ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021

The reports and statements set out below comprise the Annual Financial Statements presented to the council:

Index

General Information

Legal form of Entity	Intsika Yethu Municipality is a South African Category B Municipality (Local municipality) as defined by the Municipal Structures Act, 1998 (Act No. 117 of 1998). The municipality's operations are governed by the: - Municipal Finance Management Act, 2003 (Act No. 56 of 2003); - Municipal Systems Act of 2000; and - Various other Acts and Regulations.
Executive Committee	
Honorable Mayor	Bongani Mpengesi
Councillors	Khanyiswa Florence Mdleleni - Speaker of the Council Myolisi Toni - Chief Whip Cengani Jongumzi (Resigned) Saziso Myataza - Portfolio Head {LED} Wonga Dunjwa - Portfolio Head (Budget & Treasury) Noloyiso Dube - Portfolio Head (Planning & Dev. Services) Azipheli Tshangana Nkota - Portfolio Head (Community Services) Noloyiso Ntsaluba - Portfolio Head (Corporate Services) Zukiswa Qayiya - Portfolio Head (Infrastructure) Bongani Divilias Mpengesi - Portfolio Head (Governance & Admin) Zweloxolo Mxi - MPAC Chairperson Zonwabele S. Matshikiza Kholiswa Kolanisi - Womens Caucus Committee Chairperson Zoliswa Pomolo Pumelele Magazi Lulama Mvo Nobom Bani Monwabisi Zulu Sizwe Tame Sheilla Nomapha. Lupuzi Wanda Elliot Vani Neliswa Portia Gadeni Melekile Skotana - Public Participation Committee Chairperson Manyewu Shasha - Rules & Ethics Committee Chairperson Andile Yamile Horatius Khayalethu Mnqojana Nophelo Magaga Nozuko Sygnoria Mafanya Monde Armon Mbotshana Mwezi Innocent Bikitsha Nkosinathi General Mnqanqeni Vuyokazi Gladys Matomela Siphiwo Mkunyana (Resigned) Nosakhele Sonkosi (Replaced Mkunyana) Malibongwe Gulubela Albertinah Nokwetu Rotyi Noloyiso Mto Hegail Nollinset Ntonintshi Mayenzeke Yamile Nokaya Monica Ludaka Ncedeka Terezabeth Mgqamqho Lusanda Makade Minqweno Songelwa Yanga Zicina Mgudlwa T Nomtshongwana T

General Information (Continued)

Grading of Local Authority	Grade 3
Accounting Officer (Acting)	Mr K.Maceba
Chief Finance Officer (CFO)	Ms B. Bavu-Ncoyini
Main Office	ERF. 201 Main Street Cofimvaba 5380
Satellite Office	ERF. 72 Main Street Tsomo 5400
Postal Address	Private Bag X 1251 Cofimvaba 5380
Telephone Number	(047) 874 8700
Facsimile Number	(047) 874 0010
Auditors	Auditor-General of South Africa (Registered Auditors)
Bankers Information	First National Bank
Attorneys Information	Zilwa Attorneys

Approval of Annual Financial Statements

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 auditor is 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

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 2021, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 7 to 103, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed by him:

K Maceba
Acting Municipal Manager

31-Aug-21
Date

These Financial Statements have not been audited

INTSIKA YETHU MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Note	Actual 2021 R	2020 Restated R
ASSETS			
Current Assets		**88 025 758**	**61 773 578**
Inventories	2	14 791 598	14 439 795
Receivables from Exchange Transactions	3	2 661 188	1 964 149
Statutory Receivables from Non-exchange Transactions	4	3 319 372	4 963 081
Receivables from Non-Exchange Transactions	5	3 221 312	3 221 312
VAT Receivable	6	1 685 799	2 728 285
Cash and Cash Equivalents	7	62 217 628	34 343 510
Operating Lease Receivables	8	128 861	113 445
Non-Current Assets		**664 181 857**	**636 923 376**
Property, Plant and Equipment	9	558 038 227	530 161 167
Investment Property	10	106 143 630	106 762 209
Total Assets		**752 207 615**	**698 696 953**
LIABILITIES			
Current Liabilities		**39 529 786**	**36 646 967**
Consumer Deposits	11	3 306 600	3 251 218
Provisions	12	2 629 333	1 847 843
Payables from Exchange Transactions	13	28 634 505	22 609 374
Payables from Non-exchange Transactions	14	653 281	162 688
Unspent Conditional Grants and Receipts	15	4 306 067	8 775 844
Non-Current Liabilities		**16 293 992**	**13 683 908**
Employee Benefit Liabilities	16	13 933 000	11 446 000
Non-current Provisions	17	2 360 992	2 237 908
Total Liabilities		**55 823 779**	**50 330 875**
Total Assets and Liabilities		**696 383 837**	**648 366 079**
NET ASSETS		**696 383 837**	**648 366 079**
Accumulated Surplus / (Deficit)	18	696 383 837	648 366 079
Total Net Assets		**696 383 837**	**648 366 079**

INTSIKA YETHU MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Note	Actual 2021 R	2020 Restated R
REVENUE			
Revenue from Non-exchange Transactions		**288 947 178**	**225 679 187**
Property Rates	**19**	10 523 848	10 285 911
Fines, Penalties and Forfeits	**20**	173 213	633 720
Licences and Permits	**21**	131 501	174 924
Transfers and Subsidies	**22**	276 105 125	212 424 378
Interest, Dividends and Rent on Land Earned	**27**	2 013 491	2 160 255
Revenue from Exchange Transactions		**9 020 137**	**8 337 376**
Licences and Permits	**21**	2 762 005	1 591 630
Service Charges	**23**	1 259 409	1 126 062
Sales of Goods and Rendering of Services	**24**	181 794	200 016
Income from Agency Services	**25**	1 040 159	874 772
Rental from Fixed Assets	**26**	1 022 828	1 145 705
Interest, Dividends and Rent on Land Earned	**27**	2 753 941	3 399 192
Total Revenue		**297 967 314**	**234 016 563**
EXPENDITURE		**249 949 557**	**223 021 461**
Employee Related Costs	**28**	131 631 470	117 974 508
Remuneration of Councillors	**29**	17 354 131	17 576 884
Depreciation and Amortisation	**30**	32 894 652	30 935 055
Impairment Losses	**31**	7 379 468	12 150 273
Contracted Services	**32**	15 817 478	7 824 091
Inventory Consumed	**33**	1 339 073	3 803 107
Transfers and Subsidies Paid	**34**	5 931 090	5 312 977
Operational Costs	**35**	28 545 809	22 350 384
Loss on Disposal of Property, Plant and Equipment	**36**	9 056 384	5 094 182
Total Expenditure		**249 949 557**	**223 021 461**
SURPLUS / (DEFICIT) FOR THE YEAR		**48 017 758**	**10 995 102**

Refer to Budget Statement for explanation of budget variances

INTSIKA YETHU MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R
2020		
Balance at 30 June 2019	647 053 966	647 053 966
Correction of Error (Note 39)	(9 682 991)	(9 682 991)
Restated Balance	**637 370 975**	**637 370 975**
Surplus / (Deficit) as per prior 2018/19 AFS	*33 137 614*	*33 137 614*
Correction of Error (Note 39)	*(22 142 511)*	*(22 142 511)*
Balance at 30 June 2020	**648 366 078**	**648 366 078**
2021		
Surplus / (Deficit) for the year	48 017 758	48 017 758
Balance at 30 June 2021	**696 383 836**	**696 383 836**

INTSIKA YETHU MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Actual	
	2021	**2020**
	R	**R**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Property Rates	8 519 523	7 033 993
Transfers and Subsidies	271 635 348	221 200 222
Service Charges	454 126	(107 841)
External Interest and Dividends Received	1 874 285	3 102 462
Other Receipts	5 086 811	4 136 393
VAT Received	1 042 486	2 712 076
Payments		
Employee Related Costs	(125 911 842)	(111 682 082)
Remuneration of Councillors	(17 354 131)	(17 576 884)
Suppliers Paid	(14 399 749)	(20 295 594)
Other Payments	(33 863 221)	(27 343 246)
VAT Paid	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	**97 083 636**	**61 179 499**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(69 209 518)	(46 067 074)
Proceeds/Loss on Disposal of Property, Plant and Equipment	-	(86 895)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(69 209 518)**	**(46 153 969)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**27 874 118**	**15 025 531**
Cash and Cash Equivalents at Beginning of Period	34 343 510	19 317 979
Cash and Cash Equivalents at End of Period	62 217 628	34 343 510

INTSIKA YETHU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL POSITION								
Current Assets								
Inventories	50 336 929	-	50 336 929	14 791 598	-	(35 545 331)	29.39	29.39
Receivables from Exchange Transactions	8 700 000	21 300 000	30 000 000	2 661 188	-	(27 338 812)	23.55	30.59
Receivables from Non-exchange Transactions	9 191 000	6 309 000	15 500 000	3 319 372	-	(12 180 628)	12.35	36.12
VAT Receivable	-	-	-	1 685 799	-	1 685 799	0.00	0.00
Cash and Cash Equivalents	116 194 000	(24 735 295)	91 458 705	62 217 628	-	(29 241 077)	131.17	53.55
Operating Lease Receivables	-	130 000	130 000	128 861	-	(1 139)	0.00	0.00
Non-Current Assets								
Property, Plant and Equipment	584 898 000	40 829 000	625 727 000	558 038 227	-	(67 688 773)	89.18	95.41
Intangible Assets	-	-	-	-	-	-	0.00	0.00
Investment Property	67 512 000	-	67 512 000	106 143 630	-	38 631 630	157.22	157.22
Heritage Assets	-	-	-	-	-	-	0.00	0.00
Total Assets	836 831 929	43 832 705	880 664 634	748 986 304	-	(131 678 330)	90.33	89.50
Current Liabilities								
Consumer Deposits	-	6 000 000	6 000 000	3 306 600	-	(2 693 400)	0.00	0.00
Provisions	784 000	2 216 000	3 000 000	2 629 333	-	(370 667)	335.37	335.37
Payables from Exchange Transactions	11 732 000	13 268 000	25 000 000	28 634 505	-	3 634 505	206.46	244.07
Payables from Non-exchange Transactions		700 000	700 000	653 281	-	(46 719)	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	4 306 067	-	4 306 067	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	0.00	0.00
Non-Current Liabilities								
Employee Benefit Liabilities	-	9 000 000	9 000 000	13 933 000	-	4 933 000	0.00	0.00
Non-current Provisions	12 057 000	(9 557 000)	2 500 000	2 360 992	-	(139 008)	19.58	19.58
Total Liabilities	24 573 000	21 627 000	46 200 000	55 823 779	-	9 623 779	209.00	227.18
Total Assets and Liabilities	812 258 929	22 205 705	834 464 634	693 162 525	-	(141 302 109)	86.38	85.34
Net Assets (Equity)								
Reserves	6 061 000	984 000	7 045 000	-	-	(7 045 000)	0.00	0.00
Accumulated Surplus / (Deficit)	795 303 000	(83 457 000)	711 846 000	696 383 837	-	(99 055 163)	87.55	87.56
Total Net Assets	801 364 000	(82 473 000)	718 891 000	696 383 837	-	(106 100 163)	86.78	86.90

INTSIKA YETHU MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

Due to a prior year error of recognising buildings which did not belong to the municipality, the budget was overstated however the correction has been made in the current year to remove the building which does not belong to the municipality

Receivables from Exchange Transactions:

The variance is within the acceptable 10% therefore acceptable even though it indicates high debt which is owed to the municipality

Receivables from Non-exchange Transactions:

The varience is as a result of a debtors raised for the over payment to services providers which recovering has not taken place yet.

VAT Receivable:

The budget reflects amount due to the Municipality from SARS refunds which includes the VAT receivable as part of Receivables from Exchange 1

Cash and Cash Equivalents:

Low collection from the municipal debtors as well as cashflows which were anticipated to be received after council approved an incentive scheme for debtors to participate from however there was less inflow after that.

Operating Lease Reveivables:

NT Budget Template not aligned to GRAP and does not provide for Operating Lease Receivables.

Current Portion of Long-term Receivables:

Budgeted for under Long-term Portion of Long-term Receivables.

Long-term Receivables:

The variance is due to the outcome from the actuarial valuation which is based on the fair value method of calculation.

Consumer Deposits:

The variance is due to the outcome from the actuarial valuation which is based on the fair value method of calculation.

Provisions:

The variance is due to the budget amount being included under trade payables.

Payables from Exchange Transactions:

The variance is due to the expenditure amount which excludes provisions.

Unspent Conditional Grants and Receipts:

The variance is due to the fact that the municipality did not anticipate that will be having the unspent grant. The reason for unspent is as a result of COVID-19

Current Portion of Long-term Liabilities:

The variance is due to the budget amount being included under trade payables.

Retirement Benefit Liabilities:

The increase is as a result increased staff who are provided for retirement benefit

INTSIKA YETHU MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	9 700 000	- 791 000	8 909 000	10 523 848		- 1 614 848	118.13	108.49
Fines, Penalties and Forfeits	935 931	- 53 211	882 720	173 213		709 507	19.62	18.51
Licences and Permits	1 500 000	-	1 500 000	131 501		1 368 499	8.77	8.77
Transfers and Subsidies	233 707 000	45 883 000	279 590 000	276 105 125		3 484 875	98.75	118.14
Interest, Dividends and Rent on Land Earned	1 060 000	- 60 000	1 000 000	2 013 491		- 1 013 491	201.35	0.00
Revenue from Exchange Transactions								
Licences and Permits	2 000 000	-	2 000 000	2 762 005		- 762 005	138.10	138.10
Service Charges	2 600 000	- 1 100 000	1 500 000	1 259 409		240 591	83.96	0.00
Sales of Goods and Rendering of Services	1 552 067	-	1 552 067	181 794		1 370 273	11.71	11.71
Income from Agency Services	1 060 000	-	1 060 000	1 040 159		19 841	98.13	98.13
Rental from Fixed Assets	1 867 000	-	1 867 000	1 022 828		844 172	54.78	54.78
Interest, Dividends and Rent on Land Earned	3 710 000	-	3 710 000	2 753 941		956 059	74.23	74.23
Operational Revenue	12 697 933	- 13 000	12 684 933	-		12 684 933	0.00	0.00
Gains on Other Operations	240 000	-	240 000	-		-	0.00	0.00
Total Revenue	272 629 931	43 865 789	316 495 720	297 967 314	-	- 36 510 261	113.96	109.29
						-		
Expenditure						-		
Employee Related Costs	133 000 000	-	133 000 000	131 631 470	-	1 368 530	98.97	98.97
Remuneration of Councillors	17 329 903	-	17 329 903	17 354 131	24 228	- 24 228	100.14	100.14
Depreciation and Amortisation	28 500 000	-	28 500 000	32 894 652	4 394 652	- 4 394 652	115.42	115.42
Impairment Losses	641 132	458 868	1 100 000	7 379 468	6 279 468	- 6 279 468	670.86	1 151.01
Contracted Services	12 393 886	4 229 391	16 623 277	15 817 478	-	805 799	95.15	127.62
Inventory Consumed	7 436 117	- 2 936 117	4 500 000	1 339 073	-	3 160 927	29.76	18.01
Transfers and Subsidies Paid	4 596 325	1 003 675	5 600 000	5 931 090	331 090	- 331 090	105.91	129.04
Operating Leases	-	-	-	-	-	-	0.00	0.00
Operational Costs	27 443 000	-	27 443 000	28 545 809	1 102 809	- 1 102 809	104.02	104.02
Loss on Disposal of Property, Plant and Equipment	100 000	-	100 000	9 056 384	8 956 384	- 8 956 384	9 056.38	0.00
						-		
Total Expenditure	231 440 363	2 755 817	234 196 180	249 949 557	21 088 632	- 15 753 377	106.73	108.00
						-		
Surplus/(Deficit for the Year	41 189 568	41 109 972	82 299 540	48 017 758	(21 088 632)	(20 756 885)	115.94	116.58

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates:

The variance is due to the implementation of the increase of tariff for the period under review.

Fines, Penalties and Forfeits:

The over collection was due to businesses that deviated to the COVID 19 pandemic and were fined.

Licences and Permits:

The over collection was due to many businesses who initally had no licence however during the lockdown period for every business to open they were required to be provided with licence of face jail time if they contravened the law.

Interest, Dividends and Rent on Land Earned:

Interest is based on the outstanding debtors which have increase due to non payment by debtors as well as the interest accrued due to the municipalities investment which has been according to what the municipality budgeted for. There is no significant variance as the budget was R4,7m and the collection also the same

Service Charges:

The Municipality has billed as per anticipated billing for the year under review as such the variance is below 10%

Sales of Goods and Rendering of Services:

Due to COVID 19 pandemic declared by the President, the Municipality experienced loss of revenue.

Rental from Fixed Assets:

Rental is at averate low due to less rentals being used such as municipal plant due to the decline in the economy.

Gains on Disposal of Property, Plant and Equipment:

There was loss of disposal due to Council writing off of scrap assets and removing assets which were found in the AR however they did not belong to the municipality.

Contracted Services:

Savings realised through strict adherence to belt tightening measures and COVID19 resulting in reduction in expenditure and adherence cost containment regulations. Repairs and Maintenance Budget is included under Contracted Services.

