



**ENOCH MGIJIMA**  
LOCAL MUNICIPALITY

**Enoch Mgijima Local Municipality  
(Registration number EC139)  
Annual Financial Statements  
for the year ended 30 June 2023**

# Enoch Mgijima Local Municipality

(Registration number EC139)

Annual Financial Statements for the year ended 30 June 2023

## General Information

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|--|---|
| <b>Legal form of entity</b>                        | South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no. 117 of 1998)  |
| <b>Nature of business and principal activities</b> | Enoch Mgijima Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)  |
| <b>Mayoral committee</b>                           |   |
| Executive Mayor                                    | Mayor Madoda Papiyana<br>Former Mayor Thember Bunu (Current IPED Portfolio Head)  |
| Executive Committee                                | Cllr Noluthando Nqabisa (Speaker)<br>Cllr Nombuyiselo Selka Ndlebe (Chief Whip)<br>Cllr Nosipho Papiyana ( Former Community Services Portfolio Head)<br>Cllr Ongama Adonisi (Human Settlement and LandPortfolio Head)<br>Cllr Bukiwe Cynthia Simina (SPU Portfolio Head)<br>Cllr Phaphama Madubedube(Corporate Services Portfolio Head)<br>Cllr Sibusiso Eric Mvana (Former IPED Portfolio Head)<br>Cllr Unathi Galada (Finance Portfolio Head)<br>Cllr Zukiswa Nosisana Eunice Ralane (Public Safety PortfolioHead)<br>Cllr Mhlangabezi Mangcotywa (Technical Services Portfolio Head)<br>Cllr S S Lali ( Current Community Services Portfolio Head) |
| Councillors  | Cllr M Mnyaka<br>Cllr L N Haggard<br>Cllr D D MacTaggart<br>Cllr D U Stellenberg<br>Cllr K L Clark<br>Cllr S C Ndarala<br>Cllr A T Cetywayo<br>Cllr N M Solani<br>Cllr S V Mkefa<br>Cllr S V Nqayi<br>Cllr P P Z Mandile<br>Cllr N S Kweza<br>Cllr A B Zondi<br>Cllr F N Duda<br>Cllr W Booi<br>Cllr K Nonyongo<br>Cllr S A Jack (Deceased)<br>Cllr E Mavango<br>Cllr S Neli<br>Cllr Z Baleni<br>Cllr X Williams<br>Cllr N C Twalo<br>Cllr A Sizani<br>Cllr Z S Tutwana<br>Cllr M Ndyalivani<br>Cllr N Nduku<br>Cllr L L Ndlebe<br>Cllr Z S Manqaphela<br>Cllr T G Yekani (Deceased)<br>Cllr T M Panya  |

# Enoch Mgijima Local Municipality

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## General Information

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|--|--|
|  | Cllr T Vali<br>Cllr N X Tom<br>Cllr S Dukwe<br>Cllr M Ngesi<br>Cllr L Komeni<br>Cllr M Matsolo<br>Cllr S Plaatjie<br>Cllr N Makasi<br>Cllr A Keva<br>Cllr N Yaliwe<br>Cllr S A Qwalela<br>Cllr L Pukwana<br>Cllr S Mkhunqe<br>Cllr M S Hokolo<br>Cllr MC Qamngana<br>Cllr A Ngonyama<br>Cllr V V Bomela<br>Cllr M F Ambraal<br>Cllr B Fingwana Geld<br>Cllr C O Everit<br>Cllr H A Deysel<br>Cllr B Quqa<br>Cllr A A Ganca |
| <b>Jurisdiction</b>                    | Molteno, Hofmeyer, Sterkstroom, Tarkastad, Whittlesea, Komani  |
| <b>Accounting Officer</b>              | A Ntengenyane  |
| <b>National Cabinet Representative</b> | Dr M Tom   |
| <b>Registered office</b>               | 70 Cathcart Road<br>Komani<br>5320   |
| <b>Postal address</b>                  | Private Bag X7111<br>Komani<br>5320  |
| <b>Bankers</b>                         | First National Bank  |
| <b>Auditors</b>                        | Auditor-General of South Africa (AGSA)   |
| <b>Attorneys</b>                       | Peyper Attorneys<br>Mbabane Maswazi Incorporated<br>Bashe, Mhlontlo & Company Incorporated<br>Bowes McDougall Incorporated   |

# Enoch Mgijima Local Municipality

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|       |  |
|-------|--|
| EPWP  | Expanded Public Works Programme                  |
| FMG   | Financial Management Grant                       |
| GRAP  | Generally Recognised Accounting Practice         |
| IAS   | International Accounting Standards               |
| INEG  | Integrated National Electrification Grant        |
| IPSAS | International Public Sector Accounting Standards |
| ISDG  | Integrated Skills Development Grant              |
| MDTG  | Municipal Demarcation Transition Grant           |
| MEC   | Member of the Executive Council                  |
| MFMA  | Municipal Finance Management Act                 |
| MIG   | Municipal Infrastructure Grant (Previously CMIP) |
| mSCOA | Municipal Standard Chart of Accounts             |
| OTP   | Office of the Premier                            |
| MDRF  | Municipal Disaster Relief Fund                   |

# Enoch Mgijima Local Municipality

(Registration number EC139)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Responsibilities and Approval

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

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

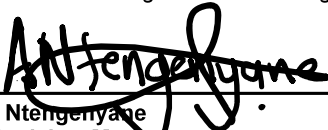
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 - 104, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed by her:

  
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A Ntengenyane  
Municipal Manager

