Treasury.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Government grants and subsidies (continued)

Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	186 501
Current-year receipts	3 320 000	3 544 000
Conditions met - transferred to revenue	(3 320 000)	(3 544 000)
Conditions not met - transferred to Equitable Share	-	(186 501)
	-	-

Conditions still to be met - remain liabilities (see note 15)..

The grant was received from the National Department of Roads and Public Works for job creation efforts where labour intensive delivery methods can be maximised.

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	4 718 986	1 958 715
Current-year receipts	-	5 005 000
Conditions not met - transferred to Equitable Share	(4 718 986)	(2 244 729)
	-	**4 718 986**

Finance Management Grant

Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(3 000 000)	-
	-	-

26. Fines and penalties

Traffic fines issued during the year	286 750	123 150

27. Other Transfer Revenue

Library Subsidy	500 000	500 000
LG Seta transfer	119 904	82 976
	619 904	**582 976**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Employee related costs

Basic Salaries	52 175 520	49 044 991
Annual Bonus (13th Cheques)	3 975 005	3 956 227
UIF	378 849	329 746
SDL	578 949	471 552
SALGA BC Levies	33 551	23 029
Redemption of Leave	2 035 465	2 496 719
Cellphone Allowance	400 802	405 278
Shift Allowance	267 155	257 889
Travel, motor car, accommodation, subsistence and other allowances	62 564	342 503
Overtime payments	456 512	418 361
Long-service awards	564 117	201 085
Acting allowances	318 838	595 094
Housing Allowances	192 644	184 402
Medical Aid Contributions	3 295 320	3 237 711
Pension Fund Contributions	7 607 269	7 428 539
Subsistence and Travel	4 985 592	4 001 499
	77 328 152	**73 394 625**

Remuneration: Former Acting Municipal Manager

Annual Remuneration	-	570 329
Annual bonus	-	70 749
Backpay	-	99 311
SDL	-	9 287
UIF	-	1 190
Travel allowance	-	181 592
Medical allowance	-	43 752
Provident allowance	-	101 526
Bargain council	-	79
	-	**1 077 815**

The Director: Technical Services was acting in the position up to 28 February 2021.

Remuneration: Municipal Manager

Annual Remuneration	736 268	122 711
Annual Bonus	30 000	-
Subsistence and Travel	-	12 745
SDL	11 827	1 983
UIF	2 154	297
Travel allowance	72 127	12 021
Medical allowance	176 103	29 350
Housing allowance	182 616	30 436
Bargaining council	124	20
	1 211 219	**209 563**

The current Municipal Manager was appointed on 03 May 2021.

28. Employee related costs (continued)

Remuneration: Chief Financial Officer

Figures in Rand	2022	2021
Annual Remuneration	702 901	696 010
Annual bonus	98 400	94 055
Backpay	-	45 941
Travel Allowance	195 600	196 078
SDL	11 324	11 635
UIF	2 154	1 785
Cellphone allowance	33 600	33 115
Bargaining Council	124	119
Medical allowance	141 001	137 501
	1 185 104	**1 216 239**

Remuneration of Director: Corporate Services

Figures in Rand	2022	2021
Annual Remuneration	545 146	541 583
Annual bonus	45 429	42 756
Leave payout	-	62 012
Backpay	-	62 353
Travel Allowance	161 782	148 106
Provident fund allowance	102 531	111 531
SDL	7 290	8 481
UIF	2 154	1 785
Medical aid allowance	53 688	53 688
Bargaining Council Levy	124	119
	918 144	**1 032 414**

Remuneration of Director: Technical Services

Figures in Rand	2022	2021
Annual Remuneration	624 802	620 719
Annual Bonus	81 673	74 867
Acting Allowance	-	193 059
Backpay	-	80 680
Travel allowance	54 000	59 335
Cellphone allowance	14 084	12 000
Housing allowance	87 512	74 502
Medical allowance	52 548	52 548
Provident allowance	168 697	126 522
SDL	9 038	11 699
UIF	2 154	1 785
Bargaining council	124	119
	1 094 632	**1 307 835**

Director: Technical Services was acting as municipal manager for a period during the financial year ended 30 June 2021.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Employee related costs (continued)

Remuneration of Director: Former Community Services

Annual Remuneration	-	417 528
Annual bonus	-	56 749
Backpay	-	82 760
Travel allowance	-	132 415
Medical allowance	-	28 623
Provident allowance	-	70 689
SDL	-	7 623
UIF	-	1 041
Bargaining council	-	69
	-	**797 497**

The last working day of the former Community Services Director was on 31 January 2021.

Remuneration of Director: Community Services

Annual Remuneration	536 668	129 572
Annual bonus	15 000	27 673
SDL	7 622	1 678
UIF	2 154	297
Bargaining council	124	20
Travel allowance	104 904	-
Medical allowance	99 048	-
Provident fund allowance	93 827	-
Backpay	7 676	-
	867 023	**159 240**

The Director: Community Services was appointed on 10 May 2021.