Inventory Consumed:

Inventory consumed is within the municipalities anticipated spending as such it within 10% acceptable range

INTSIKA YETHU MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW								
Cash Flows from/(used in) Operating Activities								
Property Rates	7 760 000	-	7 760 000	8 519 523		2 214 523	135.12	109.79
Transfers and Subsidies	233 707 000	63 517 000	297 224 000	271 635 348		(7 901 652)	97.17	116.23
External Interest and Dividends Received	4 710 000	-	4 710 000	1 874 285		(8 125 715)	18.74	39.79
Other Receipts	7 253 000	(596 000)	6 657 000	5 086 811		(866 189)	85.45	70.13
VAT Receivable / Payable	-	-	-	1 042 486		1 042 486	0.00	0.00
Employee Related Costs	(135 000 000)	-	(135 000 000)	(125 911 842)		76 595 158	0.00	0.00
Remuneration of Councillors	(17 500 000)	-	(17 500 000)	(17 354 131)		(17 354 131)	0.00	0.00
Suppliers Paid	(19 500 000)	-	(19 500 000)	(14 399 749)		(14 399 749)	0.00	0.00
Other Payments	(20 904 000)	1 004 000	(19 900 000)	(33 863 221)		(33 863 221)	0.00	0.00
VAT Receivable / Payable	(2 000 000)	-	(2 000 000)	-		-	0.00	0.00
Cash Flows from/(used in) Investing Activities								
Purchase of Property, Plant and Equipment	(82 471 000)	-	(82 471 000)	(69 209 518)		13 261 482	0.00	0.00
Purchase of Intangible Assets	-	-	-	-		-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	240 000	-	240 000	-		-	0.00	0.00
Cash Flows from/(used in) Financing Activities								
Proceeds from Borrowings	-	-	-	-		-	0.00	0.00
Repayment of Borrowings	-	-	-	-		-	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	**(23 705 000)**	**63 925 000**	**40 220 000**	**27 419 992**	**-**	**10 602 992**	**161.89**	**0.00**

INTSIKA YETHU MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Cash Flow Statement: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Cash flow are explained below:

Property Rates:
The variance is due to the implementation of the increase of tariff for the period under review.

Transfers and Subsidies:
Projects from 2016/17 roll-overs included.

Service Charges:
Budget not aligned to GRAP requirements

External Interest and Dividends Received:
Interest is based on the outstanding debtors which have increase due to non payment by debtors as well as the interest accrued due to the municipalities investment which has been according to what the municipality budgeted for. The variance is due to the fact that the municipality budgeted on the basis of actuals for previous year.

Other Receipts:
Income from other receipts was lower than anticipated.

Employee Related Costs:
The material variance is due to non- implemetation of increment for the managers

Remuneration of Councillors:
The variance is due to increase in councillor upper limits.

External Interest and Dividends Paid:
Over budgeted for external interest paid as interest on DBSA loan was lower than expected.

Suppliers Paid:
Savings realised through strict adherence to belt tightening measures and COVID19 resulting in reduction in expenditure and adherence cost containment regulations.

Other Payments:
NT Budget Template not aligned to GRAP requirements

VAT Receivable / Payable:
NT Budget Template not aligned to GRAP requirements - Employee Costs and Councillor Remuneration above included in Suppliers Paid.

Purchase of Property, Plant and Equipment:
The variance is due to the plant and machinery that was purchased which got delayed due to COVID 19 and anticipated to be delivered in August 2021, that resulted to funds to be rolled over to 21/22 fy

Purchase of Intangible Assets:
Purchase of Property, Plant and Equipment .

Purchase of Investment Property:
Nt Budget Template not aligned to GRAP requirements .

Proceeds on Disposal of Property, Plant and Equipment:
The auctions and SCM processes did not deliver the desired returns as anticipated with the disposal of assets.

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).

The Statement of Financial Performance has been prepared using the Nature of Expense Method. The Cash Flow Statement has been prepared using the Direct Method.

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.

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

GRAP 1 -Presentation if Financial Statement
GRAP 2 - Cash Flow Statement
GRAP 3 -Accounting Policies, Change in Accounting Estimates and Errors
GRAP 4 - The Effect of Changes in Foreign Exchange Rates
GRAP 5 - Borrowing Cost
GRAP 9 - Revenue from Exchange Transaction
GRAP 10 - Financial Reporting in Hyper inflationary Economies
GRAP 11 - Construction Contracts
GRAP12 - Inventories
GRAP 13 - Leases
GRAP 14 - Events after the Reporting Date
GRAP 16 - Investment Property
GRAP 17 - Property, Plant and Equipment
GRAP 18 - Segmental Reporting
GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 - Related Party Disclosures
GRAP 21 - Impairment of Non-cash-generating Assets
GRAP 23 -Revenue from Non-exchange Transaction
GRAP 24 - Presentation of Budget Information in Financial Statements
GRAP 25 - Employee Benefits
GRAP 26 - Impairment of Cash-generating Assets
GRAP 27 - Agriculture
GRAP 31 - Intangible Assets
GRAP 32 - Service Concession Arrangement Grantor
GRAP 34 - Seperate Financial Statements — Replaced GRAP 6
GRAP 35 - Consolidated FInancial Statements — Replaced GRAP 6
GRAP 36 - Investments in Associates and Joint Ventures — Replaced GRAP 7
GRAP 37 - Joint Arrangements — Replaced GRAP 8
GRAP 38 - Disclosure of Interests in Other Entities — Replaced GRAP 8
GRAP 100 -Discontinued Operations
GRAP 104 -Financial Instrument
GRAP 105 -Transfer of Function between Entities under Common Control
GRAP 106 -Transfer of Function between Entities Not Under Common Control
GRAP 107 - Mergers
GRAP 108 - Statutory Receivables
GRAP 109 - Accounting by Principals and Agents
GRAP 110 - Living and Non-living Resources

Interpretations:

IGRAP 1 - Applying the probability test in initial recognition of exchange revenue
IGRAP 2 - Change in existing decommissioning, restoration and similar liabilities
IGRAP 3 - Determining whether an arrangement contains a lease
IGRAP 4 - Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds

IGRAP 5 - Apply the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyper Inflationary Economies
IGRAP 6 - Loyalty Programmes
IGRAP 7 - The limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
IGRAP 8 - Agreement for the construction of assets from exchange transactions
IGRAP 9 - Distributions of Non-cash Assets to Owners

IGRAP 10 - Assets received from customers
IGRAP 13 - Operating leases - incentive
IGRAP 14 - Evaluating the substance of transactions involving the legal form of a lease
IGRAP 15 - Revenue- Barter Transactions Involving Advertising Services
IGRAP 16 - Intangible assets - Website costs (effective 1 April 2013)
IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18 - Recognition and Derecognition of Land
IGRAP 19 - Liabilities to Pay Levies
IGRAP 20 - Accounting for Adjustments to Revenue

1.1 Standards, Amendments to Standards and Interpretations issued but not yet Effective

All GRAP Standards issued are now effective.

1.2 Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The municipality has rounded off to the nearest Rand

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.

3. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In application municipality's Accounting Policies and the preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information, historical experience and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. 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 and estimations that management have made in the process of applying the municipality's Accounting Policies while preparing the annual financial statements and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Revenue recognition

In making their judgement, the 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). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, 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 is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Trade and other receivables

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

The impairment for trade and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

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

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of the assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

Impairment of capital assets

Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value or Current Replacement Cost. In making the estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Defined benefit plan liabilities

The municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Effective interest rate

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

4. INVESTMENT PROPERTY

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

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

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

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

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

Item	**Useful life**
Property - land	Indefinite
Property - buildings	30 - 50 years

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

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

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

5. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. When significant components of items of property, plant and equipment have different useful lives, they are accounted for as separate items 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. All other costs are recognised in the income statement as an expense as incurred.

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.

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

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

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

Item		Average useful life
Landfill sites	Straight line	26 years
Buildings	Straight line	
- Mobile offices		10 - 20 years
- Other		30 - 50 years
Computer equipment	Straight line	5 - 15 years
Plant and machinery	Straight line	5 - 25 years
Furniture and office equipment	Straight line	7 - 20 years
Motor vehicles	Straight line	10 - 15 years
Infrastructure assets	Straight line	
- Roads and paving		5 - 135 years
Community assets	Straight line	
- Halls		15 - 50 years
- Libraries		15 - 30 years
Parks and recreation	Straight line	15 - 70 years
Wastewater network	Straight line	10 - 30 years
Electricity	Straight line	20 - 30 years
Land	Straight line	Indefinite

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

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

6. SITE RESTORATION AND DISMANTLING COST

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

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

7. FINANCIAL INSTRUMENTS

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

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

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

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. The entity derecognise its assets using trade date accounting

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

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

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.

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

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

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

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

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

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

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non - exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

Initial recognition

The municipality recognises financial assets using trade date accounting.

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost. Financial instruments at cost.
- All financial assets measured at amortised cost, or cost, are subject to an impairment review.
- All financial assets are recognised using a trade date accounting

Fair value measurement considerations

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

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

Reclassification

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

Financial liabilities

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

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

Presentation

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

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

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

8. INVENTORIES

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

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

Inventories sold are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business).

Consumable stores distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost (the cost the municipality would incur to acquire the asset on the reporting date).

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.

Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in Surplus or Deficit in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

9. IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;

- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

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

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally.

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

10. IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

11. EMPLOYEE BENEFITS

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

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

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

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 recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure 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 recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes:

- the location, function, and approximate number of employees whose services are to be terminated; the termination benefits for each job classification or function; and

- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Post-employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

- Defined Contribution Plans:
  The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans.

- Defined Benefit Plans:

Post-retirement Health Care Benefits
The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance
The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Provincially-administered Defined Benefit Plans
The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans
The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

12. 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.

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

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

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

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

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

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes 46. and 47.

Decommissioning, restoration and similar liability

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

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

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

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

13. REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

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
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Finance income

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Tariff charges, licences and permits

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

Rentals

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

Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

14. REVENUE FROM STATUTORY 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.

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.

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.

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

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

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

Recognition

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

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

Measurement

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

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

Debt forgiveness and assumption of liabilities

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

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

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable.

A composite rating system charging different rate tariffs is employed.

Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

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

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

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

Government grants

Income received from conditional grants, donations and funding recognised as revenue in the statement of financial performance to the extend that the municipality has complied with all the criterias or conditions attached to the funding. Where the conditions or criterias are not fully met, a liability is recognised in the statement of financial position.

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

Interest earned from investment of grant money is treated in accordance with the grant conditions. If it is payable to the funder it is recognised as a liability in the statement of financial position. If the interest is not payable to the funder it will be recognised as interest income or other income in the statement of financial performance of the period to which it was earned.

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

15. INVESTMENT INCOME

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

16. 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.

17. DISCONTINUED OPERATIONS

Discontinued operations is a component with separate operations and cash flows that can be clearly distinguishable, operationally and for financial reporting purposes, that has been disposed of and represents a distinguishable activity, group of activities or geographical are of operations, or is a controlled entity acquired exclusively with the view to resale.

Discontinued operations are shown separately from continued operations on the face of the statement of financial performance.

Comparative figures are also reflected accordingly.

18. COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification are disclosed in the comparative figure note to the financial statements.

19. 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.
- expenditure not in accordance with the purpose of the conditional grant.

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

20. FRUITLESS AND WASTEFUL EXPENDITURE

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

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

21. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the MFMA, the Municipal Systems Act, 2000 (Act No.32 of 2000), and the Public Office Bearers Act, 1998 (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.

22. EVENTS AFTER REPORTING PERIOD

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. Non-adjusting events have been disclosed in the notes to the financial statements.

23. OFFSETTING

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

24. COMMITMENTS

Items are classified as commitments when the Municipality has committed itself to future transactions that will normally result in an outflow of resources, embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial reporting period the Municipality determines commitments is respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitment note to the financial statements.

25. BUDGET INFORMATION

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

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

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

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

The 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.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

Comparative information is not required.

26. RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

27. VALUE ADDED TAX (VAT)

Revenue, expenses and assets are recognised net of VAT. The net amount of VAT recoverable from, or payable to SARS is included as part of receivables or payables in the statement of financial position. The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

28. CHANGES IN ACCOUNTING POLICY, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 - Accounting polices, changes in accounting estimates and errors, requirements except to the extent that it is impracticable to determine the period- specific effects or the accumulated effect of the change in policy. In such cases the municipality shall restate the opening balances of the assets and liabilities and net assets for the earliest period for which a retrospective restatement is practicable. Details of the change in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimates are applied prospectively in accordance wit GRAP 3 requirements. Details of change in estimates are disclosed in the notes to the annual financial statements where applicable.

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

With the adoption of mSCOA the municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

29. SEGMENT REPORTING

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective and also considered separately for each of the towns within the municipal jurisdiction. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following services are considered significant to the municipality and is accordingly managed separately:

- Municipal governance, finance and administration.
- Community and Social Services including Public Safety.
- Planning and Development.
- Roads.
- Energy Sources.
- Waste Management

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

The municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdction.

Intersegmental transfers are per the municipality's approved tariff policy. The reconciliation clearly describes the effects of all internal transfers between segments.

The accounting policies for segmental reporting in the management accounts are aligned to the requirements of GRAP as descriped in these accounting policies.

No changes from were made from prior periods measurement methods used to determine reported segment surplus or deficit.

	2021	2020
	R	R

1. GENERAL INFORMATION

Intsika Yethu Local Municipality is a local government institution in Cofimvaba, Eastern Cape Province, and is one of the local municipalities under the jurisdiction of the Chris Hani District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2021 R	2020 R
Land	14 315 268	14 315 268
Materials and Supplies	476 331	124 528
Total Inventories	**14 791 598**	**14 439 795**

Land Inventory relates to properties for sale.

The Municipality received, as a donation, ERF 181 which is known as Joe slovo in Cofimvaba, from Department of Rural Development (forestry) which is disclosed as part of Inventory Land. The property is yet to be transfered into the Municipalities name by the Deeds office.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Service Debtors:	7 993 962	6 901 354	1 092 607
Refuse	7 993 962	6 901 354	1 092 608
Other Receivables	2 746 787	1 412 321	1 334 466
Property Rental Debtors	2 746 787	1 412 321	1 334 466
Unauthorised Debit Orders	234 115	-	234 115
Total Receivables from Exchange Transactions	**10 974 864**	**8 313 675**	**2 661 188**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Service Debtors:	6 745 707	5 695 714	1 049 993
Refuse	6 745 707	5 695 714	1 049 993
Other Receivables	2 298 689	1 485 926	812 763
Other Debtors	178 337	-	178 337
Property Rental Debtors	2 120 352	1 485 926	634 426
Prepayments and Advances	-	-	-
Unauthorised Debit Orders	101 393		101 393
Total Receivables from Exchange Transactions	**9 145 789**	**7 181 640**	**1 964 149**

Credit Quality of Receivables from Exchange Transactions

Consumer receivables from service charges are billed monthly. Interest is charged on 60day + overdue receivables from exchange transactions at a rate of 16.5% per annum.Interest charged is on simple interest rate.

The municipality enforces its approved credit control policy to ensure the recovery of receivables. None of the financial assets that are fully performing have been renegotiated in the last year.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Refuse:					
Gross Balances	160 792	149 839	150 331	7 533 000	7 993 962
Less: Provision for Impairment	76 825	76 754	75 824	6 671 952	6 901 354
Net Balances	**83 967**	**73 085**	**74 507**	**861 048**	**1 092 608**
Other Receivables:					
Gross Balances	72 620	64 865	84 182	2 525 120	2 746 787
Less: Provision for Impairment	22 281	21 484	21 708	1 346 847	1 412 321
Net Balances	**50 339**	**43 381**	**62 474**	**1 178 273**	**1 334 466**
Advanced Payment/DR order					
Pre-payments and Advances	234 115				234 115
Net Balances	**234 115**	**-**	**-**	**-**	**234 115**

As at 30 June Receivables of R2 292 767 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	467 527	214 704	234 513	10 058 120	10 974 864
Less: Provision for Impairment	99 106	98 238	97 532	8 018 799	8 313 675
Net Balances	**368 421**	**116 466**	**136 981**	**2 039 321**	**2 661 188**

As at 30 June 2020

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Refuse:					
Gross Balances	158 462	159 529	100 466	6 327 250	6 745 707
Less: Provision for Impairment	1 194 684	68 110	67 186	4 365 734	5 695 714
Net Balances	**(1 036 222)**	**91 419**	**33 280**	**1 961 516**	**1 049 993**
Other Receivables:					
Gross Balances	(143 305)	71 722	70 549	2 299 723	2 298 689
Less: Provision for Impairment	33 871	22 827	22 501	1 406 726	1 485 926
Net Balances	**(177 176)**	**48 895**	**48 048**	**892 997**	**812 763**
Other debtors:					
Unauthorised Debit Orders	101 393				101 393
Net Balances	**101 393**	**-**	**-**	**-**	**101 393**

As at 30 June Receivables of R3 076 155 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	116 550	231 251	171 015	8 626 973	9 145 789
Less: Provision for Impairment	1 228 555	90 937	89 687	5 772 460	7 181 640
Net Balances	**(1 112 005)**	**140 314**	**81 328**	**2 854 513**	**1 964 149**

	2021 R	2020 R
3.2 Reconciliation of the Provision for Impairment		
Balance at beginning of year	7 181 640	4 161 728
Impairment Losses recognised	1 132 035	3 019 911
Balance at end of year	**8 313 675**	**7 181 640**

4. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2021	Gross Balances R	Provision for Impairment R	Net Balances R
Property Rates	19 629 963	17 280 034	2 349 929
Fines	1 938 887	969 444	969 443
Total Statutory Receivables from Non-exchange Transactions	**21 568 850**	**18 249 478**	**3 319 372**

As at 30 June 2020	Gross Balances R	Provision for Impairment R	Net Balances R
Property Rates	15 121 554	11 086 361	4 035 193
Fines	1 843 537	915 648	927 889
Total Statutory Receivables from Non-exchange Transactions	**16 965 090**	**12 002 009**	**4 963 081**

Credit Quality of Receivables from Non-exchange Transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information in to its credit risk control. No external credit rating is performed.