# Enoch Mgijima Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

|  |         | 2023                 | 2022                 |
|--|---------|----------------------|----------------------|
|  | Note(s) |                      | Restated*            |
| <b>Assets</b>                              |         |                      |                      |
| <b>Current Assets</b>                      |         |                      |                      |
| Receivables from exchange transactions     | 3       | 191 566 979          | 16 140 732           |
| Receivables from non-exchange transactions | 4       | 75 214 267           | 132 258 810          |
| VAT receivable                             | 5       | 14 496 209           | 886 348              |
| Cash and cash equivalents                  | 6       | 37 197 521           | 64 371 087           |
|  |         | <b>318 474 976</b>   | <b>213 656 977</b>   |
| <b>Non-Current Assets</b>                  |         |                      |                      |
| Biological assets                          | 7       | 5 708 066            | 7 589 369            |
| Investment property                        | 8       | 326 352 511          | 326 352 511          |
| Property, plant and equipment              | 9       | 1 327 066 967        | 1 269 110 345        |
| Heritage assets                            | 10      | 2 510 920            | 2 510 920            |
|  |         | <b>1 661 638 464</b> | <b>1 605 563 145</b> |
| <b>Total Assets</b>                        |         | <b>1 980 113 440</b> | <b>1 819 220 122</b> |
| <b>Liabilities</b>                         |         |                      |                      |
| <b>Current Liabilities</b>                 |         |                      |                      |
| Payables from exchange transactions        | 11      | 1 267 822 521        | 889 931 429          |
| Payables from non-exchange transactions    | 12      | 941 862              | 26 543 160           |
| Consumer deposits                          | 13      | 10 942 206           | 10 694 224           |
| Employee benefit obligation                | 14      | 50 453 498           | 52 844 576           |
| Unspent conditional grants and receipts    | 15      | 3 091 617            | 23 428 086           |
|  |         | <b>1 333 251 704</b> | <b>1 003 441 475</b> |
| <b>Non-Current Liabilities</b>             |         |                      |                      |
| Finance lease obligation                   | 16      | 2 279 222            | -                    |
| Employee benefit obligation                | 14      | 40 541 000           | 39 927 000           |
| Provisions                                 | 17      | 246 955 189          | 155 710 120          |
|  |         | <b>289 775 411</b>   | <b>195 637 120</b>   |
| <b>Total Liabilities</b>                   |         | <b>1 623 027 115</b> | <b>1 199 078 595</b> |
| <b>Net Assets</b>                          |         | <b>357 086 325</b>   | <b>620 141 527</b>   |
| Accumulated surplus                        |         | 357 086 325          | 620 141 527          |
| <b>Total Net Assets</b>                    |         | <b>357 086 325</b>   | <b>620 141 527</b>   |

\* See Note 45

# Enoch Mgijima Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

|   | Note(s) | 2023                   | 2022<br>Restated*      |
|---|---------|------------------------|------------------------|
| <b>Revenue</b>                                      |         |                        |                        |
| <b>Revenue from exchange transactions</b>           |         |                        |                        |
| Service charges                                     | 18      | 292 519 971            | 328 629 153            |
| Rental of facilities and equipment                  | 19      | 3 622 232              | 3 556 650              |
| Interest earned on debtors                          | 20      | 87 588 277             | 58 497 260             |
| Income from agency services                         | 21      | 3 993 862              | 3 071 248              |
| Licences and permits                                | 22      | 3 457 560              | 2 886 716              |
| Other revenue                                       | 23      | 48 336 540             | 65 417 599             |
| Other income  | 24      | 7 196 811              | 7 727 581              |
| Interest received on investments                    | 25      | 4 691 475              | 3 651 522              |
| <b>Total revenue from exchange transactions</b>     |         | <b>451 406 728</b>     | <b>473 437 729</b>     |
| <b>Revenue from non-exchange transactions</b>       |         |                        |                        |
| <b>Taxation revenue</b>                             |         |                        |                        |
| Property rates                                      | 26      | 143 504 694            | 136 904 692            |
| <b>Transfer revenue</b>                             |         |                        |                        |
| Government grants and subsidies                     | 27      | 331 180 506            | 263 278 690            |
| Public contributions and donations                  | 28      | 2 171 522              | -                      |
| Fines   | 29      | 3 601 870              | 1 655 102              |
| <b>Total revenue from non-exchange transactions</b> |         | <b>480 458 592</b>     | <b>401 838 484</b>     |
| <b>Total revenue</b>                                |         | <b>931 865 320</b>     | <b>875 276 213</b>     |
| <b>Expenditure</b>                                  |         |                        |                        |
| Employee related costs                              | 30      | (340 914 442)          | (324 677 294)          |
| Remuneration of councillors                         | 31      | (27 107 561)           | (25 070 082)           |
| Depreciation and amortisation                       | 32      | (89 187 683)           | (61 457 836)           |
| Finance costs                                       | 33      | (98 832 053)           | (57 804 449)           |
| Debt Impairment                                     |         | (99 355 580)           | (184 424 642)          |
| Repairs and maintenance                             | 34      | (27 630 351)           | (8 603 827)            |
| Bulk purchases                                      | 35      | (311 219 146)          | (327 270 906)          |
| Contracted services                                 | 36      | (45 375 196)           | (28 370 720)           |
| Transfers and Subsidies                             | 37      | (1 615 517)            | (1 587 688)            |
| General Expenses                                    | 38      | (102 142 896)          | (111 071 280)          |
| <b>Total expenditure</b>                            |         | <b>(1 143 380 425)</b> | <b>(1 130 338 724)</b> |
| <b>Operating deficit</b>                            |         | <b>(211 515 105)</b>   | <b>(255 062 511)</b>   |
| Loss on foreign exchange                            |         | (286 417)              | -                      |
| Actuarial gains/losses                              | 14      | 3 001 000              | 6 734 000              |
| Fair value adjustment on biological assets          |         | (1 881 303)            | 2 061 769              |
| Impairment loss                                     | 40      | (52 373 381)           | (7 625 587)            |
|   |         | <b>(51 540 101)</b>    | <b>1 170 182</b>       |
| <b>Deficit for the year</b>                         |         | <b>(263 055 206)</b>   | <b>(253 892 329)</b>   |