29. Remuneration of councillors

Mayor	1 223 724	882 622
Speaker	1 097 934	801 169
Chief Whip	290 154	374 345
MPAC Chair	365 960	397 675
Exco	897 760	1 159 391
Other Councillors	5 070 139	5 310 538
Ward committees	1 004 324	1 437 005
	9 949 995	**10 362 745**

Additional information

The Remuneration of Councillors is based on the upper limit as per Government Gazette.

The Mayor and the Speaker each have the use of separate Council-owned vehicles and are provided with an office and secretarial support at the cost of the Council for official duties. The Mayor and the Speaker have designated drivers.

There were no in-kind benefits declared nor received by the Councillors.

Included in the Remuneration of Councillors are costs relating to councillors who remained in service of the Municipality from 01 July 2021 up to the date of the Local Government elections in November 2021.

30. Depreciation and amortisation

Property, plant and equipment	17 136 976	20 450 897

Figures in Rand	2022	2021

30. Depreciation and amortisation (continued)

The variance in depreciation charge for the current year in comparison with the prior year is due to a re-assessment performed following the re-componentisation of Electricity and Roads Infrastructure.

31. Impairment of assets

Impairments		
Property, plant and equipment Work-in-progress projects assessed to be impaired.	10 508 707	-

The main classes of assets affected by impairment losses are:

Work in progress

The main events and circumstances that led to the recognition of these impairment losses are as follows:

Work-in-progress projects relating the Integrated National Electrification Programme Grant were assessed for impairment on the basis that the assets were not in the condition necessary to fulfill the municipality's obligation in terms of the agreement with the Department of Energy. These projects relate to the 2017/18 to 2020/21 financial years and the assessment was performed during the current financial year.

32. Finance costs

Interest on late payment of suppliers	1 657	13 216
Finance costs on Landfill Site Provision and Long Service Awards Obligation	813 363	758 025
	815 020	**771 241**

33. Debt impairment

Debt impairment	373 563	1 492 834

Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy.

34. Contracted services

Repairs and Maintenance - PPE	2 379 875	2 741 796
Other contracted services	5 084 977	6 582 764

As per GRAP 17 (Paragraph 88), repairs and maintenance amounting to R 2,379,875 (30 June 2021: R 2,741,796) relates to repairs and maintenance to property, plant and equipment.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

35. General expenses

Accommodation Expenses	1 303 725	718 446
Advertising	591 971	432 656
Bank charges	59 701	55 423
Computer expenses	48 000	52 744
Legal expenses	1 485 206	3 027 445
Audit committee fees	323 539	341 330
Audit fees	3 931 359	4 251 074
Consultation and Professional Fees	734 257	718 161
Conferences and seminars	414 585	189 512
Motor vehicle expenses	384 214	310 260
Fuel and oil	1 519 619	849 935
Catering	352 989	276 265
Printing and stationery	321 832	209 893
Town Planning costs	36 200	130 680
Royalties and license fees	927 538	1 058 839
Learnerships and interns	3 434 848	3 550 060
Employee Assistance Programme	329 542	108 470
Subscriptions and membership fees	888 543	740 289
Telephone	1 533 476	1 547 990
Training	716 674	922 593
Refuse	240 000	201 294
Electricity	6 225 687	4 853 982
Water - municipal use	641 183	589 891
Uniforms	462 199	519 340
Tourism development	34 139	85 705
Agriculture	42 470	25 568
Life Saver Hire	-	74 920
Special Programmes Unit	903 137	1 361 939
PMS Review	7 200	-
Financial Management Enhancement	1 326 353	696 678
Consumables	177 215	122 538
Miscellaneous expenses	866 289	1 086 966
	30 263 690	**29 110 886**

36. Loss on Disposal and Revaluation of Assets

The significant variance in the loss on disposal and revaluation of assets from the prior financial year to the current financial year is due to the disposal of non-municipal land items as well as the revaluation of Investment Property.

Loss on disposal of property, plant and equipment	9 948 636	3 067 905

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	10 397 414	35 847 733
Contracted for service delivery by accounting officer		
• Property, plant and equipment	2 641 085	550 155
Total capital commitments		
Already contracted for but not provided for	10 397 414	35 847 733
Contracted for service delivery by accounting officer	2 641 085	550 155
	13 038 499	**36 397 888**

This committed expenditure relates to property, plant and equipment and will be financed through Municipal Grants, existing cash resources and funds internally generated.