Traffic fines are recognised in accordance with IGrap 1.

Consumer receivables from rates are billed monthly. Interest is charged on 60 days + overdue consumer receivables at a rate of 16.5% per annum. Interest charged is on simple interest rates. No interest rate is charged on overdue traffic fines debtors.

The municipality enforces its approved credit control policy to ensure the recovery of receivables. None of the financial assets that are fully performing have been renegotiated in the last year.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

More notes on credit risk and quality of receivables are disclosed in Note 43.7.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of the Statutory Receivables from Non-exchange Transactions

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Property Rates:					
Gross Balances	597 746	1 045 117	613 768	17 373 332	19 629 963
Less: Provision for Impairment	133 328	142 277	130 950	16 873 479	17 280 034
Net Balances	**464 418**	**902 840**	**482 818**	**499 853**	**2 349 929**
Fines:					
Gross Balances	1 938 887	-	-	-	1 938 887
Less: Provision for Impairment	969 444	-	-	-	969 444
Net Balances	**969 443**	**-**	**-**	**-**	**969 443**

As at 30 June Receivables of R1 885 511 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	2 536 633	1 045 117	613 768	17 373 332	21 568 850
Less: Provision for Impairment	1 102 772	142 277	130 950	16 873 479	18 249 478
Receivables with credit balance					
Net Balances	**1 433 861**	**902 840**	**482 818**	**499 853**	**3 319 372**

As at 30 June 2020

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	889 521	665 091	611 078	12 955 864	15 121 554
Less: Provision for Impairment	6 852 584	116 430	114 234	4 003 113	11 086 361
Net Balances	**(5 963 064)**	**548 661**	**496 844**	**8 952 751**	**4 035 193**
Fines:					
Gross Balances	1 843 537	-	-	-	1 843 537
Less: Provision for Impairment	915 648	-	-	-	915 648
Net Balances	**927 889**	**-**	**-**	**-**	**927 889**

As at 30 June Receivables of R9 998 256 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	2 733 057	665 091	611 078	12 955 864	16 965 090
Less: Provision for Impairment	7 768 232	116 430	114 234	4 003 113	12 002 009
Net Balances	**(5 035 175)**	**548 661**	**496 844**	**8 952 751**	**4 963 081**

	2021 R	2020 R
4.2 Reconciliation of Provision for Impairment		
Balance at beginning of year	12 002 009	6 062 452
Impairment Losses recognised	6 247 469	5 939 558
Balance at end of year	**18 249 478**	**12 002 009**

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Overpayments	3 221 312		3 221 312
Total Receivables from Non-Exchange Transactions	**3 221 312**		**3 221 312**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Overpayments	5 033 836	1 812 524	3 221 312
Total Receivables from Non-Exchange Transactions	**5 033 836**	**1 812 524**	**3 221 312**

Ageing of Receivables from Non-Exchange Transactions

As at 30 June 2021

	Current	Past Due			
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Accrued Income					
Gross Balances	3 221 312	-	-		3 221 312
Net Balances	**3 221 312**	**-**	**-**		**3 221 312**

As at 30 June 2020

	Current	Past Due			
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Accrued Income					
Gross Balances	-	-	-	18 210 022	18 210 022
Less: Provision for Impairment	-	-	-	1 812 524	1 812 524
Net Balances	**-**	**-**	**-**	**16 397 498**	**16 397 498**

5.1 Reconciliation of Provision for Impairment

Balance at beginning of year	1 812 524	1 812 524
Amounts written off as uncollectable	(1 812 524)	-
Balance at end of year	**-**	**1 812 524**

6. VAT RECEIVABLE

VAT Receivable	**1 685 799**	**2 728 285**

VAT is payable on the receipts basis. The municipality however uses accrual accounting, and only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. CASH AND CASH EQUIVALENTS

Bank Accounts	62 217 628	34 343 510
Total Bank, Cash and Cash Equivalents	**62 217 628**	**34 343 510**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Bank Accounts

Cash in Bank	62 217 628	34 343 510
Total Bank Accounts	62 217 628	34 343 510

The Municipality has the following operational bank accounts:

	Bank Statement Balances		Cash Book Balances	
	30 June 2021	**30 June 2020**	**30 June 2021**	**30 June 2020**
FNB - Primary Bank- 62022331003 (Primary)	1 694 662	6 756 984	1 792 167	6 786 838
FNB - 62101651398 (MIG)	77 936	11 670 306	77 936	11 670 306
FNB - Money Market - 62022332316 (INEP)	1 289 291	4 121	1 289 291	4 121
FNB -Money Market- 62090678320 (Salaries)	37 803	2 437 027	37 803	2 437 027
ABSA - 32 Day Call Account -961149096 (32 Days)	850 695	841 491	850 695	841 491
FNB - Money Market - 62027101245 (Cheque)	2 802 159	193 549	2 802 159	193 549
FNB - Money Market - 62160167500 Salaries)	43 516 972	627 574	43 516 972	627 574
FNB - Money Market - 62026740549 (Own Revenue)	11 850 605	11 782 605	11 850 605	11 782 605
	62 120 123	**34 313 657**	**62 217 628**	**34 343 511**

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

8. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	113 445	107 009
Operating Lease - Straight lining	19 285	779 996
Operating Lease Revenue effected	(3 869)	(773 560)
Total Operating Lease Receivables	**128 861**	**113 445**

8.1 Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the municipality with lease terms of 1 to 3 years (2020/21: 1 to 3 years), with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The avarage escalation % of leases is between 5% to 10%, on a yearly basis.

8.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	494 664	484 477
2 to 5 years	683 529	975 287
Total Operating Lease Arrangements	**1 178 193**	**1 459 764**

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R-15 416 (2020: increase of R6 436) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.

(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.

(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2021

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Transport Assets	Total
	R	R	R	R	R	R
Carrying values at 01 July 2020	**50 973 525**	**390 340 323**	**54 874 985**	**5 868 730**	**28 103 603**	**530 161 167**
Cost	65 233 037	586 048 010	64 675 251	11 396 711	51 090 330	778 443 339
- *Completed Assets*	*65 233 037*	*512 823 623*	*61 425 866*	*11 396 711*	*51 090 330*	*701 969 567*
- *Under Construction*	-	*73 224 387*	*3 249 385*	-	-	*76 473 772*
Accumulated Impairment Losses	-	-	-	-	(130 111)	(130 111)
Accumulated Depreciation	(14 259 513)	(195 707 687)	(9 800 266)	(5 527 981)	(22 856 615)	(248 152 061)
Acquisition of Assets						
- Cost	-	39 197 894	75 764	369 709	544 266	40 187 634
- Capital Under Construction	-	5 971 693	23 050 191	-	-	29 021 885
Increases/Decreases in Revaluation	-	-	-	-	-	-
Depreciation	(1 591 147)	(25 109 584)	(1 444 943)	(1 169 708)	(2 960 692)	(32 276 074)
Carrying value of Disposals:	-	(4 872 929)	(182 933)	(917 573)	(3 082 950)	(9 056 384)
- Cost	-	(18 949 801)	(554 461)	(2 851 392)	(7 827 446)	(30 183 100)
- Accumulated Depreciation	-	14 076 872	371 529	1 933 819	4 744 496	21 126 716
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	(12 277 702)	(4 977 273)	-	-	(17 254 975)
Other Movements	-	12 277 702	4 977 273	-	-	17 254 975
Carrying values at 30 June 2021	**49 382 378**	**405 527 397**	**76 373 066**	**4 151 159**	**22 604 228**	**558 038 227**
Cost	65 233 037	612 267 796	87 246 745	8 915 028	43 807 150	817 469 757
- *Completed Assets*	*65 233 037*	*545 349 418*	*65 924 442*	*8 915 028*	*43 807 150*	*729 229 076*
- *Under Construction*	-	*66 918 378*	*21 322 303*	-	-	*88 240 681*
Accumulated Impairment Losses	-	-	-	-	(130 111)	(130 111)
Accumulated Depreciation	(15 850 659)	(206 740 399)	(10 873 680)	(4 763 870)	(21 072 811)	(259 301 419)

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2020

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Transport Assets	Total
	R	R	R	R	R	R
Carrying values at 01 July 2019	**52 564 901**	**381 666 605**	**52 013 854**	**5 406 407**	**30 357 363**	**522 009 130**
Cost	65 233 037	558 389 210	60 422 894	9 806 618	50 255 130	744 106 890
- *Completed Assets*	65 233 037	501 450 228	*58 759 103*	*9 806 618*	50 255 130	*685 504 117*
- *Under Construction*	(0)	56 938 982	*1 663 791*	-	-	*58 602 773*
Accumulated Depreciation	(12 668 136)	(176 722 605)	(8 409 041)	(4 400 211)	(19 897 767)	(222 097 760)
Acquisition of Assets						
- Cost	-	19 050 285	693 642	1 624 635	835 200	22 203 762
- Capital Under Construction	-	18 793 406	3 558 714	-	-	22 352 119
Depreciation	(1 591 376)	(24 169 484)	(1 391 225)	(1 155 512)	(2 958 849)	(31 266 446)
Carrying value of Disposals:	-	(5 000 488)	-	(6 799)	-	(5 007 287)
- Cost	-	(10 184 891)	-	(34 542)	-	(10 219 432)
- Accumulated Depreciation	-	5 184 403	-	27 742	-	5 212 145
Impairment Losses	-	-	-	-	(130 111)	(130 111)
Capital under Construction - Completed	-	(2 508 000)	(1 973 120)	-	-	(4 481 120)
Other Movements	-	2 508 000	1 973 121	-	-	4 481 120
Carrying values at 30 June 2020	**50 973 525**	**390 340 323**	**54 874 985**	**5 868 730**	**28 103 603**	**530 161 167**
Cost	65 233 037	586 048 010	64 675 251	11 396 711	51 090 330	778 443 339
- *Completed Assets*	*65 233 037*	*512 823 623*	*61 425 866*	*11 396 711*	*51 090 330*	*701 969 567*
- *Under Construction*	-	*73 224 387*	*3 249 385*	-	-	*76 473 772*
Accumulated Impairment Losses	-	-	-	-	(130 111)	(130 111)
Accumulated Depreciation	(14 259 513)	(195 707 687)	(9 800 266)	(5 527 981)	(22 856 615)	(248 152 061)

Property, Plant and Euipment was restated to correct various of descrepancies found during a major overhaul of the Assets Register. Please see not 38 on the correctrion of previous years errors for the detail.

	2021 R	2020 R

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

9.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation

No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.

9.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

9.4 Property, Plant and Equipment being rented out

Some potential Investment Properties are recognized as PPE due to the insignificant portion being leased out.

9.5 Impairment of Property, Plant and Equipment

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

9.6 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

There was a change in the estimated useful life of various assets of the municipality for the financial year.

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:

	2021	2020
Finance and Administration	53 576.71	-
Community and Social Services	17 312.78	-
Roads and Transport	161 984.29	-
Total Change in Estimate for Useful Life of Property, Plant and Equipment	**232 874**	**-**

9.7 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the fair value model. Revaluation is done every four years, and therefore no fair value was determined for the year under review.

9.8 Delayed Projects

The municipality has projects that are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the project is noted.

Both the additional office building and the water tanker have experienced some delays in completing the project by the projected due date. These delays are beyond the control of the municipality, however the projects will be completed within the cost limits of the original contract amounts.

Project Details	Delayed or Halted		
Infrastructure Unit:			
Project 1: Tenza Bridge	Delayed		

Reason: - As per initial Design/Plan the project cost amounted to R11,266,110.50 but the amount approved by MIG was R2,800,000.00. Due to financial constraints the project has been delayed and will be completed when financial resources are available.

Infrastructure Unit:			
Project 2: Ugrading of Cofimvaba Roads Phase 2	Delayed	-	-

Reason: Delays were caused by incapacity of the main contractor who susbsequently ceded majority of the work and also requested for extension of time from the municipality to complete the project

Infrastructure Unit:
Project 3: Electrification — Delayed
Reason: Delays were caused by insufficient funds allocated however an application to DOE has bee done to request additional funding to complete these projects.

Total Carrying Amounts of Delayed or Halted Projects is as per WIP balance per project

9.9 Expenditure incurred to repair and maintain

	2021 R	2020 R	2021 R	2020 R
The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:				
Roads Infrastructure			2 321 357	(558 259)
- Contracted Services	1 564 333	(587 459)		
- Inventory Consumed	757 023	29 200		
Solid Waste Disposal			25 706	27 104
- Contracted Services	25 706	27 104		
Community Assets			-	491 019
- Contracted Services	-	490 029		
- Other Operational Costs	-	990		
Machinery and Equipment			3 150 396	412 196
- Contracted Services	3 150 396	412 196		
Other Assets - Buildings			1 181 098	761 053
- Contracted Services	1 181 098	761 053		
Total Expenditure related to Repairs and Maintenance Projects			**6 678 557**	**1 133 114**

10. INVESTMENT PROPERTY

	2021 R	2020 R
At Cost less Accumulated Depreciation	**106 143 630**	**106 762 209**
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	**106 762 209**	**83 133 987**
Cost	113 966 367	89 751 981
Accumulated Depreciation	(7 204 159)	(6 617 994)
Depreciation during the Year	(618 579)	(586 165)
Transfers during the Year:	-	24 214 387
At Cost	-	24 214 387
Carrying values at 30 June	**106 143 630**	**106 762 209**
Cost	113 966 367	89 751 981
Accumulated Depreciation	(7 822 738)	(7 204 159)

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	1 005 626	1 108 256

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

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Investment Property was restated to include the commonage valued at R16 032 000.

10.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

10.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

10.3 Work-In-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

10.4 Delayed Projects

There are no delayed projects that are currently in progress and are experiencing significant delays:

11. CONSUMER DEPOSITS

	2021 R	2020 R
Other Deposits:-	3 306 600	3 251 218
Land Sales	3 306 600	3 251 218
Total Consumer Deposits	**3 306 600**	**3 251 218**

CONSUMER DEPOSITS - LAND SALES
Deposits for Land Sales comprise deposits for properties sold, but not yet transfered. Transfer of these properties will be done on receipt of total payments.

No interest is paid on Consumer Deposits held.

12. PROVISIONS

	2021 R	2020 R
Performance Bonus	1 236 333	1 313 843
Current Portion of Employee Benefit Liabilities (See Note 15):	1 393 000	534 000
Post-retirement Medical Aid Benefits Liability	57 000	13 000
Long-term Service Liability	1 336 000	521 000
Total Provisions	**2 629 333**	**1 847 843**

The movement in provisions is reconciled as follows:

Long Service Award Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

13. PAYABLES FROM EXCHANGE TRANSACTIONS

	2021 R	2020 R
Bonus	2 743 284	2 424 817
Leave Accrual	12 489 301	10 660 666
Other Payables	4 348 998	3 503 726
Retentions	3 072 761	2 487 856
Trade Creditors	5 881 487	3 445 048
Exchange Receivables with Credit Balances	98 673	87 261
Total Payables	**28 634 505**	**22 609 374**

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

14. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2021 R	2020 R
Non-Exchange Receivables with Credit Balances	653 281	162 688
Total Payables	**653 281**	**162 688**

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2021 R	2020 R
National Government	3 537 888	8 387 841
Provincial Government Department of Sports, Recreation, Arts and Culture	768 179	388 003
Total Conditional Grants and Receipts	**4 306 067**	**8 775 844**

Included in Unspent Condition Grants are the following:

	2021 R	2020 R
Municipal Infrastructure Grant	2 529 772	8 333 887
Department of Sports, Recreation, Arts and Culture	768 179	388 003
Municipal Disaster Relief Fund	(5)	53 954
Integrated National Electrification Programme	1 008 896	
Financial Management Grant	168	
Expanded Public Works Program	(465)	
Total Unspent Conditional Grants	**4 306 546**	**8 775 844**

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 21 for the reconciliation of Grants from Government and other sources. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

16. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities	15 326 000	11 980 000
Post-retirement Health Care Benefits Liability	7 390 000	5 155 000
Long Service Awards Liability	7 936 000	6 825 000
Less: Current Portion of Employee Benefit Liabilities	1 393 000	534 000
Post-retirement Health Care Benefits Liability	57 000	13 000
Long Service Awards Liability	1 336 000	521 000
Non-Current Portion of Employee Benefit Liabilities	**13 933 000**	**11 446 000**

16.1 Post-retirement Health Care Benefits Liability

Opening balance	5 155 000	5 504 000
Interest cost	589 000	544 000
Current service cost	577 000	693 000
Actuarial loss/ (gain) recognised in the year	1 069 000	(1 586 000)
Balance at end of Year	7 390 000	5 155 000
Less: Current Portion	57 000	13 000
Non-Current Portion of Employee Benefit Liabilities	**7 333 000**	**5 142 000**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr N Fourie, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	244	239
In-service Non-members (Employees)	66	84
Continuation Members (Retirees, widowers and orphans)	2	1
Total Members	**312**	**324**

The liability in respect of past service has been estimated as follows:

In-service Members	6 431 000	4 957 000
Continuation Members	959 000	198 000
Total Liability	**7 390 000**	**5 155 000**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2021 is estimated to be R577 000, whereas the cost for the ensuing year is estimated to be R577,000 (30 June 2020: R693 000 and R577 000 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	Yield Curve	
Health Care Cost Inflation Rate	Equal to CPI + 1.5%	
Net Effective Discount Rate	Yield Curve Based	
Expected Rate of Salary Increase	6.58%	7.36%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening balance	5 155 000	5 504 000
Interest cost	589 000	544 000
Current service cost	577 000	693 000
Actuarial loss/ (gain) recognised in the year	1 069 000	(1 586 000)
Total Recognised Benefit Liability	**7 390 000**	**5 155 000**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	7 390 000	5 155 000
Total Benefit Liability	**7 390 000**	**5 155 000**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	589 000	544 000
Interest cost	577 000	693 000
Actuarial losses / (gains)	1 069 000	(1 586 000)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	**2 235 000**	**(349 000)**

The history of fair values are as follows:

	2021 R	2020 R
Present Value of Defined Benefit Obligation	7 390 000	5 155 000
Deficit	**7 390 000**	**5 155 000**

16.2 Long Service Awards Liability

Opening Balance	6 825 000	6 299 919
Increases	1 149 000	896 756
Payments Made	(521 000)	(659 645)
Reversals	-	(200 316)
Increases (Passage of Time/Discounted Rate)	483 000	488 286
Balance at end of Year	7 936 000	6 825 000
Less: Current Portion	1 336 000	521 000
Non-Current Portion of Total Long Service Awards Liability	**6 600 000**	**6 304 000**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 310 (2020: 323) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2020 is estimated to be R908,000, whereas the cost for the ensuing year is estimated to be R918,000 (30 June 2020: R896,756 and R908,000 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.06%	7.36%
Net Effective Discount Rate	3.12%	3.22%
Expected Rate of Salary Increase	5.76%	4.01%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening Balance	6 825 000	6 299 919
Increases	1 149 000	896 756
Payments Made	(521 000)	(659 645)
Reversals	-	(200 316)
Increases (Passage of Time/Discounted Rate)	483 000	488 286
Total Recognised Benefit Liability	**7 936 000**	**6 825 000**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	7 936 000	6 825 000
Total Benefit Liability	**7 936 000**	**6 825 000**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	908 000	896 756
Interest cost	483 000	488 286
Actuarial losses / (gains)	(280 000)	(200 316)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	**1 111 000**	**1 184 726**

The history of experienced adjustments is as follows:

	2021 R	2020 R	2019 R	2018 R
Present Value of Defined Benefit Obligation	7 936 000	6 825 000	6 299 919	4 589 436
Deficit	**7 936 000**	**6 825 000**	**6 299 919**	**4 589 436**
Experienced adjustments on Plan Liabilities	223 000	100 684	1 244 856	-

17. NON-CURRENT PROVISIONS

Decommissioning, Restoration and Similar Liabilities: Landfill Sites	2 360 992	2 237 908
Total Non-current Provisions	**2 360 992**	**2 237 908**

Decommissioning of Landfill Sites:

Opening Balance	2 237 908	2 115 474
Increases	123 085	122 433
	2 360 992	**2 237 908**

17.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R4 996 076 (2020: R4 996 076) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

The municipality will incur rehabilitation cost on its dumping/landfill site in the period 2034/35. Provision has been made for the net present value of this cost.

	2021 R	2020 R
18. ACCUMULATED SURPLUS		
Accumulated Surplus / (Deficit) due to the results of Operations	696 383 836	648 366 078
Total Accumulated Surplus	**696 383 836**	**648 366 078**

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

	2021	2020
	R	R

19. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2021	July 2020	July 2021	July 2020
	R000's	R000's	R000's	R000's
Property Rates:				
Agricultural Property	683 900 000	683 900 000	-	-
Business and Commercial Properties	339 690 051	339 690 051	2 935 918	2 769 035
Municipal Properties	240 301 000	240 301 000	-	-
Public Benefit Organisations	439 191 000	439 191 000	-	-
Public Service Infrastructure Properties	199 106 000	199 106 000	-	236 934
Residential Properties	144 940 949	144 940 949	338 991	326 061
State-owned Properties	129 171 000	129 171 000	7 248 938	6 953 881
Place of Worship	7 710 000	7 710 000	-	-
Total Property Rates	**2 184 010 000**	**2 184 010 000**	**10 523 848**	**10 285 911**

The valuation is as per previous years values however there were duplications on the municipal owned properties and that has been corrected on the note above

20. FINES, PENALTIES AND FORFEITS

	2021	2020
Traffic Fines:	95 350	369 136
Municipal	95 350	369 136
Other Fines:	77 863	264 583
Law Enforcement	34 700	195 730
Pound Fees	43 163	68 854
Total Fines, Penalties and Forfeits	**173 213**	**633 720**

21. LICENCES AND PERMITS

	Exchange Transactions 2021 R	Exchange Transactions 2020 R	Non-Exchange Transactions 2021 R	Non-Exchange Transactions 2020 R
Road and Transport:	2 762 005	1 591 630	-	-
Drivers Licence Application/Duplicate Drivers Licences	2 762 005	-	-	-
Learners Certificate	-	1 591 630	-	-
Trading	-	-	131 501	174 924
Total Licences and Permits	**2 762 005**	**1 591 630**	**131 501**	**174 924**

22. TRANSFERS AND SUBSIDIES RECEIVED

	2021	2020
Capital Grants	71 711 672	46 719 138
Monetary Allocations	71 711 672	46 719 138
Operational Grants	204 393 453	165 705 240
Monetary Allocations	204 393 453	165 705 240
Total Transfers and Subsidies Received	**276 105 125**	**212 424 378**

22.1 Summary of Grants:

22.1.1 Capital Grants

	Monetary Allocations	
	2021	2020
National Governments	71 711 672	46 719 138
Total Capital Grants Received	**71 711 672**	**46 719 138**

22.1.2 Operational Grants

	Monetary Allocations 2021	2020
Departmental Agencies and Accounts	168 349	276 023
District Municipalities	1 159 824	1 210 196
National Governments	4 325 280	5 199 021
National Revenue Fund	198 740 000	159 020 000
Total Operational Grants Received	**204 393 453**	**165 705 240**

22.2 Reconciliation per Grant Source

22.2.1 National Governments

Current year receipts	2 742 839	8 387 841
Conditions still to be met - transferred to Current Liabilities (see Note 14)	3 537 888	8 387 841

22.2.2 Equitable Share

Current year receipts	198 740 000	159 020 000
Transferred to Revenue	(198 740 000)	(159 020 000)

22.3 Detailed Summaries

Equitable Share	198 740 000	159 020 000
Municipal Infrastructure Grant (MIG)	67 903 112	34 686 118
LG SETA	168 349	276 023
Integrated National Electrification Programme	3 808 579	12 033 000
Financial Management Grant	1 999 837	2 214 995
Extended Public Works Program - Grant Transfer	2 271 465	2 591 000
Department of Sports, Recreation, Arts and Culture	119 824	111 997
CHDM Grant	1 040 000	1 098 199
Municipal Disaster Relief Fund	53 959	393 046
Total Receipts for Government Grants and Subsidies	**276 105 125**	**212 424 378**

Included in the above are the following Grants and Subsidies received:

Conditional Grants Received	76 156 776	52 030 156
Unconditional Grants Received	199 948 349	160 394 222
Total Receipts for Government Grants and Subsidies	**276 105 125**	**212 424 378**

22.3.1 Equitable Share

Current Year Receipts	198 740 000	159 020 000
Transferred to Revenue	(198 740 000)	(159 020 000)

In terms of the Constitution, the grant is used to subsidies the provision of basic services to indigent community members. This grant is unconditional.

22.3.2 Municipal Infrastructure Grant

Unspent Balance at the Beginning of the Year	8 333 885	3
Current Year Receipts	62 099 000	43 020 000
Conditions Met - Transferred to Revenue	(67 903 112)	(34 686 118)
Unspent Balance at the End of the Year	**2 529 772**	**8 333 885**

The Municipal Infrastructure Grant is a conditional grant , the purpose of which is to provide all South Africans with at least a basic level of service through the provision of grant finance to cover the capital cost of fund access roads and related infrastructure.

22.3.3 LG SETA

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	168 349	276 023
Transferred to Revenue	(168 349)	(276 023)
Unspent Balance at the End of the Year	**-**	**-**

This is an unconditional grant.

22.3.4 Integrated National Electrification Programme

Unspent Balance at the Beginning of the Year	475	475
Current Year Receipts	4 817 000	12 033 000
Conditions Met - Transferred to Revenue	(3 808 579)	(12 033 000)
Unspent Balance at the End of the Year	**1 008 896**	**475**

The Integrated Electrification Programme is a conditional grant. The purpose of the grant is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme.

22.3.5 Financial Management Grant

Unspent Balance at the Beginning of the Year	5	-
Current Year Receipts	2 000 000	2 215 000
Conditions Met - Transferred to Revenue	(1 999 837)	(2 214 995)
Unspent Balance at the End of the Year	**168**	**5**

The Financial Management Grant is a conditional grant . The purpose of the grant is to promote and support municipal financial management reforms and assist municipalities with the implementation of MFMA. The focus of the FMG Grant is to build awareness and undertake training on MFMA Reforms including budgeting, reporting and financial processes.

22.3.6 Expanded Public Works Program - Grant Transfer

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	2 271 000	2 591 000
Conditions Met - Transferred to Revenue	(2 271 465)	(2 591 000)
Unspent Balance at the End of the Year	**(465)**	**-**

The Expanded Public Works Programme (EPWP) is an conditional grant and it was received from Department of Public Works for the purpose of the Extended Public Works Pogramme.

22.3.7 Department of Sports, Recreation, Arts and Culture

Unspent Balance at the Beginning of the Year	388 003	-
Current Year Receipts	500 000	500 000
Transferred to Revenue	(119 824)	(111 997)
Unspent Balance at the End of the Year	**768 179**	**388 003**

This is a conditional grant.

22.3.8 Chris Hani District Municipality Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 040 000	1 098 199
Transferred to Revenue	(1 040 000)	(1 098 199)
Unspent Balance at the End of the Year	**-**	**-**

This is an unconditional grant and was received from Chris Hani District Municipality.

22.3.9 Municipal Disaster Relief Fund

Unspent Balance at the Beginning of the Year	53 954	-
Current Year Receipts	-	447 000
Transferred to Revenue	(53 959)	(393 046)
Unspent Balance at the End of the Year	**(5)**	**53 954**

This is a conditional grant received from National Treasury for the purpose of COVID-19 Pandemic

23. SERVICE CHARGES

Refuse Removal	1 259 409	1 126 062
Total Service Charges	**1 259 409**	**1 126 062**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

24. SALES OF GOODS AND RENDERING OF SERVICES

Application Fees for Land Usage	19 847	402
Building Plan Approval	53 037	73 905
Cemetery and Burial	11 718	2 633
Clearance Certificates	242	504
Entrance Fees	17 434	19 004
Sale of Goods	79 516	85 543
Town Planning and Servitudes	-	18 026
Total Sales of Goods and Rendering of Services	**181 794**	**200 016**

25. INCOME FROM AGENCY SERVICES

Commission on Vehicle Registration	1 040 159	874 772
Total Income from Agency Services	**1 040 159**	**874 772**

The municipality has a service level agreement with the Department of Transport to act as an agent for it in collection the revenue.

26. RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue		
Investment Property	1 005 626	1 108 256
Other Fixed Assets:	3 351	3 269
Property Plant and Equipment	3 351	3 269
Other Rental income		
Ad-hoc Rental Income from Other Fixed Assets:	13 851	34 180
Property Plant and Equipment	13 851	34 180
Total Rental of Facilities and Equipment	**1 022 828**	**1 145 705**

Rental income generated are at market related premuins. All rental income recognised is therefore market related.

27. INTEREST, DIVIDENDS AND RENT ON LAND EARNED

Non-exchange Receivables:		
Outstanding Billing Debtors	2 013 491	2 160 255
Total Non-exchange Interest, Dividends and Rent on Land Earned	**2 013 491**	**2 160 255**
External Investments:		
Bank Account	1 874 285	3 102 462
	1 874 285	**3 102 462**
Outstanding Exchange Receivables:		
Outstanding Billing Debtors	879 657	296 729
	879 657	**296 729**
Total Exchange Interest, Dividends and Rent on Land Earned	**2 753 941**	**3 399 192**
Total Interest, Dividends and Rent on Land Earned	**4 767 432**	**5 559 447**

27.1 Allocation for Cash Flow:

Property Rates:-		
Interest on Outstanding Non-exchange Receivables	2 013 491	2 160 255
Total Interest, Dividends and Rent on Land Earned allocated to Property Rates	2 013 491	2 160 255
Service Charges:-		
Interest on Outstanding Exchange Receivables	879 657	296 729
Total Interest, Dividends and Rent on Land Earned allocated to Service Charges	879 657	296 729
External Interest and Dividends Received:-		
Interest on External Investments	1 874 285	3 102 462
Total Interest, Dividends and Rent on Land Earned allocated to External Interest and Dividends Received	1 874 285	3 102 462
Total External Interest and Dividends Received allocated to Cash Flow	**4 767 432**	**5 559 447**

28. EMPLOYEE RELATED COSTS

	2021 R	2020 R
Salaries and Wages:		
Basic	79 422 411	71 598 348
Long Service Awards	212 039	278 006
Bonusses	6 538 065	6 028 500
Leave Payments	2 652 986	2 637 101
Overtime	3 556 233	2 902 640
Allowances:		
Accommodation, Travel and Incidental	414 074	-
Acting and Post Related Allowances	1 303 151	828 340
Cellular and Telephone	934 693	982 395
Housing Benefits	1 220 860	1 293 860
Non-pensionable	135 845	291 127
Scarcity Allowance	133 220	-
Standby Allowance	608 156	365 805
Travel or Motor Vehicle	8 936 341	9 409 309
Social Contributions:		
Bargaining Council	45 053	40 496
Group Life Insurance	(29 587)	467 235
Medical	7 833 530	7 173 189
Pension	12 756 074	11 919 362
Unemployment Insurance	611 018	604 174
Skills Development Fund Levy	1 001 308	925 008
Post-retirement Benefits:		
Current Service Cost	1 646 000	693 000
Interest Cost	589 000	544 000
Actuarial Gains and Losses	-	(1 586 000)
Leave Gratuity	-	53 533
Long Term Service Awards	1 111 000	525 081
Total Employee Related Costs	**131 631 470**	**117 974 508**

No advances were made to employees. Loans to employees are set out in Note 10.

28.1 Remuneration of Section 57 Employees:

	2021 R	2020 R
Remuneration of the Municipal Manager - S.Koyo		
Annual Remuneration	933 410	1 018 265
Bonus	50 913	63 741
Car and Other Allowances	722 558	678 844
Company Contributions to UIF, Medical and Pension Funds	15 008	-
Total	**1 721 889**	**1 760 850**
Remuneration of the Chief Financial Officer - B.Bavu		
Annual Remuneration	922 498.08	922 498
Bonus	61 499.08	
Car and Other Allowances	614 999	614 999
Company Contributions to UIF, Medical and Pension Funds	14 684	-
Total	**1 613 680**	**1 537 497**
Remuneration of the Manager Community Services - A.Ntengenyana		
Annual Remuneration	614 999	922 498
Bonus	61 499	57 746
Car and Other Allowances	500 851	614 999
Company Contributions to UIF, Medical and Pension Funds	10 372	-
Total	**1 187 721**	**1 595 243**
Resigned on the 28th of Febuary 2021		
Remuneration of the Manager Corporate Services - N.K.Fololo		
Annual Remuneration	922 498	922 498
Bonus	46 124	43 310
Car and Other Allowances	614 999	614 999
Company Contributions to UIF, Medical and Pension Funds	14 791	-
Total	**1 598 412**	**1 580 807**

Remuneration of the Manager Local Economic Development - K.Maceba		
Annual Remuneration	922 498	922 498
Bonus	46 124	14 437
Car and Other Allowances	628 745	620 077
Company Contributions to UIF, Medical and Pension Funds	14 928	-
Total	**1 612 295**	**1 557 012**
Remuneration of the Manager Infrastructure and Planning - K.Clock		
Annual Remuneration	922 498	922 498
Bonus	15 374	14 438
Car and Other Allowances	614 999	614 999
Company Contributions to UIF, Medical and Pension Funds	14 483	-
Total	**1 567 354**	**1 551 935**
Summary of Remuneration of Section 57 Employees:		
All Managers	9 301 351	9 583 343
Total Remuneration of Section 57 Employees	**9 301 351**	**9 583 343**

29. REMUNERATION OF COUNCILLORS

Mayor	734 020	905 259
Speaker	782 298	733 088
Chief Whip	690 046	690 045
Executive committee members	2 718 956	4 936 492
Total for All Other Councillors	12 428 812	10 312 000
Total Councillors' Remuneration	**17 354 131**	**17 576 884**

The Mayor and Speaker are full-time Councillors and each is provided with an office and secretarial support at the cost of the Municipality. The Mayor and Speaker utilise official Council transportation when engaging in official duties. Packages are set as stated below:

Current Mayor		
Annual Remuneration	161 411	-
Allowances	64 904	-
Co.Contribution	2 147	
Other Benefits	1 500	
	229 961	**-**
Previous Mayor		
Annual Remuneration	484 233	623 465
Allowances	194 711	246 031
Co.Contribution	4 890	
Other Benefits	4 500	
	688 334	**869 496**
Speaker		
Annual Remuneration	516 516	498 772
Allowances	216 572	205 705
Co.Contribution	5 138	
Other Benefits	6 000	
	744 226	**704 478**
Chief Whip		
Annual Remuneration	484 234	467 599
Allowances	205 811	195 624
Co.Contribution	5 281	
Other Benefits	5 500	
	700 827	**663 223**
Executive Committee Members		
Annual Remuneration	3 139 606	3 041 389
Allowances	1 117 857	1 053 985
Co.Contribution	31 473	
Other Benefits	40 500	
	4 329 436	**4 095 374**
Councillors(Sec79)		
Annual Remuneration	5 230 679	4 603 965
Allowances	1 697 730	1 464 708
Co.Contribution	52 621	
Other benefits	113 973	
	7 095 004	**6 068 673**

Councillors (Ordinary)		
Annual Remuneration	2 503 231	2 914 091
Allowances	1 114 185	1 249 145
Co.Contribution	26 297	
Other benefits	50 477	
	3 694 190	**4 163 236**

Remuneration of Councillors:

Councillors were compensated within the limits set by the Remuneration of Public Office Bearers Act No 20 of 1998.

30. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	32 276 073	30 316 426
Depreciation: Investment Property	618 579	618 629
Total Depreciation and Amortisation	**32 894 652**	**30 935 055**

30.1 Depreciation: Property, Plant and Equipment

Community Assets	1 462 255	4 023 566
Computer Equipment	690 241	630 058
Electrical Infrastructure	-	752 299
Furniture and Office Equipment	373 614	423 546
Machinery and Equipment	105 854	100 307
Other Assets	1 591 147	1 558 913
Roads Infrastructure	25 092 271	21 632 338
Solid Waste Infrastructure	-	100 537
Transport Assets	2 960 692	1 094 862
	32 276 073	**30 316 426**

31. IMPAIRMENT LOSSES

Impairment Losses on Fixed Assets	-	3 190 804
Impairment Losses on Financial Assets	7 379 468	8 959 469
Total Impairment Losses	**7 379 468**	**12 150 273**

31.1 Impairment Losses on Financial Assets

Impairment Losses	7 379 468	9 942 588
Other Receivables from Non-exchange Revenue	6 247 468	6 922 677
Trade and Other Receivables from Exchange Transactions	1 132 000	3 019 911
Reversal of Impairment Losses	-	(983 119)
	7 379 468	**8 959 469**

32. CONTRACTED SERVICES

Outsourced Services	1 496 884	2 003 081
Consultants and Professional Services	8 213 661	5 066 594
Contractors	6 106 933	754 415
Total Contracted Services	**15 817 478**	**7 824 091**

32.1 Outsourced Services

Administrative and Support Staff	383 794	(16 436)
Animal Care	-	43 801
Business and Advisory	117 928	1 228 170
Catering Services	148 686	8 116
Hygiene Services	128 234	115 624
Personnel and Labour	78 971	417 651
Researcher	424 674	29 273
Security Services	177 740	150 882
Transport Services	-	26 000
	1 496 884	**2 003 081**

32.2 Consultants and Professional Services

Business and Advisory	7 181 954	4 790 534
Infrastructure and Planning	612 707	102 147
Legal Cost	419 000	173 913
	8 213 661	**5 066 594**

32.3 Contractors

Fire Protection	-	33 411
Maintenance of Buildings and Facilities	1 209 278	830 473
Maintenance of Equipment	25 706	33 744
Maintenance of Computer Software	4 714 449	(175 263)
Plants, Flowers and Other Decorations	77 100	17 500
Transportation	80 400	14 550
	6 106 933	**754 415**

33. INVENTORY CONSUMED

Agricultural	-	113 650
Consumables	1 337 089	3 689 457
Finished Goods	1 984	-
	1 339 073	**3 803 107**

34. TRANSFERS AND SUBSIDIES PAID

Operational Grants	5 931 090	5 312 977
Allocations In-kind	5 931 090	5 312 977
Total Transfers and Subsidies Paid	**5 931 090**	**5 312 977**

35. OPERATIONAL COSTS

Included in General Expenses are the following:

Advertising, Publicity and Marketing	637 799	214 418
Bank Charges, Facility and Card Fees	72 915	77 781
Prepaid Electricity	2 291 950	-
Telephone Management	1 320 322	1 311 511
Contribution to Provisions	123 085	200 757
Drivers Licences and Permits	277 048	261 075
Entertainment	208 770	167 826
External Audit Fees	3 765 246	3 744 856
External Computer Service	984 484	1 839 330
Hire Charges	94 680	606 860
Traditional Councillors and Ward Committe Members	3 258 018	3 319 033
Indigent Relief	112 410	126 812
Insurance Underwriting	1 215 365	1 464 469
Licences	354 257	227 685
Municipal Services	5 824 427	4 751 909
Printing, Publications and Books	101 844	0
Professional Bodies, Membership and Subscription	3 650 871	1 585 649
Supplier Development Programme	563 450	559 542
Travel Agency and Visa's	478	56 195
Travel and Subsistence	361 325	1 201 067
Uniform and Protective Clothing	395 573	300 650
Wet Fuel	1 932 992	-
Workmen's Compensation Fund	998 500	332 959
Total Operational Costs	**28 545 809**	**22 350 384**

35.1 Travel and Subsistence

Domestic	**361 325**	**1 201 067**
Accommodation	311 630	811 308
Daily Allowance	-	6 066
Incidental Cost	-	536
Transport without Operator	35 798	251 498
Transport with Operator	13 898	131 658
	361 325	**1 201 067**

No other extra-ordinary expenses were incurred.

36. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Investment Property	-	(86 895)
Property, Plant and Equipment	(9 056 384)	(5 007 287)
Total Losses on Disposal of Capital Assets	**9 056 384**	**5 094 182**
Disposal of Property, Plant and Equipment:		
Losses on Disposal of Capital Assets	(9 056 384)	(5 007 287)
Total Gains on Disposal of Capital Assets allocated to Property, Plant and Equipment	(9 056 384)	(5 007 287)
Total Gains / (Losses) on Disposal of Capital Assets allocated to Cash Flow	**(9 056 384)**	**(5 094 182)**

	2021	2020
	R	R

37. CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2020/21 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 18 Segment Reporting
- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Statements
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interests in Other Entities
- GRAP 110 Living and Non-living Resources
- IGRAP 20 Accounting for Adjustments to Revenue

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2020/21 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2021:

- GRAP 108 Statutory Receivables

37.1 GRAP 18 - Segment Reporting

The Accounting Standard for Segment Reporting has been recognised in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 18.

Management has assessed the requirements of GRAP 18 and identified the following shortcomings preventing full disclsoure in terms of the Accounting Standard:

- The municipality's accounting system has limitations that does not allow for segmental reporting on financial position, net assets and cash flow.
- The municipality is broadly organised into business units based on the nature of operations and the services they provide and the accounting system allows for reporting on theses units on financial performance and capital assets.
- No individually material operating segments have been aggregated to form the reportable operating segments.
- The municipality does not monitor segments geographically.

Based on the above, management has concluded that the municipality will be able to report separate segments subject to the limitations listed above.

Management has evaluated the requirements of the Standard and it was found that no adjustments affecting Financial Position, Financial Performance, Net Assets or Cash Flows need to be made. Accordingly, the segmental information for Capital Assets and Financial Performance of the municipality is disclosed in the Annual Financial Statements. It is not practical to segmentize Financial Position and Cash Flow operations.

37.2 GRAP 34 - Separate Financial Statements

The Accounting Standard for Separate Financial Statements not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 34.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 34.

37.3 GRAP 35 - Consolidated Financial Statements

The Accounting Standard for Consolidated Financial Statements not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 35.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 35.

37.4 GRAP 36 - Investments in Associates and Joint Ventures

The Accounting Standard for Investments in Associates and Joint Ventures not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 36.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 36.

37.5 GRAP 37 - Joint Arrangements

The Accounting Standard for Joint Arrangements not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 37.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 37.

37.6 GRAP 38 - Disclosure of Interests in Other Entities

The Accounting Standard for Disclosure of Interests in Other Entities not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 38.

The municipality has developed Accounting Policies to fully comply with GRAP 38. Management has evaluated the requirements of the Standard and it was found that no adjustments need to be made.

37.7 GRAP 108 - Statutory Receivables

Utilisation of transitional provisions

The Accounting Standard for Statutory Receivables has been recognised in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 108. The full net assets have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

The effect of the change in accounting policy on the line items affected are as follows:

	2020
Receivables from Non-Exchange transactions:	
As previously reported	11 707 310
Decrease in carrying value due to change in accounting policy (reclassification and Remeasurement)	(11 707 310)
Restated Balance	-

The balance of ordinary Receivables from Exchange Transactions of R1 812 524 was fully impaired and have no effect on the Statement of Financial Position.

Statutory Receivables from Non-Exchange transactions:	
As previously reported	-
Increase in carrying value due to change in accounting policy (reclassification and Remeasurement)	11 707 310
Restated Balance	**11 707 310**

37.8 GRAP 110 - Living and Non-living Resources

The Accounting Standard for Living and Non-living Resources not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 110.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 110.

37.9 IGRAP 20 - Accounting for Adjustments to Revenue

The Accounting Interpretation for Accounting for Adjustments to Revenue not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of IGRAP 20.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IGRAP 20.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2021 and the Accumulated Surplus of prior years was not affected either.

38. CORRECTION OF ERROR

38.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balance published as at 30 June 2019		**647 053 966**
Correction of Error:-		(9 682 991)
Restatement of Receivables from Exchange Transactions for Old Rental Balances	(212 958)	
Restatement of VAT Receivable due to a incorrect accounting in the prior year.	(1 503 786)	
Write off of Provincial roads which were incorrectly included in the municipal assets	(9 522 978)	
Remove the Tsomo access roads which were already replaced during the 2018/19 financial year.	(2 019 824)	
Restatetement of PPE due to access roads previously not on the assets register	7 088 750	
Restatement of PPE to include a Dozer previously not on the assets register	2 699 441	
Restatement of Community Assets Work in Progress (WIP) 2018/19	(1 041 975)	
Restatement of Infrastructure Assets Work in Progress (WIP) 2018/19	(263 730)	
Restatement of Electricity Infrastructure Work in Progress (WIP) correction of capitalisation	7 748 002	

Restatement of Community Asset Wellness Centre (2018/19)	400 612	
Restatement of Electricity Infrastructure Work in Progress (WIP) correction of capitalisation	(9 142 873)	
Restatement of CCTV Cameras from PPE Buildings to PPE Furniture and Equipment	(40 000)	
Restatement of CCTV Cameras to PPE Furniture and Office Equipment from PPE Buildings	40 000	
Restatement of Depreciation on the CCTV cameras due to it being reclassified as Office Equipment.	21	
Restatement of depreciation on the property transferred to investment property	(14 266)	
Adjustment of accumulated depreciation on Tsomo Roads	(109 433)	
Adjustment to VAT on Work in Progress - VAT Receivable - WIP	532 957	
Adjustment to VAT on Work in Progress - VAT Receivable - VAT	(532 957)	
Restatement of Land and Buildings due to the commonage being reclassified as Investment Property	(16 032 000)	
Restatement of Investment Property due to the commonage being reclassified as Investment Property	16 032 000	
Restatement of Depreciation Land and Buildings due to the commonage being reclassified as IP	(47 666 713)	
Restatement of Depreciation Investment Property due to the commonage being reclassified as IP	47 666 713	
Restatement of Community Assets Work in Progress balance brought forward	(105 540)	
Restatement of Infrastructure Assets Work in Progress balance brought forward	(72 056)	
Restatement of PPE Land for land previously excluded from assets register	496 272	
Restatement of Inventory balance 2018/19	(11 645 971)	
Adjustment of Road Infrastructure Assets Work In Progress	478 701	
Restatement of Infrastructure Assets Work in Progress to Receivables from Non-Exchange Transactions	12 089 745	
Restatement of Receivables from Exchange Transactions from Infrastructure Assets Work in Progress	(12 089 745)	
Adjustment of Community Assets Work In Progress - Impairment	980 315	
Restatement of depreciation on assets transferred from Property plant & Equipment to Investment Property	32 463	
Restatement of depreciation on assets transferred from Property plant & Equipment to Investment Property	(32 463)	
Restatement of Depreciation Balance of Land and Buildings	(1 155 302)	
Write of interest charges paid on overdue Pension payments and restate Payables	10 183	
Restatement of Work in Progress on Roads previously raised as Receivables	13 176 186	
Restatement of Receivables inclusive of capital work in progress	-13 176 186	
Restatement of PPE due to furniture found not to be on the assets register @ Cost	367 682	
Restatement of PPE due to furniture found not to be on the assets register @ Accumulative Depreciation	-31 708	
Restatement of PPE due to computers found not to be on the assets register @ Cost	205 363	
Restatement of PPE due to computers found not to be on the assets register @ Accumulative Depreciation	-29 338	
Restatement of PPE due to machinery found not to be on the assets register @ Cost	23 612	
Restatement of PPE due to machinery found not to be on the assets register @ Accumulative Depreciation	-2 361	
Restatement of PPE due to buildings found not to be on the assets register @ Cost	1 122 838	
Restatement of VAT Receivable due to a incorrect accounting in the prior year.	2 861 284	
Restatement of PPE due to land previously not on the assets register.	723 100	
Adjustment of Accumulated depreciation on Building-Investment Property.	-309 413	
Adjustment on disclosed amount for Consumer Deposits - should have been acnowledged as revenue.	2 294 345	
Restated Balance as at 30 June 2019		**637 370 975**
Transactions incurred for the Year 2019/20		33 137 614
Correction of Error:-		(22 142 511)
Write off of Provincial roads which were incorrectly included in the municipal assets Depreciation 2019/20	650 777	
Write back Tsomo access roads replaced. Depreciation 2019/20	156 270	
Restatement of Depreciation due to the Access Roads being added to the assets register from January 2019	(460 667)	
Restatement of Depreciation on the Dozer previously excluded from the assets register.	(197 804)	
Restatement of PPE due to the writing off of access roads replaced during 2019/20 @ Cost	(6 616 956)	
Restatement of PPE due to the writing off of access roads replaced during 2019/20 @ Depreciation	3 471 324	
Restatement of PPE Computer Depreciation 2019/20	(245)	
Restatement of depreciation on the property transferred to investment property	(14 412)	
Restatement of PPE due to a computer server not depreciated for the 2019/20 financial year	(27 724)	
Restatement of PPE due to operational expenses incorrectly capitalised as Road assets during the prior year	(4 671 551)	
Restatement of PPE due to the writing off of Cofimvaba streets replaced during 2019/20 @ Cost	(3 567 935)	
Restatement of PPE due to the writing off of Cofimvaba streets replaced during 2019/20 @ Depreciation	1 713 079	
Restatement of Community Asset Wellness Centre (2019/20)	320 250	
Restatement of Payables - Retention refering to Community Asset Wellness Centre (2019/20)	(367 881)	
Restatement of Tsomo Streets Transferred from WIP to completed (2019/20)	(1 104 547)	
Restatement of Tsomo Streets Depreciation (2019/20)	41 540	
Restatement of Tsomo Streets Transferred from WIP to completed (2019/20)	1 104 547	
Restatement of Depreciation on the CCTV cameras due to it being reclassified as Office Equipment.	(4 114)	
Restatement of PPE due to the impairment of a Caterpillar Compactor Grader	(130 111)	
Adjustment of accumulated depreciation on Tsomo Roads	(2 626 391)	
Restatement of Infrastructure Assets Work in Progress to Receivables from Non-Exchange Transactions	4 307 752	
Restatement of Receivables from Exchange Transactions from Infrastructure Assets Work in Progress	(4 307 752)	
Restatement of PPE due to impairment losses	(1 733 732)	
Reclassification of work in progress on Community Assets	1 155 302	
Reclassification of work in progress on Infrastructure Roads	(1 326 961)	
Restatement of PPE due to furniture found not to be on the assets register @ Accumulative Depreciation	(31 708)	
Restatement of PPE due to computers found not to be on the assets register @ Accumulative Depreciation	(29 338)	
Restatement of PPE due to machinery found not to be on the assets register @ Accumulative Depreciation	(2 361)	
Restatement of PPE due to buildings found not to be on the assets register @ Accumulative Depreciation	(32 464)	
Restatement of PPE due to depreciation adjustment on buildings.	64 928	
Restatement of Provision for impairment on debtors to include governement debtors	(7 873 625)	
Restated Balances as at 30 June 2020		**648 366 078**

38.2 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Correction of Error	Restated Amount 2019/20
Employee Related Costs	114 796 444	3 178 064	117 974 508
Remuneration of Councillors	17 576 884	-	17 576 884
Depreciation and Amortisation	27 431 627	3 503 428	30 935 055
Impairment Losses	1 085 846	11 064 428	12 150 273
Contracted Services	8 427 986	(603 895)	7 824 091
Inventory Consumed	3 803 107	-	3 803 107
Transfers and Subsidies Paid	5 312 977	-	5 312 977
Operational Costs	22 350 384	-	22 350 384
Loss on Disposal of PPE	93 694	5 000 488	5 094 182
	200 878 949	**22 142 513**	**223 021 461**

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	Employee Related Costs	Depreciation and Amortisation	Operational Costs
Balance previously reported	**114 796 444**	**27 431 627**	**22 350 384**
Operational expenses incorrectly capitalised to Roads	3 178 064	942 080	
Provincial roads removed - Depreciation 2019/20 restated		(650 777)	
Write back Tsomo access roads replaced. Depreciation 2019/20		(156 270)	
Restatement of Depreciation due to Acces Roads which were added from January 2019		460 667	
Restatement for Depreciation due to Dozer previously excluded from the assets register		197 804	
Restatement for Depreciation due to the computer Server not depreciated for 2019/20		27 724	
Restatement of Tsomo Streets Depreciation (2019/20)		(41 540)	
CCTV Cameras reclassified as Office Equipment		4 114	
Restatement of Community Asset Wellness Centre (2019/20)		47 632	
Restatement for Depreciation on Computer Equipment 2019/20		245	
Adjustment of accumulated depreciation on Tsomo Roads		2 626 391	
Restatement of depreciation on the property transferred to investment property		14 414	
Restatement of PPE due to furniture found not to be on the assets register		31 708	
Restatement of PPE due to computers found not to be on the assets register		29 338	
Restatement of PPE due to machinery found not to be on the assets register		2 361	
Restatement of PPE due to buildings found not to be on the assets register		32 464	
Restatement of PPE due to depreciation adjustment on Land and Buildings		(64 928)	
Restated Balance now reported	**117 974 508**	**30 935 054**	**22 350 384**

	Impairment Losses	Interest, Dividends and Rent on Land	Contracted Services
Balance previously reported	**1 085 846**	**-**	**8 427 986**
Operational expenses incorrectly capitalised to Roads			551 407
Impair a Caterpillar Compactor Grader	130 111	-	
Impairment losses on Property, Plant and Equipment	1 733 731		
Impairment losses on Community Assets and Infrastructure work in progress	1 326 961		
Community Assets Work in Progress previously expensed			(1 155 302)
Impairment Governement debtors prior year	7 873 625		
Restated Balance now reported	**12 150 274**	**-**	**7 824 091**

	Repairs and Maintenance		Loss on Disposal of PPE
Balance previously reported	-	-	**93 694**
Acces Roads replaced during 2019/20 - Old roads written off	-	-	3 145 632
Cofimvaba streets replaced during 2019/20 - Old streets written off			1 854 856
Restated Balance now reported	**-**	**-**	**5 094 182**

Salaries and Wages:
During the prior year employee cost was incorrectly capitalised to **Road** assets.