\* See Note 45

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## Statement of Changes in Net Assets

|  | Accumulated surplus | Total net assets   |
|--|---------------------|--------------------|
| <b>Balance at 01 July 2021</b>           | <b>874 033 856</b>  | <b>874 033 856</b> |
| Changes in net assets                    |                     |                    |
| Restated* deficit for the year           | (253 892 329)       | (253 892 329)      |
| Total changes                            | (253 892 329)       | (253 892 329)      |
| <b>Restated* Balance at 01 July 2022</b> | <b>620 141 531</b>  | <b>620 141 531</b> |
| Changes in net assets                    |                     |                    |
| Deficit for the year                     | (263 055 206)       | (263 055 206)      |
| Total changes                            | (263 055 206)       | (263 055 206)      |
| <b>Balance at 30 June 2023</b>           | <b>357 086 325</b>  | <b>357 086 325</b> |

\* See Note 45

# Enoch Mgijima Local Municipality

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## Cash Flow Statement

|   | 2023                   | 2022                 |
|---|------------------------|----------------------|
|   |                        | Restated*            |
| Note(s)   |                        |                      |
| <b>Cash flows from operating activities</b>                 |                        |                      |
| <b>Receipts</b>   |                        |                      |
| Rates and services  | 820 425 603            | 479 794 214          |
| Government grants and subsidies                             | 310 844 037            | 278 992 707          |
| Interest income   | 10 843 882             | 283 071 290          |
| Other receipts  | 84 303 949             | 93 511 988           |
|   | <u>1 226 417 471</u>   | <u>1 135 370 199</u> |
| <b>Payments</b>   |                        |                      |
| Employee costs  | (371 546 081)          | (347 589 573)        |
| Suppliers   | (576 630 855)          | (571 561 364)        |
| Finance costs   | (85 272 294)           | (38 288 573)         |
|   | <u>(1 033 449 230)</u> | <u>(957 439 510)</u> |
| <b>Net cash flows from operating activities</b>             | 41 <b>192 968 241</b>  | <b>177 930 689</b>   |
| <b>Cash flows from investing activities</b>                 |                        |                      |
| Purchase of movable and immovable assets                    | 9 (197 067 713)        | (176 843 152)        |
| <b>Cash flows from financing activities</b>                 |                        |                      |
| Department of Transport                                     | (25 601 298)           | 25 601 298           |
| Movement in finance leases                                  | 2 279 222              | -                    |
| Consumer deposits   | 247 982                | 221 026              |
| <b>Net cash flows from financing activities</b>             | <b>(23 074 094)</b>    | <b>25 822 324</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>(27 173 566)</b>    | <b>26 909 861</b>    |
| Cash and cash equivalents at the beginning of the year      | 64 371 087             | 37 461 226           |
| <b>Cash and cash equivalents at the end of the year</b>     | 6 <b>37 197 521</b>    | <b>64 371 087</b>    |

\* See Note 45

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## Statement of Comparison of Budget and Actual Amounts