Notes to the Annual Financial Statements

38. Prior-year adjustments

Statement of financial position

30 June 2021

	Note	As previously reported	Correction of error	Restated
Investment Property		49 265 419	(5 923 000)	43 342 419
Property, Plant and Equipment		227 304 526	63 142 429	290 446 955
Receivables from exchange transactions		1 583 736	(68 404)	1 515 332
Receivables from non-exchange transactions		17 456 757	695 926	18 152 683
VAT		2 616 685	(416 381)	2 200 304
Operating lease asset		1 636 191	2 288	1 638 479
Payables from exchange transactions		(18 130 086)	55 170	(18 074 916)
Payables from non-exchange transactions		(906 654)	(151 186)	(1 057 840)
Accumulated surplus		(328 925 511)	(57 336 842)	(386 262 353)
		(48 098 937)	**-**	**(48 098 937)**

Receivables - Non-exchange: The comparative figure was restated to take into account journals processed on the Debtor's Sub-ledger and not taken into in the final Annual Financial Statements. These journals related to Insurance refunds. Net effect on surplus for the period: R- 6,284. In addition, corrections were effected relating to incorrect billing of Property Rates and Interest on Property Rates of R 149,379. Based on these adjustments to the balance, the impairment relating to Receivables from non-exchange was re-assessed and this resulted in a overall increase of the balance of R 552,830.00. Net effect on Receivables from non-exchange transactions: R 695,926.

Receivables from exchange transactions was restated to take into account the correction of errors relating to incorrect billing for Property Rental. Based on these adjustments to the balance, the impairment relating to Receivables from exchange transactions was re-assessed and this resulted in a net effect change of R 68,404.

VAT receivables was restated to take into account the write-off of receivables balances which were assessed to be invalid. Effect of write-off: R -427,495. In addition, restatements relating to correction of errors for the incorrect billing for Property Rental also had an effect on the VAT receivable balance amounting to R 11,114. Net effect on Receivables from non-exchange transactions: R 416,381.

Payables from exchange transactions was restated to take into account the write-off of payables balances which were assessed to be invalid. Effect of write-off: -R 55,170.

Payables from non-exchange transactions was restated to take into account the write-off of receivables balances which were assessed to be invalid and adjustments not taken into account in the prior year AFS. Furthermore, based on adjustments to Receivables from exchange and Receivables from non-exchange transactions, Debtors with credit balances have been re-assessed. Net effect of the adjustments: R 151,186.

Operating lease asset was restated to take into account the Vodacom lease agreement which commenced in May 2021, which was not accounted for previously. Net effect of the correction: R 2,288.

Property Plant and Equipment - The comparative figure was restated to take into account various corrections based on the detail per category below. The net effect of all the adjustments on Property, Plant and Equipment is an increase of R 63,142,429.

Property Plant and Equipment (Buildings) - The comparative figure was restated to take into account additions (retention amounts) to Buildings not accounted for in the prior financial year. The effect of the correction on the balance for Property Plant and Equipment: R 194,023.

Property Plant and Equipment (Other Assets) - The comparative figure was restated to take into account disposal of assets not accounted for in the prior financial year. The effect of the correction on the balance for Property Plant and Equipment: - R 925,062.

38. Prior-year adjustments (continued)

Property Plant and Equipment (Infrastructure Assets) - The comparative figure for accumulated depreciation was restated to take into account the effects of re-componentisation of Electricity and Roads Infrastructure. The effect of the correction on the balance for Property Plant and Equipment: R 50,932,430. Furthermore corrections were done pertaining to an overstatement of Electricity Accumulated Depreciation. Effect: R 38,161. The total net effect on the Infrastructure line item is: R 50,970,591.

Property Plant and Equipment (Work-in-progress) - The comparative figure for Work-in-Progress relating the the Integrated National Electrification Programme was re-instated, as the expenditure was incorrectly de-recognised in the prior financial years. The effect of the correction on the balance for Property Plant and Equipment: R 12,864,920.

Property Plant and Equipment (Park facilities) - The comparative corrections were done pertaining to an overstatement of Accumulated Depreciation. The effect of the correction on the balance on Property Plant and Equipment: R 37,958.

Investment Property - The comparative figure for Investment Property was restated to take into account the recognition of a disposal of property in the correct financial year. The effect of the correction: R 5,923,000.

Notes to the Annual Financial Statements

38. Prior-year adjustments (continued)

Statement of Financial Performance

30 June 2021

	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions (Other revenue)		647 756	(6 284)	641 472
Revenue from exchange (Rental of Facilities and Equipment)		1 106 270	(20 281)	1 085 989
Interest earned on Outstanding debtors		3 039 596	(75 515)	2 964 081
Bad debts written off		(3 430 706)	659 600	(2 771 106)
Debt Impairment		(1 876 315)	383 481	(1 492 834)
Loss on disposal of assets		(2 037 857)	(1 030 048)	(3 067 905)
Depreciation		(40 712 977)	20 262 080	(20 450 897)
Grant expenditure		(1 967 222)	1 967 222	-
Surplus for the period		(11 379 120)	(22 140 255)	(33 519 375)
		(56 610 575)	**-**	**(56 610 575)**

Revenue from exchange transactions (Other Revenue) - The comparative figure was restated to take into account journals processed on the Debtor's Sub-ledger and not taken into in the final Annual Financial Statements. These journals related to Insurance refunds. Net effect on surplus for the period: R 6,284.