Depreciation and Amortisation:
During the prior year depreciation was incorrectly capitalised to **Road** assets.

The prior year amounts for *Depreciation* have been restated to correctly disclose **depreciation on Provincial Roads** previously incorrectly included in the assets register.

Furthermore, the prior year amounts for *Depreciation & Amortisation* have been restated to correctly disclose the depreciation on the **Tsomo access roads** which were replaced during 2018/19.

Furthermore, the prior year amounts for *Depreciation & Amortisation* have been restated to correctly disclose the depreciation on the **Access Roads** previously excluded from the assets register.

Furthermore, the prior year amounts for *Depreciation & Amortisation* have been restated to correctly disclose the depreciation on the **Dozer** previously excluded from the assets register.

Furthermore, the prior year amounts for *Depreciation & Amortisation* have been restated to correctly disclose the depreciation on the **Computer Server** which was not depreciated during the 2019/20 financial year.

Contracted Services:
During the prior year cost towards contracted services was incorrectly capitalised to **Road** assets.

Operational Costs:
During the prior year cost of **Electrification (WIP)** was incorrectly expensed as **Connection Fees**.

Loss on sale of Assets:
Access roads and **Cofimvaba** streets which were replaced during 2019/20 and the old roads and streets need to be written off.

Furthermore, the prior year amounts for *Loss on sale of Assets* have been restated to include the disposal of **Roads Infrastructure** found to be completely delapidated with verification during the 2019/20 financial year.

38.3 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Correction of Error	Restated Amount 2019/20
Current Assets			
Inventories	50 300 153	(35 860 357)	14 439 795
Receivables from Exchange Transactions	6 527 815	(4 563 666)	1 964 149
Statutory Receivables from Non-Exchange Transactions	11 707 310	(6 744 229)	4 963 081
Receivables from Non-exchange Transactions		3 221 312	3 221 312
VAT Receivable	1 903 744	824 541	2 728 285
Cash and Cash Equivalents	34 343 510	-	34 343 510
Operating Lease Receivables	113 445	-	113 445
Non-Current Assets			
Property, Plant and Equipment	608 687 448	(78 526 281)	530 161 167
Investment Property	19 219 664	87 542 544	106 762 209
TOTAL ASSETS	**732 803 089**	**(34 106 136)**	**698 696 953**
Current Liabilities			
Consumer Deposits	5 545 563	(2 294 345)	3 251 218
Provisions	1 847 843	-	1 847 843
Payables from Exchange Transactions	22 595 663	13 710	22 609 374
Payables from Non-exchange Transactions	162 688	-	162 688
Unspent Conditional Grants and Receipts	8 775 844	-	8 775 844
VAT Payable		-	-
Non-Current Liabilities			
Retirement Benefit Liabilities	11 446 000	-	11 446 000
Non-current Provisions	2 237 908	-	2 237 908
		-	
Minus TOTAL LIABILITIES	**52 611 509**	**(2 280 634)**	**50 330 875**
TOTAL NET ASSETS	**680 191 580**	**(31 825 502)**	**648 366 079**
Accumulated Surplus / (Deficit)	680 191 580	(31 825 502)	648 366 079

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	Inventories	Receivables from Exchange Transactions	Receivables from Non-exchange Transactions
Balances previously published per AFS as at 30 June 2019	**50 336 929**	**7 603 240**	**5 007 738**
Restatement of Receivables from Exchange Transactions for Old Rental Balances		(212 958)	
Restatement of Inventory balance 2018/19	(11 645 971)		
Restatement of Infrastructure Assets WIP to Receivables from Exchange Transactions		(3 221 313)	(1 086 441)
Balances now published per AFS as at 30 June 2019	**38 690 958**	**4 168 970**	**3 921 297**
Transactions incurred for the Year 2019/20	(36 776)	(1 075 425)	6 699 572
Restatement of Infrastructure Assets WIP to Receivables from Exchange Transactions			4 307 752
Investment Propery disclosed as Inventory reallocated	(24 214 387)		-
Governe debtors impaired for 2020		(1 129 395)	(6 744 229)
Balances now published per AFS as at 30 June 2020	**14 439 795**	**1 964 149**	**8 184 393**

	VAT Payable	VAT Receivable	Operating Lease Receivables
Balances previously published per AFS as at 30 June 2019	-	**4 615 821**	**107 009**
Restatement of VAT Receivable due to a incorrect accounting in the prior year.		(1 503 786)	
Adjustment to VAT on Work in Progress	132 998	(399 958)	
VAT Adjustment after investigation	(132 998)	2 728 285	
Balances now published per AFS as at 30 June 2019	-	**5 440 362**	**107 009**
Transactions incurred for the Year 2019/20		(2 712 077)	6 436
Balances now published per AFS as at 30 June 2020	-	**2 728 285**	**113 445**

	Property, Plant and Equipment	Investment Property	Payables from Exchange Transactions
Balances previously published per AFS as at 30 June 2019	**583 529 152**	**19 791 415**	**22 882 512**
Write off of Provincial roads which were incorrectly included in the municipal assets	(9 522 978)		
Remove the Tsomo Access roads which were replaced during 2018/19	(2 019 824)		
Add Access Roads previously not on the assets register.	7 088 750		
Add Dozer previously not on the assets register.	2 699 441		
Restatement of Community Assets Work in Progress (WIP)	(650 201)		391 775
Restatement of Infrastructure Assets Work in Progress (WIP)	(263 730)		
Restatement of Electricity Assets Work in Progress (WIP)	(1 394 871)		
Restatement of Community Asset Wellness Centre	400 612		
Restatement of CCTV Cameras from PPE Buildings to PPE Furniture and Equipment	(40 000)		
Restatement of CCTV Cameras to PPE Furniture and Office Equipment from PPE Buildings	40 000		
Depreciation on CCTV cameras restated due to reclassification	21		
Reclasification of Commonage land to Investment Property - Cost	(47 666 713)	47 666 713	
Adjustment to VAT on Work in Progress	532 956		
Restatement of Land and Buildings and Investment Property due to the commonage being reclassified.	(16 032 000)	16 032 000	
Restate the Work in Progress balances BF on Caommunity and Infrastructure assets	(177 596)		
Adjustment of accumulated depreciation on Tsomo Roads	(109 433)		
Restatement of PPE Land for land previously excluded from assets register	496 272		
Adjustment of Road Infrastructure Assets Work In Progress	478 701		
Restatement of Receivables from Exchange Transactions from Infrastructure Assets WIP	1 086 441		
Adjustment of Community Assets Work In Progress	980 315		
Restatement of depreciation on the property transferred to investment property		(14 266)	
Restatement of depreciation on the property transferred to investment property	32 464	(32 464)	
Restatement of Depreciation Balance of Land and Buildings	(1 155 302)		
Restatement of WIP previously raised as Exchange Receivables	3 221 313		
Write of interest charges paid on overdue Pension payments and restate Payables			(10 183)
Restatement of PPE due to furniture found not to be on the assets register	335 974		
Restatement of PPE due to computers found not to be on the assets register	176 025		
Restatement of PPE due to machinery found not to be on the assets register	21 251		
Restatement of PPE due to buildings found not to be on the assets register	1 122 838		
Restatement of PPE due to land previously not on the assets register	723 100		
Adjustment of Accumulated depreciation on Building-Investment Property		(309 413)	

Balances now published per AFS as at 30 June 2019	**523 932 978**	**83 133 986**	**23 264 104**
Transactions incurred for the Year 2019/20	25 158 296	(571 751)	(286 849)
Reverse the depreciation previously allocated to the Provincial Roads	650 777		
Remove deprecition on the Tsomo Access roads which were replaced during 2018/19	156 270		
Allocate depreciation on the Acces Road previously excluded from the assets register.	(460 667)		
Allocate depreciation on the Dozer previously excluded from the assets register.	(197 804)		
Write off old Access roads replaced during 2019/20 @ Cost	(6 616 956)		
Write off old Access roads replaced during 2019/20 @ Accumulative Depreciation	3 471 324		
Restatement of depreciation on Computer Equipment	(245)		
Restatement of Tsomo Streets Capitalisation from WIP to completed	(1 104 547)		
Restatement of Tsomo Streets Capitalisation from WIP to completed	1 104 547		
Allocated depreciation to a computer server which was not depreciated in 2019/2020	(27 724)		
Reverse operational expenses which were incorrectly capitalised to roads	(4 671 551)		
Write off old Cofimvaba streets replaced during 2019/20 @ Cost	(3 567 935)		
Write off old Cofimvaba streets replaced during 2019/20 @ Accumulative Depreciation	1 713 079		
Restatement of Community Asset Wellness Centre	(367 881)		(367 881)
Restatement of Community Asset Wellness Centre	(47 632)		
Restatement of Tsomo Street Depreciation	41 540		
Depreciation on CCTV cameras restated due to reclassification	(4 114)		
Impairment of a Caterpillar Compactor Grader	(130 111)		
Restatement of Receivables from Exchange Transactions from Infrastructure Assets WIP	(4 307 752)		
Adjustment of Community Assets Work In Progress	1 155 302		
Adjustment of Infrustructure Assets WIP Outsourced	(1 733 731)		
Adjustment of accumulated depreciation on Tsomo Roads	(2 626 391)		
Reclassification of work in progress on Community Assets	(2 135 617)		
Reclassification of work in progress on Infrastructure Roads	808 656		
Restatement of depreciation on the property transferred to investment property		(14 414)	
Restatement of PPE depreciation due to furniture found not to be on the assets register	(31 708)		
Restatement of PPE depreciation due to computers found not to be on the assets register	(29 338)		
Restatement of PPE depreciation due to machinery found not to be on the assets register	(2 361)		
Restatement of PPE depreciation due to buildings found not to be on the assets register	(32 464)		
Restatement of PPE depreciation on buildings	64 928		
Investment Propery disclosed as Inventory reallocated		24 214 390	
Balances now published per AFS as at 30 June 2020	**530 161 168**	**106 762 211**	**22 609 374**

Receivables from Exchange Transactions:
The **opening balances** of *Receivables from Exchange Transactions* have been restated due to the write off of old unsupported Rental Debtors which came from the previous financial system.

VAT Receivable:
The opening balances VAT Receivable/Payable have been restated to correctly disclose the amount for VAT after an assessment by SARS.

Property, Plant and Equipment:

The opening balances for *Property, Plant & Equipment* have been restated to remove **Provincial Roads** which were incorrectly included in the assets tregister.

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to exclude the **Tsomo Access Roads** which were replaced during the 2018/19 financial year.

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to include the **Access Roads** previously not municipal assets. The inception date was set as 01 January 2019.

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to include a **Dozer** previously not on the municipal assets. The take on date was set as 01 July 2015.

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to exclude the **Access Roads** and **Cofimvaba Streets** which were **replaced** during 2019/20 and had to be removed from the assets register.

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to exclude the **Road Infrastructure** which were found fully delapidated

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to include depreciation on a **Computer Server** and other **Computer**

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to exclude amounts relating to **Operational Expenses** which were incorrectly capitalised to Road Infrastructure during the prior year.

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to account for adjustments identified on **Work In Progress** on both **Community Assets** and **Infrastructure Assets** which were incorrectly accounted for during previous years.

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to account for adjustments identified on the capitaliasation of **Community Asset Wellness Centre**

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated to account for adjustments identified on the capitaliasation of **Tsomo Streets.**

Furthermore, the opening balances for *Property, Plant & Equipment* have been restated due to the **impairment of a Caterpillar Compactor Grader.**

Furthermore, the opening balances for **Inventory** have been restated to account for adjustments identified on **land** which should be Property Plant and Equipment.

Furthermore, the opening balances for **Property Plant and Equipment** have been restated to account for items of Computer Equipment, Furniture and Fittings, Plant and Machinery and Buildings found to be not on the assets register.

Lastly, the **opening balances** for *Property, Plant & Equipment* were restated for the Accumulated Depreciation as well as Cost on the CCTV cameras which were reclassified as Office Equipment

39. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year		48 017 758	10 995 102
Movement - Correction of prior period errors		-	7 621 792
Adjustment for Non-cash Transactions included in Surplus / (Deficit):			
Employee Related Costs	Note 29.1	3 789 490	915 913
Depreciation and Amortisation	Note 30	32 894 652	30 935 055
Impairment Losses	Note 32.2	7 379 468	12 150 273
Receivables: Bad Debts Written-off		(1 812 524)	-
Transfer of Property, Plant and Equipment		-	(4 481 120)
Expenditure incurred from Provisions for Employee Related Costs		(521 000)	(659 645)
Expenditure incurred from Provisions for Other Payments		123 085	206 522
Adjustment for Transactions included in Surplus / (Deficit) directly recognised in Cash Flow:			
Losses on Disposal of Capital Assets	Note 37.1	9 056 384	5 094 182
Operating surplus before working capital changes		98 927 313	38 563 688
Decrease/(Increase) in Inventories		(351 803)	24 251 163
Decrease/(Increase) in Receivables from Exchange Transactions		(1 829 039)	(15 840 044)
Decrease/(Increase) in Statutory Receivables from Non-exchange Transactions		(4 603 759)	6 194 845
Decrease/(Increase) in Receivables from Non-exchange Transactions		1 812 524	(3 221 312)
Decrease/(Increase) in VAT Receivable		1 042 486	2 712 076
Decrease/(Increase) in Operating Lease Receivables		(15 416)	(6 436)
Increase/(Decrease) in Consumer Deposits		55 382	290 815
Increase/(Decrease) in Payables from Exchange Transactions		6 025 131	(654 730)
Increase/(Decrease) in Payables from Non-exchange Transactions		490 593	113 592
Increase/(Decrease) in Conditional Grants and Receipts		(4 469 777)	8 775 844
Cash Generated by / (Utilised in) Operations		97 083 635	61 179 500

40. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
Opening Balance:	-	167 296 116
Unauthorised Expenditure Current Year:	21 088 632	-
- Current Year	21 088 632	-
- Prior Year		-
Approved/Condoned by Council:	(15 235 911)	(167 296 116)
- Current Year	(15 235 911)	-
- Prior Year		(167 296 116)
Unauthorised Expenditure awaiting authorisation	**5 852 721**	**-**

The current years unauthorised expenditure is as a result of entire review of asset register review where irregulariries were identified and resulted to write off of certain asset values. Unauthorised expenditure has been tabled to Council and it has resolved for a write off after considering the outcome of the asset review.

- Non-cash	15 235 911	167 296 116
	15 235 911	**167 296 116**
Analysed as follows:		
Non-cash:-		
Depreciation and Amortisation	4 362 914	167 296 116
Impairment Losses	10 872 997	-
	15 235 911	**167 296 116**

40.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:		
Opening Balance	16 684 650	7 455 316
- Correction of error	-	9 262 995
Fruitless and Wasteful Expenditure Current Year	31 444	264 386
Expenditure investigated and approved by Council		(298 047)
To be Recovered	-	-
Fruitless and Wasteful Expenditure awaiting condonement	**16 716 095**	**16 684 650**

Fruitless and wastefull expenditure is for the current and prior year as a result of amounts paid to suppliers in vain such as interest and for work not done. A report of of this expenditure was tabled to Council, Council has refered it for futher investigation by MPAC . The prior year is still being subjected for investigated by MPAC . The current year's and restated fruitless and wasteful expenditure has been reported to Council and has been refered to MPAC for further investigation, MPAC is in the process of the investigation.