| <b>Revenue from exchange transactions</b>     | Approved budget      | Adjustments          | Final Budget         | Actual Amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|----------------------|----------------------|------------------------------------|--|-----------|
| Service charges                               | 345 173 702          | 105 567 206          | 450 740 908          | 292 519 971                        | (152 793 781)                              | 55.1      |
| Rental of facilities and equipment            | 4 737 014            | -                    | 4 737 014            | 3 629 337                          | (1 107 677)                                | 55.2      |
| Interest received on debtors                  | 57 295 205           | 17 587 473           | 74 882 678           | 87 588 277                         | 12 705 599                                 | 55.3      |
| Income from agency services                   | 4 582 200            | 684 760              | 5 266 960            | 3 993 862                          | 1 273 098                                  | 55.4      |
| Licences and permits                          | 3 695 300            | (585 046)            | 3 110 254            | 3 457 560                          | 347 306                                    |           |
| Other income                                  | 4 606 994            | (1 100 000)          | 3 506 994            | 4 779 984                          | 1 288 466                                  | 55.5      |
| Interest received on investments              | 2 924 600            | 1 769 853            | 4 694 453            | 4 691 475                          | (2 978)                                    |           |
|   | <b>423 015 015</b>   | <b>123 924 246</b>   | <b>546 939 261</b>   | <b>400 660 466</b>                 | <b>(138 289 967)</b>                       |           |
| <b>Revenue from non-exchange transactions</b> |                      |                      |                      |                                    |  |           |
| <b>taxation revenue</b>                       |                      |                      |                      |                                    |  |           |
| Property rates                                | 134 827 014          | 7 576 014            | 142 403 028          | 143 504 696                        | 1 101 668                                  | 55.6      |
| <b>Transfer revenue</b>                       |                      |                      |                      |                                    |  |           |
| Government grants & subsidies                 | 229 930 650          | -                    | 229 930 650          | 333 597 333                        | 151 356 054                                |           |
| Fines, penalties and forfeits                 | 1 858 016            | 3 646 667            | 5 504 683            | 3 601 870                          | (2 696 743)                                | 55.7      |
| Gain on sale of PPE                           | 27 000 000           | -                    | 27 000 000           | -                                  | (27 000 000)                               | 55.8      |
|   | <b>393 615 680</b>   | <b>11 222 681</b>    | <b>404 838 361</b>   | <b>480 703 899</b>                 | <b>122 760 979</b>                         |           |
| <b>Expenditure</b>                            | Approved budget      | Adjustments          | Final Budget         | Actual Amounts on comparable basis | Difference between final budget and actual | Reference |
| Employee related costs                        | (330 748 819)        | (7 030 258)          | (337 779 077)        | (340 914 442)                      | 1 691 935                                  |           |
| Remuneration of councillors                   | (25 771 157)         | -                    | 2 577 157            | (27 107 561)                       | 1 336 404                                  |           |
| Depreciation and amortisation                 | (35 678 008)         | (16 854 132)         | (52 532 140)         | (89 187 683)                       | 36 655 543                                 |           |
| Finance costs                                 | (11 195 367)         | (46 936 641)         | (58 132 008)         | (98 832 053)                       | 40 700 045                                 | 55.9      |
| Debt Impairment                               | (65 299 600)         | -                    | (65 299 600)         | (99 355 580)                       | 34 055 980                                 |           |
| Repairs and maintenance                       | (8 820 190)          | -                    | (8 820 190)          | (27 630 350)                       | 18 810 160                                 |           |
| Bulk purchases                                | (247 945 234)        | (59 325 672)         | (307 270 906)        | (311 219 146)                      | (3 948 240)                                |           |
| Contracted services                           | (43 231 658)         | (18 249 062)         | (61 480 720)         | (45 375 196)                       | 16 105 524                                 | 55.10     |
| Transfers and subsidies                       | (2 200 000)          | -                    | (2 200 000)          | (1 615 517)                        | 584 483                                    | 55.11     |
| General expenses                              | (41 137 065)         | 8 966 800            | (32 170 265)         | (102 142 896)                      | 69 972 631                                 | 55.12     |
|   | <b>(812 027 098)</b> | <b>(139 428 965)</b> | <b>(923 107 749)</b> | <b>(1 143 380 424)</b>             | <b>215 964 465</b>                         |           |
| Operating surplus                             | 4 603 597            | (4 282 038)          | 321 559              | 211 515 105                        | 23 813 235                                 |           |
| Loss on foreign exchange                      | -                    | -                    | -                    | (286 417)                          | (286 417)                                  |           |
| Surplus                                       | 4 603 597            | (4 282 038)          | 321 559              | 211 228 688                        | 23 526 818                                 |           |
|   | <b>4 603 597</b>     | <b>(4 282 038)</b>   | <b>321 559</b>       | <b>211 228 688</b>                 | <b>23 526 818</b>                          |           |

Narrations references are in note 58

# Enoch Mgijima Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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|  | 2023 | 2022 |
|--|------|------|
|--|------|------|

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| Note(s) | 2023 | 2022 |
|---------|------|------|
|---------|------|------|

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### 1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

#### 1.1 Going concern assumption

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

#### 1.2 Materiality

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

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables and other receivables

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

The impairment for trade receivables is calculated on an individual debtor basis, based on historical loss ratios, debtor type and other indicators present at the reporting date that correlate with defaults.

# Enoch Mgijima Local Municipality

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## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

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

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### Employee benefit obligation

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

#### Effective interest rate

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

#### Useful lives of Property, plant and equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

The estimation of residual values of assets are based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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### 1.4 Biological assets

A biological asset is a living animal or plant.

The entity recognises biological assets or agricultural produce when, and only when:

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

Biological assets are measured at their fair value less costs to sell.

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

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

Biological assets are derecognised when disposed off. The gains or losses are then recognised through the Statement of Financial Performance.

### 1.5 Investment property

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

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

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

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

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

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

The cost of self-constructed investment property is the cost at the date of completion.

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

| Item                 | Useful life |
|----------------------|-------------|
| Property - land      | indefinite  |
| Property - buildings | 30 years    |
| Air-conditioners     | 3-7 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.

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### 1.5 Investment property (continued)

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.

The following criteria have been applied to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations:

- All properties held to earn market-related rentals or for capital appreciation, or for both, are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment property;
- Land held for currently undetermined future use. If the municipality has not determined that it will use the land as owner-occupied property, or for a short-term sale in the ordinary course of business, the land is regarded as being held for capital appreciation;
- A building owned by the municipality (or held by the municipality under finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the housing board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held on to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall into the ambit of investment property, and shall be classified as Property, plant and equipment or Non-current assets held for sale (where appropriate):

- Property held for sale in the ordinary course of operations;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property;
- Property that is being constructed or developed for future use as investment property;
- Property that is being leased out under finance lease;
- Property that is held to provide a social service and which also generates cash flows; and
- Property held for strategic purposes and service delivery.

Property interest held under operating leases are classified and accounted for as investment property, if the property interest that is held by the lessee under an operating lease may be classified and accounted for as investment property, provided that the property would otherwise meet the definition of investment property and the lessee uses the fair value model.