Revenue from exchange transactions (Rental of Facilities and Equipment) - The comparative figure was restated to take into account correction of errors relating to incorrect billing for Property Rental. Net effect on surplus for the period: R -20,281.

Interest earned on outstanding Debtors - The comparative figure was restated to take into account correction of billing errors relating to Property Rental and Property Rates. Net effect on surplus for the period: R -75,515.

Bad debts written off - The comparative figure was restated to take into account correction of errors relating to write-offs of capital and interest for Property Rates in the prior financial year. Net effect on surplus for the period: R 659,600.

Loss on disposal of assets - The comparative figure was restated to take into account the disposal of assets, not previously accounted for, for the following asset classes: Computer Equipment, Plant and Equipment, Maintenance Equipment, Minor Equipment, Motor Vehicles, Other Equipment & Security Equipment. Net effect of the restatement: R 1,030,048 increase.

Depreciation - The comparative figure was restated to take into account additions to Buildings and disposals of assets not taken into account in the prior financial year. In addition, Accumulated Depreciation was adjusted to take into account the effects of re-componentisation of Electricity and Roads Infrastructure and the overstatement of depreciation relating to Electricity Infrastructure and Park facilities. Net effect on depreciation: R 20,262,080.

Debt Impairment - Based on adjustments to Receivables from exchange and Receivables from non-exchange transactions, the debt impairment charge was re-assessed and restated. The net effect of the adjustments is a decrease of -R 383,481.

Grant expenditure - Based on adjustments relating to Work-in-Progress expenditure for the Integrated National Electrification Programme, grant expenditure was de-recognised as it was incorrectly raised in the prior financial year. The net effect of the adjustments is a decrease of -R 1,967,222.

Notes to the Annual Financial Statements

38. Prior-year adjustments (continued)

Cash flow statement

2021 - Cash Flow Statement

	Note	As previously reported	Correction of error	Restated
Cash Flows from operating activities				
Billed Services		38 106 647	1 893 380	40 000 027
Government Grants		131 779 389	-	131 779 389
Interest Revenue		1 901 199	-	1 901 199
Receipts from other services		3 693 267	(6 284)	3 686 983
Cash paid to suppliers for goods and services		(32 919 070)	266 636	(32 652 434)
Payments to and on behalf of employees and councillors		(83 785 370)	-	(83 785 370)
		58 776 062	**2 153 732**	**60 929 794**
Cash flow from investing activities				
Purchase of Property, Plant and Equipment		21 611 419	2 153 732	23 765 151
Cash generated from operating activities				
Surplus for the year		11 379 120	22 140 256	33 519 376
Depreciation and Amortisation		40 712 977	(20 262 080)	20 450 897
Debt Impairment		-	1 492 834	1 492 834
Gain on sale of assets and liabilities		2 037 857	1 030 050	3 067 907
Bad debts written off		-	2 771 106	2 771 106
Movements in operating lease assets and accruals		(641 402)	(2 288)	(643 690)
Movement in provision		771 241	(13 215)	758 026
Movement in retirement benefit assets and liabilities		-	(28 000)	(28 000)
VAT receivable		(406 186)	(3 387)	(409 573)
Receivables from exchange transactions		(385 806)	1 856 060	1 470 254
Receivables from non-exchange transactions		(73 777)	(7 241 790)	(7 315 567)
Payables from exchange transactions		5 874 500	(1 942 587)	3 931 913
Payables from non-exchange transactions		(492 462)	170 163	(322 299)
Unspent conditional grants and receipts		-	2 186 610	2 186 610
		58 776 062	**2 153 732**	**60 929 794**

The amounts per the comparative figures for the Cash Flow Statement were restated as a result of various prior year adjustments effected for items per the statement of financial performance and statement of financial position as indicated above. In addition to incorrect amounts used in the prior year cash flow statements and the calculation was therefore reperformed.

39. Risk management

Financial risk management

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

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

39. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

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 instruments exposed to credit risk at year end were as follows:

Financial instrument	30 June 2022	30 June 2021
Receivables from exchange transactions	2 011 428	1 515 332
Receivables from non-exchange transactions	17 674 421	18 152 683
Cash and cash equivalents	56 979 297	58 841 329
Payables from exchange transactions	20 309 900	18 074 916
Payables from non-exchange transactions	2 652 077	1 057 840
Unspent conditional grants and receipts	-	10 931 632

Market risk

Interest rate risk

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

There is no impact on other market risks.

40. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 384 559 883 and that the municipality's total liabilities do not exceed its assets.