40.3 Irregular Expenditure

		Restated
Reconciliation of Irregular Expenditure:		
Opening Balance:	37 785 773	46 744 963
- As previously stated	37 785 773	46 744 963
- Correction of error	-	-
Irregular Expenditure Current Year:	7 423 045	17 265 545
- Current Year	5 359 016	17 265 545
- Prior Year	2 064 029	
Condoned/Written-off by Council:	-	(26 224 735)
- Current Year		(26 224 735)
- Prior Year		
Irregular Expenditure awaiting condonation	**45 208 818**	**37 785 773**

Prior years Irregular Expenditure was referred to MPAC for investigation by Council, and the investigation is still in progress. The current years and restated Irregular Expenditure has been tabled to Council and it has since been noted and referred to MPAC for further investigation.

Current Year:

Incident	Deviation
KCS Consultants - (2021: R36 125.52)	*Procured in terms of SCM Regulation 32; no demonstrable discounts or benefits.*
Kuhle Mcebo Engineers - (2020: R3 698 400)	*Quorum of BAC was not met as per SCM Regulations*
Sub-Contractors of Tshiya- (2020: R263 241.05)	*Non compliance with GCC & CIDB Regulations*
Fuel - (2020:R459 130.00)	*Non compliance with SCM Regulations*
Consulting Services - (2020: R400 000.00)	*Non compliance with SCM Regulations*
Financial System Services - (2020: R502 119.85)	*Non compliance with SCM Regulations*
Deviations from SCM procedures not regarded as Irregular Expenditure	*Non compliance with SCM Regulations*

Prior Year:

Incident	Deviation
Aloe Office Equipment - (2020: R 331 791)	*Contract extensions exceed 15% allowed of the original value of the contract.*
KCS Consultants - (2020: R206 842)	*Procured in terms of SCM Regulation 32; no demonstrable discounts or benefits.*
Red Guard - (2020: R128 318)	*Contract extensions exceed 15% allowed of the original value of the contract.*
Kuhle Mcebo Engineers - (2020: R12 033 000)	*Quorum of BAC was not met as per SCM Regulations*
1Time Safety -(2020:R 33348.45)	*Paragraph 17 (c) of the SCM policy states that If it is not possible to obtain at least three quotations, the reasons for such inability must be recorded on the invitation to submit quotations and reported quarterly to the chief financial officer.*
SG Msimang0 (2020:R 187 840.00)	*Paragraph 17 (c) of the SCM policy states that If it is not possible to obtain at least three quotations, the reasons for such inability must be recorded on the invitation to submit quotations and reported quarterly to the chief financial officer.*
Umphongolo Petroleum - R0 (2020: R150 000.00)	*Paragraph 17 (c) of the SCM policy states that If it is not possible to obtain at least three quotations, the reasons for such inability must be recorded on the invitation to submit quotations and reported quarterly to the chief financial officer.*
Helushe -(2020:R 1 137 235.00)	*Non compliance wiith CIDB Regulations*
Bahlaphing Construction JV Ptafkam and TBR -(2020:R 340 495.91)	*Spending above the contract amount without following proper process of variation process*
Bravopro 245/ Bob Mazwana -(2020:R 215 109.32)	*Spending above the contract amount without following proper process of variation process*
Cofimvaba - Ugrading of Gravel Roads to Surfaced	*Non compliance with GCC & CIDB Regulations*

41. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION

41.1 MUNICIPAL FINANCE MANAGEMENT ACT

41.1.1 Contributions to Organised Local Government - SALGA

Opening Balance	-	-
Council Subscriptions	1 282 364	1 451 843
Amount Paid - current year	(1 282 364)	(1 451 843)
Balance Unpaid (included in Creditors)	-	-

41.1.2 Medical Aid Contributions

Opening Balance	-	-
Current Year Contributions	13 650 370	12 481 847
Amount Paid - current year	(13 650 370)	(12 481 847)
Balance Unpaid (included in Creditors)	-	-

41.1.3 Pension Fund Contributions

Opening Balance	-	-
Current Year Contributions	20 140 783	18 925 459
Amount Paid - current year	(20 140 783)	(18 925 459)
Balance Unpaid (included in Creditors)	-	-

41.1.4 Audit Fees

Opening Balance	-	-
Current year Audit Fees	4 350 515	3 744 856
Amount Paid - current year	(4 350 515)	(3 744 856)
Balance Unpaid (included in Creditors)	-	-

41.1.5 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	22 392 390	21 744 729
Amount Paid - current year	(22 394 900)	(21 744 729)
Balance Unpaid (included in Creditors)	(2 510)	-

41.1.6 VAT

The net of VAT input receivables and VAT output payables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.	1 685 799	2 728 285

41.1.7 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2019:

30 June 2021	**Total**	**Outstanding up to 90 days**	**Outstanding more than 90 days**
Councillor Mwezi Bikitsha	13 598	711	12 888
Total Councillor Arrear Consumer Accounts	13 598	711	12 888

30 June 2020	**Total**	**Outstanding up to 90 days**	**Outstanding more than 90 days**
Councillor Mwezi Bikitsha	16 064	699	15 365
Councillor Lulama Mvo	60 567	4 806	55 761
Total Councillor Arrear Consumer Accounts	76 631	5 505	71 126

Council has resolved to recover the money from the Councillors salary

41.1.8 Non-Compliance with the Municipal Finance Management Act

Interest charged on outstanding debtors - [MFMA 64 (2)(g)]

In terms of section 64 (2)(g) of the MFMA the municipality must charge interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework. The municipality charges interest on over 60 days outstanding balances.	2 456 985	2 456 985

41.1.9 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Total for the deviations	2 702 285
Payday Software	300 901
MFS Consulting Chartered Accounting	502 120

Payday Software

The Municipality has access to use Payday Software Systems for its management of leaves and processing of salaries,however the licence , support and training has lapsed. The normal process of getiing this service is impractical as Payday Software Systems is the Sole provider of the right to issue licence,support and training on their system. It is against this background that its impractical for follow normal processes to get this particular services.

MFS Consulting Chartered Accounting

The Muncicipality's operations have been affected negatively by the affects of COVID -19,due to a number of employees at budget and Treasury beig unavailable due to testing positive and in some instances some employees have been in contact with people with covid 19 and are quarantined, in order to prepare for the audit and reviewing our documents and proper filling and quality assuring all documents extra resources needed to be sourced .This is an exceptional case and it is impractical or impossible to follow the official procurement processes and as such it was also urgent to follow normal processes.

EZS Consulting 130 000
The IDP as presented to the council in May had erros that had to be corrected specially chapter 4 ,The Covid pandemic made it difficult for us to qualify assure this strategic document .The Municipality had to engage specialists to do the high level review of chapter 4,SDBIP and perfomance agreement .Following the normal processes would not have been possible as the pandemic is causing havoc and also skills shortage in this regard.such that a lot of staff were affected and some infected so therefore had to quaranteen which affected the operations of the municipality.

UMPHONGLO PETROLEUM 234 250
A normal procurement process was followed to employ the services of Sakhe Logistic to supply the Municipality diesel on a need basis however they have submitted a correspondence requesting to be paid in advance which is against MFMA. A process commenced to terminate their services due to non performance however this process takes time as the service provider has to be afforded allowance to rectify their breach of contract while the process to terminate is in progress the municipality needed to urgently get diesel and a normal process could not be done due to the legal contract the municipality still has with Sakhe and therefore rendering the process to be impractical to follow normal processes.

Umphongolo Petroleum 224 880
A normal procurement process was followed to employ the services of Sakhe Logistic to supply the Municipality diesel on a need basis however they have submitted a correspondence requesting to be paid in advance which is against MFMA. A process commenced to terminate their services due to non performance however this process takes time as the service provider has to be afforded allowance to rectify their breach of contract while the process to terminate is in progress the municipality needed to urgently get diesel and a normal process could not be done due to the legal contract the municipality still has with Sakhe and therefore rendering the process to be impractical to follow normal processes.

Engineering Council of South Africa 8 670
Sole provider because is ESCA is the only engineering board ,as a result it is impossible to follow normal procurement processes.

Vuyisa Motors 192 000
A normal procurement process was followed to employ the services of Sakhe Logistic to supply the Municipality diesel on a need basis however they have submitted a correspondence requesting to be paid in advance which is against MFMA. A process commenced to terminate their services due to non performance however this process takes time as the service provider has to be afforded allowance to rectify their breach of contract while the process to terminate is in progress the municipality needed to urgently get diesel and a normal process could not be done due to the legal contract the municipality still has with Sakhe and therefore rendering the process to be impractical to follow normal processes.

TFM 33 685
TFM is a leading manufacturing company in South Africa that converts and maintain refuse compactor trucks.The normal procurement process cannot be followed as the truck is solely for service delivery to the communities and TFM is the sole provider who can repair their own product. Moreover for any vehicle to be diagnosed with the reason for the mechanical fault the vehicle must be stripped and this on its own poses another possibility of more damages, also more costs can also be incured as the vehicle has to be moved from one place to another to be diagnosed before a conclusion can be reached of what is wrong with the vehicle. The said vehicle was brought from TFM therefore is more practical that they have more knowledge of their product and having it repaired by them makes more financial sense and logic and safety.

Qapela Quantity Surveyors 400 000
The Municipality has received confirmation of diverting its MIG funds for a project to respond to COVID -19 pandemic,due to the new cases being reparted in Cofimvaba which gives an indication that the continuous spread of this pandemic is escalating each and every day.

ESRI 20 217
Esri South Africa is the only service provider that offers Esri products (the software which we rea using GIS and maping)Thus the ArcMap 10.8 software was bought from them and can only be maintaned yearly by them since they licensed it.

The Mowtique 7 384
Brush cutter machine is the product of Mowtique as such it has to be services where it was initially procured to avoid any possible damage which might be caused by any other supplier which is not familiar with the machine as they had not manufatured it.

Nelson Mandela University 15 710
It is impractical or imposible to follow procurement processes when applying to tetiary institutions,because they do not tender to the municipality.As a person /student one applies to these institutions,therefore a student applied and was subsequently accepted at Nelson Mandela University to study towards a dimploma in project Management.It is because of this reason that we are deviating from normal procurement processes.

I.T.S PUMPS & SEALS 118 146
The Municipality has a fire fighting truck procured from ITS Pumps and seals ,the equipment used by this truck is damaged and therefore cannaot be used to render services to the community of the Municipality.The only firm that can be able to service this equipment is ITS Pumps and seal which is the manufacturer of the equipment.It is against this reason ing that normal processes cannot be followed and the repairs can only be done by te Manufacturer.

Tshiki Consulting 397 900
The village of Khayamnandi in ward 16 Cofimvaba experienced heavy rains,which washed away a crossing villagers used to move in and out of village .Due to the rain season and if nothing is done,the village will be completely cut off from other places. and the community is exposed to danger by contious use of this bridge on its current state.Due to the urgency of this ,normal processes cannot be followed.currently villages are not able to access each other and they use dangerous methods to cross.

Queenstown Farm Services 37 567

Community services in terms and functions renders waste management servces,this makes the department to be in possession of a tractor which assists the communities in collectio of skip bins and grass cutting.This tractor is due for major service now and it must be services by qualified company.QTN FARM SERVICES is a sole supplier of Messy ferguson as he tractor is a Messey Ferguson 440 XTRA

Service of motors and winches

Intsika yethu Municipality is in possession of high mast for Cofimvaba and Tsomo ares,These lights are not in operational state,this increase the crime rate as there are areas around Cofimvaba town which have been out of lights for some time ,for the diagnosis of these hing mast lights,one needs to climb utilising th double drum worm winch and a motor,it has been noted that this machinery(municipal winches and motors)is not functioning either and had since been out of te service plan as they have been purchased in 2015.Dymot Engineering Company is the sole provider and supplier of the machinery. 42 287

Service of weigh bridge

Community services in terms of power and functions renders waste management service starting from waste collection,transpotation and disposal.At IYM landfill site there is a weighbridge installed by scale in 2009 which is used to weigh the tons of waste deliveres and collected from the site. 43 953

41.2 BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the Annual Report under the section titled B-BBEE Compliance Performance Information.

42. COMMITMENTS FOR EXPENDITURE

42.1 Capital Commitments

- Approved and Contracted for:-	**13 140 264**	**7 494 371**
Infrastructure	12 149 878	6 363 515
Other	990 386	1 130 856
Total Capital Commitments	**13 140 264**	**7 494 371**
This expenditure will be financed from:		
Government Grants & Internal Funds	13 140 264	7 494 371
	13 140 264	**7 494 371**

42.2 Operational Commitments

- Approved and Contracted for:-		
Procurement of Financial Reporting and AFS Tools	126 800	-
Development of ICT Strategy,ICT Governance and Policy Review	300 045	-
Rental of Multi-Function Printing Solutin	604 580	
Maintenance,Support and Licencing of an Existing Integrated SAGE Financial Management System	1 831 500	-
Fleet Tracking Services	553 199	-
Website Development (Hosting) and Maintenance	48 300	1 168 500
Updating of the Current Asset Register In-Line With Grap Requirements for Fixed Asset Classes for a Period of one Year	492 751	370 291
Total Operational Commitments	**3 957 175**	**1 538 791**
This expenditure will be financed from:		
Government Grants	2 384 699	-
Own Resources	1 572 476	1 538 791
	3 957 175	**1 538 791**

This committed expenditure relates to projects under Work in progress and will be financed by available bank facilities,retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

43. FINANCIAL INSTRUMENTS

43.1 Classification

FINANCIAL ASSETS:
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification		
Receivables from Exchange Transactions			
Refuse	Amortised cost	994 144	962 732
Affiliated/Related Parties/Associated Companies	Amortised cost	-	178 337
Property Rental Debtors	Amortised cost	1 334 256	634 426
Control, Clearing and Interface Accounts	Amortised cost	234 115	101 393
Receivables with Credit Balances	Amortised cost	98 673	87 261

Receivables from Statutory Non-exchange Transactions			
Property Rates	Amortised cost	1 696 648	3 872 505
Fines	Amortised cost	969 443	927 889
Cash and Cash Equivalents			
Bank Balances	Fair value	62 217 628	34 343 510
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Refuse	994 144	962 732
Receivables from Exchange Transactions	Companies	-	178 337
Receivables from Exchange Transactions	Property Rental Debtors	1 334 256	634 426
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	234 115	101 393
Receivables from Exchange Transactions	Receivables with Credit Balances	98 673	87 261
Receivables from Non-exchange Transactions	Property Rates	1 696 648	3 872 505
Receivables from Non-exchange Transactions	Fines	969 443	927 889
Cash and Cash Equivalents	Bank Balances	62 217 628	34 343 510
Total Financial Assets		**67 544 907**	**41 108 052**

FINANCIAL LIABILITIES:
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Financial Liabilities	Classification		
Payables from Exchange Transactions			
Bonus	Amortised cost	2 743 284	2 424 817
Leave Accrual	Amortised cost	12 489 301	10 660 666
Other Payables	Amortised cost	4 348 998	3 503 726
Retentions	Amortised cost	3 072 761	2 487 856
Trade Creditors	Amortised cost	5 881 487	3 445 048
Exchange Receivables with Credit Balances	Amortised cost	98 673	87 261
Payables from Non-exchange Transactions			
Non-Exchange Receivables with Credit Balances	Amortised cost	653 281	162 688
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Payables from Exchange Transactions	Bonus	2 743 284	2 424 817
Payables from Exchange Transactions	Leave Accrual	12 489 301	10 660 666
Payables from Exchange Transactions	Other Payables	4 348 998	3 503 726
Payables from Exchange Transactions	Retentions	3 072 761	2 487 856
Payables from Exchange Transactions	Trade Creditors	5 881 487	3 445 048
Payables from Exchange Transactions	Exchange Receivables with Credit Balanc	98 673	87 261
Payables from Non-exchange Transactions	Non-Exchange Receivables with Credit Ba	653 281	162 688
Total Financial Liabilities		**29 287 786**	**22 772 061**

43.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash
The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables
The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities
The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities
The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2021, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-
Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-
Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-
Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

43.3 Capital Risk Management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 17 and the Statement of Changes in Net Assets.