When classification is difficult, the criteria used to distinguish investment properties from owner-occupied property held for sale is established by using criteria that it can utilise to exercise judgement consistently in accordance with the definition of investment property and with the related guidance.

Subsequent to initial recognition, investment property is carried at cost less accumulated depreciation and impairment. No depreciation is recognised where the residual value of the property exceeds the historical cost of the investment property.

#### Derecognition

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.

#### Impairment

Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

### 1.6 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.

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### 1.6 Property, plant and equipment (continued)

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 at acquisition date, or in the case of assets acquired by grant or donation, deemed cost being the fair value of the asset on initial recognition.

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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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.

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset or that have different useful lives, are depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or service potential associated with the expenditure will flow to the municipality and the cost can be measured reliably. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity of future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset that is being replaced and capitalises the new component.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the surplus or deficit when the compensation becomes receivable.

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### 1.6 Property, plant and equipment (continued)

The Economic Useful Life ("EUL") of an asset has been determined with reference to the Local Government Capital Asset Management Guidelines and the Guidelines for Infrastructure Asset Management in Local Government and tailored to the Municipalities specific requirements where applicable.

#### Impairment

Where the carrying amount of Property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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

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| Item                                | Depreciation method | Average useful life |
|-------------------------------------|---------------------|---------------------|
| Land                                |                     | Indefinite years    |
| Infrastructure                      |                     |                     |
| • Roads                             | Straight line       | 30 - 80 years       |
| • Buildings                         | Straight line       | 30 - 50 years       |
| • Electricity                       | Straight line       | 15 - 40 years       |
| • Landfill sites                    | Straight line       | 20 - 50 years       |
| Other property, plant and equipment |                     |                     |
| • Motor vehicles                    | Straight line       | 5 - 15 years        |
| • Furniture and fittings            | Straight line       | 5 - 10 years        |
| • Machinery and equipment           | Straight line       | 3 - 7 years         |
| • Computer equipment                | Straight line       | 5 - 10 years        |
| Community                           | Straight line       | 30 - 50 years       |

The residual value, the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

#### Incomplete construction work

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

#### Finance leases

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

#### Infrastructure assets

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

#### Derecognition of property, plant and equipment assets

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### 1.6 Property, plant and equipment (continued)

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

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

### 1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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### 1.7 Intangible assets (continued)

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

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| Item | Depreciation method | Average useful life |
|------|---------------------|---------------------|
|------|---------------------|---------------------|

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

### 1.8 Heritage assets

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

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

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

#### Impairment

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

#### Transfers

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

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

#### Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised. The gain or loss is the difference between the proceeds and the carrying amount of the intangible asset.

### 1.9 Financial instruments

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

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### 1.9 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which 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.

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.

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.

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

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

A financial asset is:

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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.

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### 1.9 Financial instruments (continued)

#### Classification

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

| <b>Class</b>                           | <b>Category</b>                            |
|--|--|
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents              | Financial asset measured at amortised cost |
| Other financial assets                 | Financial asset measured at amortised cost |

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

| <b>Class</b>                        | <b>Category</b>                                |
|-------------------------------------|--|
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Consumer deposits                   | Financial liability measured at amortised cost |

### 1.10 Statutory receivables

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Impairment losses

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

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### 1.10 Statutory receivables (continued)

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

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

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

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

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

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

### Derecognition

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

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

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

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### 1.11 Leases

#### The Municipality as a lessee

Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the asset or if lower the present value of the minimum lease payments determined at the inception of the lease. Corresponding liabilities are included as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and measured at the sum of the minimum lease payments discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payment and unguaranteed residual values to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the capital and finance costs portions using the effective interest method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between finance costs and capital repayment using the effective interest method. Lease finance costs are expensed when incurred. The accounting policies relating to the derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the useful life of the asset or the lease term.

#### The Municipality as a lessor

Operating lease rental income is recognised on a straight line basis over the term of the relevant lease.

#### Operating leases - lessor

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

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

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

#### Operating leases - lessee

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

### 1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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### 1.12 Impairment of cash-generating assets (continued)

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

Useful life is either:

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

#### Identification of a potential impairment

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

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

#### Value in use

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

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

#### 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.

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### 1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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### 1.12 Impairment of cash-generating assets (continued)

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

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

### Redesignation

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

### 1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

### Identification of a potential impairment

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

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

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

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### 1.13 Impairment of non-cash-generating assets (continued)

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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.

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### 1.13 Impairment of non-cash-generating assets (continued)

#### Redesignation

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

### 1.14 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:

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

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

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

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

#### Post-employment benefits

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

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### 1.14 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount 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 obligation.

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

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

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### 1.14 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

#### Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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### 1.15 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of an asset are taken into account in measuring a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

### 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 of assets as described in accounting policy 1.12 and 1.13.

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

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

### 1.16 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the 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 period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed on the commitment note to the financial statements.

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### 1.17 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

#### Interest

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

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

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

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

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### 1.17 Revenue from exchange transactions (continued)

#### Service Charges

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

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

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

#### Finance Income

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

#### Tariff Charges

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

#### Income from Agency Services

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

#### Rentals

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

### 1.18 Revenue from non-exchange transactions

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

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

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

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

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.

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### 1.18 Revenue from non-exchange transactions (continued)

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.

#### Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

# Enoch Mgijima Local Municipality

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### 1.18 Revenue from non-exchange transactions (continued)

#### Transfers

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

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

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

#### Fines

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

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

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

#### Gifts and donations, including goods in-kind

Donations are recognised on a cash receipts or where the donation is in the form of; property, plant and equipment, when such items are available for use.