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.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

41. Events after the reporting date

The following adjusting events were noted after the reporting date:

- Council approval for the write off of Irregular expenditure was obtained after the reporting date, but before the Annual Financial Statements were authorised for issue. The investigations on the expenditure items were concluded by MPAC before the financial year end. The financial effect of the approval on Irregular expenditure balance is R - 24,314,596.
- Council approval for the write off of Unauthorised expenditure was obtained after the reporting date, but before the Annual Financial Statements were authorised for issue.The investigations on the expenditure items were concluded by MPAC before the financial year end. The financial effect on the Unauthorised expenditure balance is R - 28,830,771.
- Council approval for the write off of Fruitless and wasteful expenditure was obtained after the reporting date, but before the Annual Financial Statements were authorised for issue. The investigations on the expenditure items were concluded by MPAC before the financial year end. The financial effect of the approval on the Fruitless and wasteful expenditure balance of R -18,423.

42. Unauthorised expenditure

	2022	2021
Opening balance as previously reported	28 830 771	45 154 402
Opening balance as restated	**28 830 771**	**45 154 402**
Add: Unauthorised expenditure identified - current	-	18 394 190
Less: Approved/condoned/authorised by council	(28 830 771)	(34 717 821)
Closing balance	**-**	**28 830 771**

Unauthorised expenditure identified for the 20/21 financial year relates to depreciation - refer to the Statement of Comparison of Budget and Actual Amounts.

43. Fruitless and wasteful expenditure

	2022	2021
Opening balance as previously reported	549 114	532 481
Opening balance as restated	**549 114**	**532 481**
Add: Expenditure identified - current year	25 603	16 633
Add: Expenditure identified - prior period	12 085 013	-
Less: Amount written off - current	(18 423)	-
Closing balance	**12 641 307**	**549 114**

Fruitless and wasteful expenditure relates to interest from late payments of suppliers and cancelled travel and accommodation arrangements.

Fruitless and wasteful expenditure in the current year includes expenditure (VAT inclusive) incurred in prior financial years on projects relating to the Integrated National Electrification Programme. The assets were assessed for impairment in the current financial year due to non-completion of the projects by appointed service providers. The related matter has been referred to the South African Police Service (SAPS) for investigation.

44. Irregular expenditure

	2022	2021
Opening balance as previously reported	105 710 332	104 975 114
Opening balance as restated	**105 710 332**	**104 975 114**
Add: Irregular Expenditure - current	327 212	1 882 292
Less: Amount written off - current	(33 864)	(487 913)
Less: Amount written off - prior period	(24 280 732)	(659 161)
Closing balance	**81 722 948**	**105 710 332**

Figures in Rand	2022	2021

44. Irregular expenditure (continued)

Details of irregular expenditure:

Supply Chain Management Processes not followed in making awards	39 992	1 352 680
Expenditure in excess of contract amount	137 220	6 509
Remuneration of Senior Managers in excess of regulatory upper limits	-	523 103
Deviation criteria not met, identified during and paid after reporting date but before those AFS were authorised.	150 000	-
	327 212	**1 882 292**

45. Deviation from supply chain management regulations

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

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

Listed below are various circumstances where goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reason for these deviation from the normal supply chain management regulations.

Incidents		
Deviations due to emergency procurement	1 489 871	1 948 443
Deviations due to sole supplier procurement	1 483 289	907 143
Deviations due to the impracticality of following SCM processes	5 615 790	893 954
	8 588 950	**3 749 540**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

46. Contingencies

Contingencies arise from pending litigation on contractual disputes and damage claims. As the conclusion of the process is dependent on the setting of dates by the respective courts, the timing of the economic flows is therefore uncertain.

Contingent liabilities and assets

Contingent Liabilities

Contingent liabilities incurred are as follows:

Dlelanga Trading CC| A claim by Dlelanga Trading CC based on a dispute for services rendered| Case is still pending and awaiting set down in High Court	595 872	595 872
Moletsane Attorneys| Applicant demands payment for legal services rendered to the Municipality's former mayor|	-	300 000
EC Black Contractors Forum & 2 others - Case Number: 1080/2021| Notice of motion brought against Municipality in respect of a disregard of a court order dated 08 September 2020| Matter scheduled in High Cort for 15 September 2022 on opposed roll	1 542 870	150 000
EC Black Contractors Forum & 2 others - Case Number: 2476/2020| Tender awards set aside and cost order granted against Municipality| Matter scheduled in High Court for 15 September 2022 on opposed roll	-	250 000
Emthonjeni Art Centre| Tenant served with eviction notice| Cancellation and eviction of application being pursued in High Court	-	250 000
SAMWU obo L.Jack ECD122013& PR164/21|A review application was brought on behalf of the municipality on an award which was granted by the SALGBC in favour of an employee| Awaiting opposition from SAMWU to review supplementary affidavit	175 000	-
	2 313 742	**1 545 872**

Contingent assets

In 2020, Councillor MT Siwisa brought to an application alleging various bizarre, irregular and unlawful resolutions were taken by the council in the special council meetings held on 10 March 2020, 16 March 2020, 14 May 2020 & 29 May 2020. The application was dismissed in court with costs to be paid by the applicant. The contingent asset is estimated at R 150,000.

A claim was brought by the Municipality against Bathabile Construction (Simstone) for payments made to the company for the purchase of material for the Peddie paving project and goods were not delivered. The related contingent asset is estimated at R 4,100,000.