Gearing Ratio

	2021 R	2020 R
The gearing ratio at the year-end was as follows:		
Debt	(0)	(0)
Cash and Cash Equivalents	(62 217 628)	(34 343 510)
Net Debt	(62 217 628)	(34 343 510)
Equity	696 383 837	648 366 079
Net debt to equity ratio	**-8.93%**	**-5.30%**

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

The Gearing Ratio of the municipality is currently negative, due to the municipality having no debt. If the value is negative, then this means that the municipality has net cash, i.e. cash at hand exceeds debt.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

43.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

43.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk
Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk
Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk
Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2021

	Less than 1 year	Between1 an 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	28 634 505			
Payables from non-exchange transactions	653 281			

At 30 June 2020

	Less than 1 year	Between1 an 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	22 609 374			
Payables from non-exchange transactions	162 688			

43.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 44.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

43.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

43.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis
The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 44.8 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2021 would have increased / decreased by R482 806 (30 June 2020: R268 307). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

43.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Counterparty and Location	30 June 2021		30 June 2020	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
South African Bantu Trust	-	743 759	-	680 325
Sakaulis Prop (Pty) Ltd	-	583 419	-	622 458
Government of Transkei	-	659 467	-	606 949
South African Police Services	-	723 265	-	597 555
Vokuhle	-	689 533	-	456 414

	2021	2020
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Receivables from Exchange Transactions	10 974 864	9 145 789
Receivables from Non-exchange Transactions	21 568 850	16 965 090
Bank, Cash and Cash Equivalents	62 217 628	34 343 510
Maximum Credit and Interest Risk Exposure	**94 761 342**	**60 454 389**
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:	%	%
Consumer Debtors:		
- Household	15.30%	23.23%
- Industrial / Commercial	21.51%	37.03%
- National and Provincial Government	11.03%	14.17%
- Other Classes	4.46%	4.02%
Other Debtors:		
- Other not Classified	11.92%	14.12%
Total Credit Risk	**64.21%**	**92.56%**
Bank and Cash Balances		
ABSA Bank Ltd	850 695	841 491
First National Bank	61 366 933	33 502 020
Total Bank and Cash Balances	**62 217 628**	**34 343 511**

Credit quality of Financial Assets:

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

Counterparties without external credit rating:-		
Group 1	293 410	(885 601)
Group 2	75 010	(226 404)
Total Receivables from Exchange Transactions	**368 421**	**(1 112 005)**
Receivables from Non-exchange Transactions		
Group 1	1 141 927	(4 010 013)
Group 2	291 934	(1 025 162)
Total Receivables from Non-exchange Transactions	**1 433 861**	**(5 035 175)**

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

43. FINANCIAL INSTRUMENTS (Continued)

43.1 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2021								
Non-interest Bearing		0.00%	29 287 786	29 287 786	-	-	-	-
- Payables from Exchange transactions			28 634 505	28 634 505				
- Payables from Non-exchange transactions			653 281	653 281				
			29 287 786	**29 287 786**	-	-	-	-
30 June 2020								
Non-interest Bearing		0.00%	22 772 061	22 772 061	-	-	-	-
- Payables from Exchange transactions			22 609 374	22 609 374	-	-	-	-
- Payables from Exchange transactions			162 688	162 688	-	-	-	-
			22 772 061	**22 772 061**	-	-	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2021								
Non-interest Bearing		0.00%	5 327 279	5 327 279	-	-	-	-
Variable Interest Rate Instruments		3.88%	62 217 628	62 217 628	-	-	-	-
- Bank Accounts			62 217 628	62 217 628	-	-	-	-
			67 544 907	**67 544 907**	-	-	-	-
30 June 2020								
Non-interest Bearing		0.00%	6 764 543	6 764 543	-	-	-	-
- Trade Receivables from Exchange Transactions			1 964 149	1 964 149	-	-	-	-
- Trade Receivables from Non-exchange Transactions			4 800 394	4 800 394	-	-	-	-
Variable Interest Rate Instruments		11.56%	34 343 510	34 343 510	-	-	-	-
- Bank Accounts			34 343 510	34 343 510	-	-	-	-
			41 108 052	**41 108 052**	-	-	-	-

	2021	2020
	R	R

44. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. All councillors belong to the Pension Fund for Municipal Councillors, whilst employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.
It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R12 756 074 (2020: R11 919 362) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

44.1 DEFINED BENEFIT SCHEMES

LA Retirement Fund (previously Cape Joint Pension Fund):
The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2018 disclosed an actuarial valuation amounting to R1 776 (2017: R1 859) million, with a surplus of R63 (2017: R47) million, with a funding level of 103.7% (2017: 102.6%).

National Fund for Municipal Workers - Pension Fund:
The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2018 revealed that the net assets of the fund were R10 050 (30 June 2014: R9 032) million, with a funding level of 100,42% (30 June 2014: 100,10%).

The actuary certified that the assets of the fund are sufficient to cover 100,42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%.

44.2 DEFINED CONTRIBUTION SCHEMES

Consolidated Retirement Fund for Local Government (previously Cape Joint Retirement Fund):
The scheme is subject to an tri-annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R24 108 (30 June 2017: R21 359) million, with funding levels of 100,4% and 128,0% (2017: 100,0% and 127,3%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,5% or 9,0%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Discovery Retirement Plan:
No information could be obtained.

Eastern Cape Group Municipal Gratuity Fund:
The scheme is subject to a tri-annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 31 March 2018.

The contribution rate payable is 5% by the members' councils, and no contributions are made by memebers. The actuarial valuation report at 31 March 2018 disclosed assets amounting to R34 (2015: R35) million, with a surplus of R2 (2015: surplus of R157) million, with a funding level of 100,0% (2015: 100,5%).

As at 31 March 2018 the assets of the fund were sufficient to cover members' fund credits and the data reserve in full. The fund was in a sound financial condition as at the valuation date in terms of section 16 of the Pension Funds Act, as amended.

Eastern Cape Group Municipal Pension Fund:
The scheme is subject to a tri-annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 31 March 2018.

The contribution rate payable is 9% by the members and 13% by their councils. The actuarial valuation report at 31 March 2018 disclosed assets amounting to R122 217 (2015: R119 461) million, with a deficit of R140 (2015: surplus of R750) million, with a funding level of 99,9% (2015: 100,6%).

As at 31 March 2018 the assets of the fund were insufficient to cover the liabilities and the contingency reserves in full. However, the fund is not in an unsound financial condition as at the valuation date in terms of section 16 of the Pension Funds Act, as amended.

LA Retirement Fund (previously Cape Joint Pension Fund):
The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The actuarial valuation report at 30 June 2018 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R2 018 (2017: R1 912) million, net investment reserve of R0 (2017: R0) million and a funding level of 100.0% (2017: 100.0%).

Metropolitan Retirement Fund:
No information could be obtained.

Municipal Councillors Pension Fund:
The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R2 552 (30 June 2012: R1 184) million, with a funding level of 101,8% (30 June 2012: 99,5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was following an appropriate investment strategy duiring the valuation period.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal

No further information could be obtained.

Municipal Workers Retirement Fund (previously South African Municipal Workers' Union Provident Fund:
The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2017.

The contribution rate payable is not less than 7,5% by the members and 18% by their councils. As from 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates.

The actuarial valuation report at 30 June 2017 disclosed assets amounting to R7 721 (2014: R6 575) million, with a funding level of 102,0% (2014: 111,7%). The Fund's assets are sufficient to cover the members' Fund Credits The Fund is therefore in a sound financial position.

None of the above mentioned plans are State Plans.

45. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.
To the best knowledge of management , no transactions were incurred to the related parties and no disclosure submitted to declare related party interest.

45.1 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 28 and 29, and Appendix G, to the Annual Financial Statements.

46. CONTINGENT LIABILITIES

46.1 Court Proceedings:	**6 566 311**	**16 333 024**
Singisa Mayila & Other vs IYM Mr Mayila & Others are suing the municipality for unlawful demolition of their homes. The municipality is defending the case, and the outcome thereof is still uncertain.	900 000	900 000
Siyabonga Moni vs IYM Plaintiff suing the municipality for damages, alleging he sustained serious injuries after falling into an uncovered trench on the street excavated by the municipality.	3 840 311	3 840 311
Asanda Bokotho vs IYM Asanda Mbokotho is suing the municipality allerging one of the traffic officers assualted him on duty and claiming damages	200 000	100 000
Ilitha Lethu Recycle Primary Co operative Plant vs IYM Ilitha Lethu is suing the municipality damages allerging that the Municipality cancelled the contract regarding	1 626 000	1 626 000
Edward Sebenzani Matanzima vs IYM Mr Matanzima is suing the municipality for defamation. The municipality is defending the case and the outcome thereof is still uncertain	-	1 500 000
Minister of Water and Sanitation Department vs IYM The Department is suing the municipality for the payment of alleged outstanding payment. The municipality is defending the case and the outcome thereof is still uncertain.	-	8 366 713

47. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets. -

48. IN-KIND DONATIONS AND ASSISTANCE

No In-kind Donations or Assistance were received during the year under review.

49. SERVICE CONSESSION ARRANGEMENTS

The municipality was not a party to any Service Consession Arrangement or Private Public Partnerships during the year under review.

50. EVENTS AFTER THE REPORTING DATE

On the 13th July 2021 and 16th August 2021, the court ruled against the municipality to pay claims made by suppliers, KCS Consultants and Voltex (Pty) Ltd respectively, for breach of contract on fail to pay invoices outstanding. The invoices were settled by the municipality within the required time frame given by the court. Amount owed to Voltex R2 278 252.84 and KCS Consultants R532 224.86.

51. PRINCIPAL AND AGENT ARRANGEMENTS

Disclosure by agents

Accounting by principals and agents
The entity is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is/are as follows:
The Municipality undertakes to handle Motor vehicle license issuing on behalf of the Department of Transport and Province and collects a commission of 19% plus VAT.

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The Resources regarding the Licensing Department, remain there own and do not form part of the municipality's Financial statements.

Liabilities and corresponding rights of reimbursement recognised as assets
Liabilities incurred on behalf of the principal(s) that have been recognised by the entity have a Net Effect of RX that is still owed by the municipality and will be paid over to the Department of Transport in the new financial year.

Additional information
Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement.

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories	**Additional details**
Licensing Fees	Income collected on behalf of DOT and Provincial Transport for Motor Vehicle registration

Categoryies of expenses paid or accrued on behalf of the principal, are:
Amount of revenue received on behalf of the principal during the reporting period

52. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

53. IMPACT OF COVID-19 PANDEMIC

At the end of March 2020, the COVID-19 virus was declared a pandemic by the World Health Organisation and by the South African Government. South Africa entered into lockdown on 26th March 2020, which meant that businesses that were not seen as essential had to shut down.

This then meant that the affordability customers was negatively affected as such debt collection reduced even further. COVID-19 had a significant impact on the amounts as disclosed on the Annual Financial Statements. The affected areas were mainly debtors, debtor's impairment however Council took a resolution to assist its customers by introducing debt incentive scheme but the impact has not yield the desired results as yet.

All areas of society were affected by the global pandemic as a result of the COVID-19 virus. South African government announced the national state of disaster and further gazetted regulations implementing National lockdown Level 5. The declaration of the national state of disaster as published in Gazette No 43096 on the 15th March 2020 and extended thereafter has had an impact which meant that businesses that were not seen as essential had to shut down.

COVID 19 had a significant impact on the amounts as disclosed on the Annual Financial Statements. The affected areas were mainly debtors, cash and cash equivalent, debtor's impairment and spending particularly on capital grants which the municipality under performed and resulted to unspent conditional grants. The Municipality has applied and for roll over to National Treasury.

Management has considered the impact of COVID-19 and that there have been no material changes in the use of asset that would require a change in the expected useful life of assets.

Management further adjusted the 2020/2021 financial year budget as a result of Covid-19 grant received late in the financial year and was tabled and approved by council.

No material information has come to the attention of management to suggest that there is a going concern issue. The financial statements for the year ended 30 June 2021 have been prepared under the going concern assumption.

(i) The municipality's cash flow forecast for the year to 30 June 2021 has been reviewed and management is satisfied that the municipality can continue in operational existence for the foreseeable future. The accumulated surplus and cash & cash equivalents as at 30 June 2020 was taken into consideration during the review.

(ii) The municipality is wholly dependent on the Department of Local Government and Traditional Affairs for continued funding of operations. The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the Department of Local Government and Traditional Affairs has neither the intention, nor the need to materially liquidate the scale of the municipality.

Taking the aforementioned into account, Management has prepared the Annual Financial Statements on the Going Concern Basis.

54. COVID-19 EXPENDITURE

Background Information

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point in time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death by from coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID-19 outbreak as a global pandemic on 11th March 2020.

COVID-19 in South Africa

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

The table below indicates the total COVID-19 response expenditure (excluding VAT):

COVID-19 EXPENDITURE

	2021 R	2020 R
Capital Expenditure	1 791 837	
Total Capital Expenditure	**1 791 837**	**-**
Operating Expenditure		
Employee Related Costs - Protective Clothing	57 932	
Contracted Services - Outsourced: Catering		30 168
Contracted Services - Outsourced: Hygiene Services	123 709	302 973
Inventory Consumed - Consumables	17 870	120 670
General Expenses - Postage and Courier Charges		9 500
Other : Transport Awareness Campaignss		26 000
Total Operating Expenditure	**199 511**	**489 311**
Total COVID-19 Expenditure	**1 991 348**	**489 311**

The table below indicates the Funding Sources for the total COVID-19 response expenditure (excluding VAT) for the period ending 30 June 2020:

COVID-19 FUNDING

	2021 R	2020 R
Funding Sources for COVID-19 Expenditure		
Disaster Management Grant	1 854 835	447 000
Equitable Shares Grant	140 766	-
Own Revenue		450 000
Total Funding for COVID-19 Expenditure	**1 995 601**	**897 000**

55. GOING CONCERN ASSESSMENT

The COVID-19 pandemic continues to have a devastating impact on the macro economy and a significant component of the institutions which operate therein. The municipality has not been immune to the impact of the pandemic. The impact and duration of the COVID-19 pandemic in the Province and Intsika Yethu Municipality's jurisdiction is uncertain at the date of this submission. Management of the municipality is however of the opinion that regardless of the possible effect of the COVID-19 pandemic, the municipality will continue to operate for the foreseeable future, which is usually regarded as at least the next 12 months from the reporting date, however not limited to this timeframe.

Management also considered the following matters in relation to the Going Concern position of Intsika Yethu Local Municipality:

(i) The municipality's cash flow forecast for the year to 30 June 2021 has been reviewed and management is satisfied that the municipality can continue in operational existence for the foreseeable future. The accumulated surplus and cash & cash equivalents as at 30 June 2020 was taken into consideration during the review.

(ii) The municipality is wholly dependent on the Department of Local Government and Traditional Affairs for continued funding of operations. The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the Department of Local Government and Traditional Affairs has neither the intention, nor the need to materially liquidate the scale of the municipality.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

56. SEGMENT REPORTING

For management purposes the municipality is broadly organised into business units based on the nature of operations and the services they provide. The municipality has ten primary reportable segments:

- The segment for Administrative Services:-
This segment consists of services such as executive services, support services to the executive, corporate communication services, customer care services and tourism services.
- The segment for Traffic Services and Roads Network:-
This segment consists of all services for the financial management of all the municipal services.
- The segment for Town Planning and Property Management Services:-
This segment consists of all services for the well-being of all the municipal employees.
- The segment for Solid Waste Services:-
This segment consists of infrastructure services such as roads, storm water, waste (sewerage) and water services, and also include minor services such as architecture, scientific and building maintenance services.

No individually material operating segments have been aggregated to form the mentioned reportable operating segments. The municipality does not monitor segments geographically.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on non-financial metrics and the segment's operating surplus or deficit, measured consistently with the accounting policies applied in the Annual Financial Statements. However, the municipality's financing (including finance costs and finance income) and revenue from taxes are managed on a group basis and are not allocated to operating segments.

Inter-business unit services are not valued and are deemed to have been supplied for no consideration, and are therefore not eliminated. However, the quality of services provided internally is monitored as part of the non-financial service performance information.

The municipality operates within various geographical areas but operational results are only monitored within the business units as previously disclosed.

56.1 Segmental Analysis of Financial Performance

Year Ended 30 June 2021

Description	Community and Social Services	Public Safety	Health	Planning and Development	Road Transport	Energy Sources	Waste Management	Other	Total for Municipality
	R	R	R	R	R	R	R	R	R
REVENUE									
Revenue from Non-exchange Transactions									
Property Rates	-	-	-	-	-	-	-	10 523 848	21 047 696
Fines, Penalties and Forfeits	-	34 700	-	-	-	-	-	138 513	311 726
Licences and Permits	-	-	-	131 501	-	-	-	-	131 501
Transfers and Subsidies	119 824	-	53 984	1 040 000	-	100 221	-	274 791 096	550 896 221
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	-	2 013 491	4 026 981
Revenue from Exchange Transactions									
Licences and Permits	-	-	-	-	-	-	-	2 762 005	5 524 010
Service Charges	-	-	-	-	-	-	1 259 409	-	1 259 409
Sales of Goods and Rendering of Services	29 152	-	-	19 847	-	-	-	132 794	314 588
Income from Agency Services	-	-	-	-	-	-	-	1 040 159	2 080 318
Rental from Fixed Assets	-	-	-	3 351	-	-	-	1 019 477	2 042 306
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	-	2 753 941	5 507 883
Total Revenue	148 976	34 700	53 984	1 194 700	-	100 221	1 259 409	295 175 325	624 714 183
EXPENDITURE									
Employee Related Costs	34 157 361	38 022	-	7 827 729	31 984 365	-	-	56 622 685	187 252 847
Remuneration of Councillors	-	-	-	-	-	-	-	17 354 131	34 708 262
Depreciation and Amortisation	-	-	-	-	-	-	-	32 894 652	65 789 305
Impairment Losses	-	-	-	-	-	-	-	15 253 092	6 196 708
Contracted Services	1 366 998	-	128 234	3 262 903	3 440 786	36 858	1 272 589	6 309 111	22 126 589
Inventory Consumed	-	-	93 560	-	915 648	-	-	329 866	1 668 939
Transfers and Subsidies Paid	5 931 090	-	-	-	-	-	-	-	5 931 090
Operating Leases	-	-	-	-	-	-	-	-	-
Operational Costs	293 895	-	87 834	1 678 002	141 701	-	3 635 010	22 797 491	52 344 609
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	9 056 384	18 112 769
Total Expenditure	41 749 344	38 022	309 628	12 768 635	36 482 499	36 858	4 907 599	160 617 413	394 131 117
Surplus/(Deficit) for the Year	(41 600 368)	(3 322)	(255 644)	(11 573 935)	(36 482 499)	63 363	(3 648 190)	134 557 912.11	230 583 065