#### Public contributions

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

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

#### Government Grants

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

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

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

Government grants are recognised as revenue when:

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

#### Other grants and donations

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

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

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## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

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

### 1.19 Investment income

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

### 1.20 Borrowing costs

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

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

### 1.21 Accounting by principals and agents

#### Identification

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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

#### Assessing which entity benefits from the transactions with third parties

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

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

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

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

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## Accounting Policies

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### 1.21 Accounting by principals and agents (continued)

#### Recognition

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

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

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

### 1.22 Comparative figures

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

### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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

### 1.24 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.

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

### 1.25 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure.

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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## Accounting Policies

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### 1.25 Irregular expenditure (continued)

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.26 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

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

### 1.27 Offsetting

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

### 1.28 Segment information

A segment is an activity of an entity:

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

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

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## Accounting Policies

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### 1.28 Segment information (continued)

#### Measurement

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

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

### 1.29 Budget information

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

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

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

### 1.30 Related parties

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

Related party transaction is a transfer of resources, services or obligations between the municipality and a related party.

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 local 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.

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

### 1.31 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

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## Accounting Policies

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### 1.31 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

### 1.32 Change in accounting policy, estimates and errors

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

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

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

### 1.33 Value Added Tax (VAT)

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

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

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

The municipality accounts for VAT on a payment basis.

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## Notes to the Annual Financial Statements

2023 2022

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

| Standard/ Interpretation:   | Effective date:<br>Years beginning on or after | Expected impact:                         |
|---|--|--|
| • GRAP 25 (as revised 2021): Employee Benefits  | 01 April 2023                                  | Impact is currently being assessed       |
| • GRAP 104 (amended): Financial Instruments   | 01 April 2023                                  | Unlikely there will be a material impact |
| • IGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction | 01 April 2023                                  | Unlikely there will be a material impact |
| • IGRAP 21: The Effect of Past Decisions on Materiality   | 01 April 2023                                  | Unlikely there will be a material impact |
| • Guideline: Guideline on Accounting for Landfill Sites   | 01 April 2023                                  | Unlikely there will be a material impact |

### 3. Receivables from exchange transactions

|                            |                    |                   |
|----------------------------|--------------------|-------------------|
| Trade debtors              | 901 215 107        | 792 426 966       |
| Other debtors              | 5 403 672          | 5 011 730         |
| Prepaid electricity debtor | 26 240 081         | 389 761           |
| Prepaid expenses           | 47 091             | 47 996            |
| Impairment of debtors      | (741 338 972)      | (781 735 721)     |
|                            | <b>191 566 979</b> | <b>16 140 732</b> |

#### Aging of receivables from exchange transactions by service type

| Ageing of receivables from exchange transactions - 2023 | 0 - 30 days       | 31 - 60 days      | 61 - 90 days      | 90+ days          | 120+ days          | Total              |
|---|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Deposits  | 2 240             | 1 055             | -                 | 1 300             | 197 333            | 201 928            |
| Electricity   | 19 178 091        | 8 499 862         | 5 507 231         | 4 744 791         | 121 422 033        | 159 352 008        |
| Interest  | 299 181           | 270 377           | 210 382           | 207 158           | 9 796 539          | 10 783 637         |
| Refuse  | 13 023 203        | 10 829 387        | 10 296 388        | 10 148 866        | 556 077 815        | 600 375 659        |
| Sundries  | 1 059 524         | 779 707           | 667 320           | 651 665           | 103 264 892        | 106 423 108        |
|   | <b>33 562 239</b> | <b>20 380 388</b> | <b>16 681 321</b> | <b>15 753 780</b> | <b>790 758 612</b> | <b>877 136 340</b> |

| Ageing of receivables from exchange transactions - 2022 | 0 - 30 days         | 31 - 60 days      | 61 - 90 days      | 90+ days          | 120+ days          | Total              |
|---|---------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Deposits  | 5 800               | 942               | 550               | 550               | 201 126            | 208 968            |
| Electricity   | (10 459 185)        | 15 780 762        | 7 482 971         | 6 217 751         | 104 272 844        | 123 295 143        |
| Refuse  | (20 485 150)        | 5 530 649         | 4 718 648         | 5 207 730         | 271 855 686        | 266 827 563        |
| Sundries  | (24 771 902)        | 7 312 260         | 6 803 755         | 6 577 010         | 343 874 919        | 339 796 042        |
| Interest  | (2 265 986)         | 357 723           | 294 514           | 234 695           | 61 850 875         | 60 471 821         |
|   | <b>(57 976 423)</b> | <b>28 982 336</b> | <b>19 300 438</b> | <b>18 237 736</b> | <b>782 055 450</b> | <b>790 599 537</b> |

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## Notes to the Annual Financial Statements