Litigation was brought on behalf of the municipality for the recovery of costs which were paid to the service provider (Vezokuhle Youth Development Project) for services not rendered. The related contingent asset is estimated at R 977,144.

Figures in Rand	2022	2021

47. Related parties

Related party balances

Amounts included in the Statement of Financial Position are the following regarding related parties:	2022	2021
Councillor Jowela (late) - unpaid salary	(4 461)	(4 461)
Councillor Moyeni (late) - tax liability	550	-
Mayor - backpay	(23 340)	-
Speaker - backpay	(22 047)	-
Exco - backpay	(36 010)	-
Other Councillors - backpay	(142 486)	-
	(227 794)	**(4 461)**

Included in the Statement of Financial Position are balances owing to councillors as per Government Gazette Nr. 11440, issued on 02 June 2022.

GRAP 20 requires a disclosure of related party transactions during the financial period of the financial statements as well as the nature of the related party relationship, the nature of the transactions and outstanding balances including commitments. However, those disclosures are not required for transactions which occurred in the normal course of business.

Further, the municipality is also required to disclose the remuneration of its management having the authority to direct the business of the municipality. Key management include the Mayor, Speaker, Mayoral Committee members, Councillors, Municipal Manager, Chief Financial Officer and the Directors. For the remuneration of key management and Councillors, refer to Notes 28 and 29 respectively.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2022	2021
Current year subscription / fee	882 285	750 778
Amount paid - current year	(882 285)	(750 778)
	-	-

Audit fees

	2022	2021
Current year subscription / fee	3 931 359	4 251 074
Amount paid - current year	(3 931 359)	(4 251 074)
	-	-

PAYE, SDL and UIF

	2022	2021
Current year subscription / fee	12 647 641	12 616 762
Amount paid - current year	(12 647 641)	(12 616 762)
	-	-

Pension and Medical Aid Deductions

	2022	2021
Current year subscription / fee	18 611 050	17 989 878
Amount paid - current year	(18 611 050)	(17 989 878)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

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

VAT

VAT receivable	3 615 838	2 200 304

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

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

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days as at 30 June 2022:

SCM Regulation 45 disclosure

In terms of the Municipal Supply Chain Management Regulation 45, the Municipality must disclose particulars of any award of more than R 2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months, including the name of the person, the capacity in which that person is in the service of the state, and the amount of the award. The following awards were made to entities with relationships with officials of the service of state (Municipality and other organisations):

Supplier Name	Name of official	Position	Relationship to entity directors	Amount
Andile SG Trading and Projects	Anelisa Boqwana	Budget Clerk	Spouse	3 186 604

49. Cash generated from operations

	2022	2021
(Deficit) surplus	(1 702 471)	33 519 376
Adjustments for:		
Depreciation and amortisation	17 136 976	20 450 897
Gain on sale of assets and liabilities	9 948 636	3 067 907
Impairment of assets	10 508 707	-
Debt impairment	373 563	1 492 834
Bad debts written off	-	2 771 106
Movements in operating lease assets and accruals	(622 971)	(643 690)
Movements in retirement benefit assets and liabilities	376 000	(28 000)
Movements in provisions	813 363	758 026
Changes in working capital:		
Receivables from exchange transactions	(625 808)	1 470 251
Receivables from non-exchange transactions	234 412	(7 315 567)
Payables from exchange transactions	2 234 984	3 931 913
VAT	(1 415 534)	(409 573)
Taxes and transfers payable (non-exchange)	1 594 237	(322 299)
Unspent conditional grants and receipts	(10 931 632)	2 186 610
	27 922 462	**60 929 791**

50. Segment information

General information

Identification of segments

For management purposes the Municipality is organised and operates in key functional (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenue and expenditure relating to these business units are allocated at a transactional level.

Management receives on a monthly basis a C schedule that provides actual amounts at that time per both department and function

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Community and public safety	Cleansing services, library services, community hall rental and recreation
Technical Services	Project management , road construction and maintenance

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

30 June 2022

	Community Services	Technical Services	Total
Revenue			
Revenue from non-exchange transactions	286 750	-	286 750
Revenue from exchange transactions	675 676	-	675 676
Total segment revenue	**962 426**	**-**	**962 426**
Entity's revenue			**962 426**
Expenditure			
Employee costs	25 596 889	10 821 707	36 418 596
Contracted services	811 018	419 496	1 230 514
General expenditure	1 428 698	101 493	1 530 191
Total segment expenditure	**27 836 605**	**11 342 696**	**39 179 301**
Total segmental surplus/(deficit)			**(38 216 875)**
Assets			
Segment assets	4 398 065	25 333 823	29 731 888
Total assets as per Statement of financial Position			**29 731 888**