2023 2022

### 3. Receivables from exchange transactions (continued)

#### Ageing of receivables from exchange transactions by type of debtor

| Ageing by type of debtor - 2023 | 0 - 30 days       | 31 - 60 days      | 61 - 90 days      | 91 - 120 days     | 120+ days          | Total              |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Agriculture                     | 179 922           | 282 142           | 129 899           | 109 465           | 4 218 365          | 4 919 793          |
| Business                        | 16 842 421        | 2 784 632         | 2 061 898         | 1 922 002         | 39 387 811         | 62 998 764         |
| Domestic                        | 12 151 044        | 11 351 736        | 10 477 059        | 10 122 605        | 677 436 102        | 721 538 546        |
| Other                           | 6 894 013         | 3 379 998         | 2 693 044         | 3 036 593         | 50 721 930         | 66 725 578         |
| Government                      | 2 065 907         | 795 447           | 596 690           | 423 221           | 17 072 404         | 20 953 669         |
|                                 | <b>38 133 307</b> | <b>18 593 955</b> | <b>15 958 590</b> | <b>15 613 886</b> | <b>788 836 612</b> | <b>877 136 350</b> |

| Ageing by type of debtor - 2022 | 0 - 30 days         | 31 - 60 days      | 61 - 90 days      | 90+ days          | 120+ days          | Total              |
|---------------------------------|---------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Agriculture                     | 17 865              | 314 665           | 217 529           | 211 361           | 11 754 154         | 12 515 574         |
| Business                        | 172 224             | 10 953 801        | 3 896 997         | 2 520 171         | 49 269 165         | 66 812 358         |
| Domestic                        | (228 711)           | 13 104 071        | 11 661 258        | 11 604 949        | 667 163 486        | 703 305 053        |
| Government                      | (57 937 802)        | 4 545 291         | 3 461 657         | 3 838 555         | 49 823 985         | 3 731 686          |
| Other                           | -                   | 64 508            | 62 998            | 62 700            | 4 044 660          | 4 234 866          |
|                                 | <b>(57 976 424)</b> | <b>28 982 336</b> | <b>19 300 439</b> | <b>18 237 736</b> | <b>782 055 450</b> | <b>790 599 537</b> |

#### Receivables from exchange transactions pledged as security

No receivables from exchange transactions have been pledged as security for any liabilities.

#### Receivables from exchange past due but not impaired

At 30 June 2023, 54 197 502 (2022: 67 026 219) were past due but not impaired.

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

|              |                   |                   |
|--------------|-------------------|-------------------|
| 0 - 30 days  | 10 314 845        | 713 161           |
| 31 - 60 days | 1 972 393         | 2 289 219         |
| 61 - 90 days | 2 127 193         | 1 524 478         |
| 90+ days     | 1 601 684         | 1 440 539         |
| 120+ days    | 38 181 387        | 61 771 983        |
|              | <b>54 197 502</b> | <b>67 739 380</b> |

#### Receivables from exchange transactions impaired

As of 30 June 2023, trade and other receivables of 822 939 102 (2022: 781 735 721) were impaired and provided for.

|              |                    |                    |
|--------------|--------------------|--------------------|
| 0 - 30 days  | 43 627 785         | 185 979            |
| 31 - 60 days | 14 708 931         | 26 693 117         |
| 61 - 90 days | 13 626 589         | 17 775 961         |
| 90+ days     | 13 712 178         | 16 797 197         |
| 120+ days    | 737 263 619        | 720 283 467        |
|              | <b>822 939 102</b> | <b>781 735 721</b> |

#### Reconciliation of provision for impairment of trade and other receivables

|                                      |                      |                      |
|--------------------------------------|----------------------|----------------------|
| Opening balance                      | (781 735 721)        | (659 607 532)        |
| Provision for impairment             | 6 331 517            | (130 894 851)        |
| Amounts written off as uncollectible | -                    | 8 766 662            |
|                                      | <b>(775 404 204)</b> | <b>(781 735 721)</b> |

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## Notes to the Annual Financial Statements

2023 2022

### 3. Receivables from exchange transactions (continued)

Debtors are required to settle within 30 days. Interest is charged after this date at prime + 1%. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Debtors are evaluated for impairment on an individual basis using their payment history and taking into consideration the nature of the debtor and the policies of the Municipality.

The fair value of trade and other receivables approximates their carrying value.

The amounts written off as uncollectible consists of the write off of amounts owed by Indigent debtors that was approved by Council.

### 4. Receivables from non-exchange transactions

|                                 |                   |                    |
|---------------------------------|-------------------|--------------------|
| Assessment rates                | 493 115 761       | 416 478 827        |
| Government grants and subsidies | 12 981 394        | -                  |
| Impairment of debtors           | (435 210 424)     | (289 211 535)      |
| Traffic fines                   | 4 327 536         | 4 991 518          |
|                                 | <b>75 214 267</b> | <b>132 258 810</b> |

#### Ageing by service type

| Ageing of receivables from non-exchange transactions - 2023 | 0 - 30 days       | 31 - 60 days      | 61 - 90 days     | 90+ days         | 120+ days          | Total              |
|---|-------------------|-------------------|------------------|------------------|--------------------|--------------------|
| Assessment rates  | 21 450 760        | 10 390 410        | 9 640 443        | 9 282 403        | 442 566 875        | 493 330 891        |
|   | <b>21 450 760</b> | <b>10 390 410</b> | <b>9 640 443</b> | <b>9 282 403</b> | <b>442 566 875</b> | <b>493 330 891</b> |

| Ageing of receivables from non-exchange transactions - 2022 | 0 - 30 days       | 31 - 60 days     | 61 - 90 days     | 90+ days         | 120+ days          | Total              |
|---|-------------------|------------------|------------------|------------------|--------------------|--------------------|
| Assessment rates  | 69 983 375        | 7 857 843        | 6 116 634        | 5 490 034        | 287 694 178        | 377 142 064        |
|   | <b>69 983 375</b> | <b>7 857 843</b> | <b>6 116 634</b> | <b>5 490 034</b> | <b>287 694 178</b> | <b>377 142 064</b> |