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

30 June 2021

	Community Services	Technical Services	Total
Revenue			
Revenue from non-exchange transactions	123 150	-	123 150
Revenue from exchange transactions	724 567	-	724 567
Total segment revenue	**847 717**	**-**	**847 717**
Entity's revenue			**847 717**
Expenditure			
Employee costs	24 204 370	9 876 886	34 081 256
Contracted services	280 309	1 010 032	1 290 341
General expenditure	1 917 896	22 271	1 940 167
Total segment expenditure	**26 402 575**	**10 909 189**	**37 311 764**
Total segmental surplus/(deficit)			**(36 464 047)**
Assets			
Segment assets	6 612 343	26 033 845	32 646 188
Total assets as per Statement of financial Position			**32 646 188**
Liabilities			
Segment liabilities	-	(4 718 986)	(4 718 986)
Total liabilities as per Statement of financial Position			**(4 718 986)**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Notes to the Annual Financial Statements

50. Segment information (continued)

Information about geographical areas

The Municipality is not split into Geographical Segments as only operates within it's own Demarcated area within the Eastern Cape

Reconciliation of segment information to the Statement of Financial Performance

	30 June 2022	30 June 2021
Total segment revenue	(962 426)	(847 718)
Revenue from exchange transactions allocated to departments that do not meet the definition of a segment - Finance	(10 472 098)	(9 632 686)
Revenue from non-exchange transactions allocated to departments that do not meet the definition of a segment - Finance	(150 652 593)	(173 785 773)
Total Revenue per the Statement of Financial Performance	**(162 087 117)**	**(184 266 177)**

Reconciliation of segment expenditure to the Statement of Financial Performance	**30 June 2022**	**30 June 2021**
Total segment expenditure	39 179 302	37 311 763
Employee related cost	40 909 555	39 313 367
Remuneration of councillors	9 949 995	10 362 746
Depreciation and impairment	27 645 684	20 450 897
Finance costs	815 020	771 242
Bad debts written off	-	2 771 106
Debt impairment	373 563	1 492 834
Contracted services	6 234 337	8 034 220
General expenditure	28 733 497	27 170 721
Loss on disposal	9 948 636	3 067 904
Expenditure per Statement of Financial Performance	**163 789 589**	**150 746 800**

	30 June 2022	**30 June 2021**
Surplus/(deficit)	(1 702 471)	33 519 377

	30 June 2022	**30 June 2021**
Total Segment Assets	29 731 888	32 646 189
Assets not allocated to reportable segments	394 248 687	398 949 907
Total assets per statement of Financial Position	**423 980 575**	**431 596 096**

	30 June 2022	**30 June 2021**
Total Segment Liabilities	-	(4 718 986)
Liabilities not allocated to reportable segments	(39 420 692)	(40 614 756)
Total liabilities per statement of Financial Position	**(39 420 692)**	**(45 333 742)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

51. Statutory Receivables

Property Rates		
Property Rates	9 319 675	13 170 569
Interest on Property Rates	9 097 349	7 156 890
Impairment on Property Rates	(7 412 041)	(7 277 440)
	11 004 983	**13 050 019**
VAT Receivables		
Vat Receivables	3 615 838	2 200 304
Other receivables		
Traffic Fines	2 462 566	2 221 991
Impairment on Traffic Fines	(2 221 991)	(2 112 741)
	240 575	**109 250**
Total Statutory Receivables		
Gross	24 495 428	24 749 754
Impairment	(9 634 032)	(9 390 181)
	14 861 396	**15 359 573**

52. Accounting by principals and agents

The Municipality is a party to principal-agent agreements as follows:

The Department of Transport is responsible for registration, licensing and testing functions in terms of the applicable national and provincial road traffic legislation. The Municipality and the Department of Transport entered into an agreement for the transfer of registration and licensing of motor vehicles functions, wherein the Municipality will be entitled to the collection fee of 19%, including VAT for all fees collected in terms of the agreement entered into.

No resources were held on behalf of the principals.

No liabilities have been incurred on behalf of the principals.

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the Department of Transport is R 400,805 (30 June 2021: R 418 241).

Figures in Rand	2022	2021

53. Financial instruments disclosure

Categories of financial instruments

30 June 2022

Financial assets

	At amortised cost	Total
Operating lease asset	2 261 454	2 261 454
Receivables from exchange transactions	2 011 428	2 011 428
Receivables from non-exchange transactions	7 502 989	7 502 989
Cash and cash equivalents	56 979 297	56 979 297
	68 755 168	**68 755 168**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	(20 309 900)	(20 309 900)
Payables from non-exchange transactions	(2 652 077)	(2 652 077)
	(22 961 977)	**(22 961 977)**

30 June 2021

Financial assets

	At amortised cost	Total
Operating lease asset	1 638 479	1 638 479
Receivables from exchange transactions	1 515 332	1 515 332
Receivables from non-exchange transactions	4 993 414	4 993 414
Cash and cash equivalents	58 841 329	58 841 329
	66 988 554	**66 988 554**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	(18 074 916)	(18 074 916)
Payables from non-exchange transactions	(1 057 840)	(1 057 840)
Unspent conditional grants	(10 931 632)	(10 931 632)
	(30 064 388)	**(30 064 388)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

54. Budget differences

Material differences between budget and actual amounts - Statement of Financial Performance

54.1. Service Charges - 5% under budgeted - Variance not material.

54.2. Rental of facilities and equipment - 53% under budgeted - Increase/escalation in lease contracts and lease rentals.

54.3. Agency fee - 31% over budgeted - Under collection due to introduction of online vehicle registration.

54.4. Licences and Permits: 19% over budgeted - Under collection due to the introduction of online learners license testing.

54.5. Other Revenue - 89% over budgeted - No revenue relating to Amathole District Municipality.

54.6. Interest earned: Outstanding Debtors - 51% over budgeted - Variance due to increase on collection and reversal of interest.

54.7. Interest - investments - 51% over budgeted - Investments were made in the mid-year during the financial period.

54.8. Property Rates - 38% over-budgeted - The variance is due to decrease in rates tariffs for government properties.

54.99. Government Grants - 0% - Not applicable.

54.10. Fines and Penalties - 56% over budgeted - The variance is due to under-collection of outstanding traffic fines.

54.11. Other transfer revenue - 10% over budgeted - Less allocations were received during the year than anticipated.

54.12. Employee related costs - 4% under budgeted - Variance is not material.

54.13. Remuneration of councillors - 8% under budgeted - Variance is not material.

54.14. Depreciation and amortisation - 60% over budgeted - Re-componentisation of infrastructure assets resulted in a lower than expected depreciation charge for the year.

54.15. Impairment of assets - 100% - The variance is due to the assessment of the condition of INEP assets and completeness of projects related to INEP performed during the financial year, which was not taken into account during the budgeting process.

54.16. Finance charges - 100% - Not budgeted for.

54.17. Debt impairment - 91% over budgeted - Levels of impairment less than budgeted for.

54.18. Contracted services - 71% - over budgeted - Less than expected expenditure relating to maintenance of PPE.

54.19. General expenditure - 51% - over budgeted - The variance is as result of decrease in the use of consultants and implementation of cost containment measures.

54.20. Loss on disposal and revaluation of assets - 100% - Not budgeted for.

Material differences between budget and actual amounts - Statement of Financial Position

54.21. Inventory - 0% - Not applicable

54.22. Operating lease asset - 38% under budgeted - The variance is due to the commencement of new lease agreements towards to end of the previous financial year and the current financial year and the full effect of the straight-lining of operating leases not taken into account during the budgeting process.

54.23. Receivables from Non-exchange transactions - 28% under budgeted - The variance occurred due to the budget that was prepared based on the estimated decrease on rates tariffs for government properties

54.24. VAT receivable - 100% - Not budgeted for

Figures in Rand	2022	2021

54. Budget differences (continued)

54.25. Receivables from exchange transactions - 34% under budgeted - The variance occurred due to the additional lease rentals

54.26. Cash and cash equivalents - 28% under budgeted - Better than expected results from strong cash management and expenditure control processes

54.27. Investment property - 32% over-budgeted - The variance is due to the revaluation of Investment Property.

54.28. Property, Plant and Equipment - 11% under-budgeted - Less than anticipated additions to Property, Plant and equipment

54.29. Payables from exchange transactions - 194% under budgeted - the variance is a result of increase in trade payables and retentions not released at year end.

54.30. Payables from non-exchange transactions - 100% not budgeted for.

54.31. Employee Benefit Obligation (short-term) - 100% not budgeted for.

54.32. Provisions (short-term) - 100% - no short term portion in the financial statements.

54.33. Employee Benefit Obligation (long-term) - 100% not budgeted for.

54.34. Provisions (long term) - 14% over - budgeted - change in discount factor calculation delivered a lesser than expected change in the provision liability.

Material differences between budget and actual amounts - Cash Flow Statement

54.35. Billed Services - 15% over-budgeted - Due to a decrease in Property Rates billing.

54.36. Government Grants - 1% - Variance is not considered material.

54.37. Interest income - 35% under budgeted - The variance is due to better than expected results from strong cash management and investment decisions.

54.38. Receipts from other revenue - 55% over budgeted - Due to a decrease in expected revenue from other services (licences and permits and other revenue).

54.39. Payments (Suppliers and Employees) - 2% - Variance is not considered material.

54.40. Purchase of PPE - 20% over budgeted - Less additions to PPE than anticipated.

54.41. Proceeds from the sale of PPE and Investment Property - 100% under budgeted - The revaluation on Investment Property and disposal of Land items were not budgeted for..

54.42. Net decrease in cash and cash equivalents - 23% over-budgeted - Taking into account the proportion of investing activities to operating activities per actual amounts are greater than the budgeted amounts, the net decrease in cash and cash equivalents is greater than budgeted.

54.43. Cash and cash equivalents at the beginning of the year - 28% under-budgeted - The final closing balances for cash and cash equivalents for the prior financial year not taken into account during the budgeting process.