#### Ageing by debtor type

| Ageing of receivables from non-exchange transactions by debtor type - 2023 | 0 - 30 days       | 31 - 60 days      | 61 - 90 days     | 90+ days         | 120+ days          | Total              |
|--|-------------------|-------------------|------------------|------------------|--------------------|--------------------|
| Agricultural   | 389 907           | 376 952           | 361 290          | 359 288          | 25 837 785         | 27 325 222         |
| Business   | 2 017 485         | 802 760           | 637 502          | 577 798          | 16 797 349         | 20 832 894         |
| Domestic   | 8 852 474         | 7 536 944         | 7 032 215        | 6 752 955        | 353 005 376        | 383 179 964        |
| Government   | 1 095 030         | 328 287           | 312 716          | 311 762          | 21 243 958         | 23 291 753         |
| Other  | 9 095 863         | 1 345 465         | 1 296 719        | 1 280 599        | 25 682 405         | 38 701 051         |
|  | <b>21 450 759</b> | <b>10 390 408</b> | <b>9 640 442</b> | <b>9 282 402</b> | <b>442 566 873</b> | <b>493 330 884</b> |

| Ageing of receivables from non-exchange transactions by debtor type - 2022 | 0 - 30 days | 31 - 60 days | 61 - 90 days | 90+ days | 120+ days  | Total      |
|--|-------------|--------------|--------------|----------|------------|------------|
| Agricultural   | 1 068 712   | 136 502      | 114 105      | 112 722  | 16 650 296 | 18 082 337 |
| Business   | 1 953 657   | 1 586 075    | 578 471      | 398 304  | 14 619 621 | 19 136 128 |

# Enoch Mgijima Local Municipality

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## Notes to the Annual Financial Statements

|  | 2023               | 2022               |
|--|--------------------|--------------------|
| <b>4. Receivables from non-exchange transactions (continued)</b> |                    |                    |
| Domestic   | 3 490 500          | 6 066 841          |
| Government   | 63 470 506         | 68 425             |
|  | <b>69 983 375</b>  | <b>7 857 843</b>   |
|  | <b>5 355 626</b>   | <b>4 919 125</b>   |
|  | <b>59 883</b>      | <b>17 556 874</b>  |
|  | <b>287 694 178</b> | <b>377 141 764</b> |

### Statutory receivables included in receivables from non-exchange transactions above are as follows:

|                  |                    |                    |
|------------------|--------------------|--------------------|
| Assessment rates | 467 048 230        | 403 333 546        |
| Fines            | 5 785 318          | 4 991 518          |
|                  | <b>472 833 548</b> | <b>408 325 064</b> |

### Statutory receivables general information

Section 229 of the Constitution entitles municipalities to impose rates on property in their areas, subject to regulation in terms of national legislation. Property rates are levied in accordance with the Municipal Property Rates Act (act 6 of 2004) and the municipality's bylaws and rates policy.

Traffic fines are imposed in accordance with the the National Road Traffic Act (act 93 of 1996) and the municipal bylaws.

### Receivables from non-exchange transactions past due but not impaired

At 30 June 2023, 25 788 500 (2022: 24 815 874) were past due but not impaired.

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

|               |                   |                   |
|---------------|-------------------|-------------------|
| 0 - 30 days   | 1 766 498         | -                 |
| 31 - 60 days  | 346 167           | 634 850           |
| 61 - 90 days  | 342 588           | 494 150           |
| 91 - 120 days | 339 654           | 443 550           |
| 120+ days     | 22 993 593        | 23 243 324        |
|               | <b>25 788 500</b> | <b>24 815 874</b> |

### Receivables from non-exchange transactions impaired

As of 30 June 2023, other receivables from non-exchange transactions of 467 542 140 (2022: 288 736 086) were impaired and provided for.

|               |                    |                    |
|---------------|--------------------|--------------------|
| 0 - 30 days   | 30 074 673         | 6 393 568          |
| 31 - 60 days  | 9 294 277          | 7 222 994          |
| 61 - 90 days  | 8 939 816          | 5 622 185          |
| 91 - 120 days | 8 697 582          | 5 046 485          |
| 120+ days     | 410 535 792        | 264 450 854        |
|               | <b>467 542 140</b> | <b>288 736 086</b> |

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

|                                      |                      |                      |
|--------------------------------------|----------------------|----------------------|
| Opening balance                      | (288 736 086)        | (247 578 682)        |
| Provision for impairment             | (145 680 039)        | (53 054 342)         |
| Amounts written off as uncollectible | -                    | 11 896 938           |
|                                      | <b>(434 416 125)</b> | <b>(288 736 086)</b> |

# Enoch Mgijima Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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|               | 2023       | 2022    |
|---------------|------------|---------|
| <hr/>         |            |         |
| <b>5. VAT</b> |            |         |
| Receivable    | 14 496 209 | 886 348 |

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The amounts reflected are net of both VAT receivable/payable from SARS and VAT raised on accrual basis.

# Enoch Mgijima Local Municipality

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## Notes to the Annual Financial Statements

2023 2022

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| Cash on hand        | 42 285            | 44 079            |
| Bank balances       | 4 054 476         | 4 860 618         |
| Short-term deposits | 33 100 760        | 59 466 390        |
|                     | <b>37 197 521</b> | <b>64 371 087</b> |

### The municipality had the following bank accounts

| Account number / description    | Bank statement balances |                   |                   | Cash book balances |                   |                   |
|---------------------------------|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
|                                 | 30 June 2023            | 30 June 2022      | 30 June 2021      | 30 June 2023       | 30 June 2022      | 30 June 2021      |
| FNB - Current Acc - 62438159809 | 2 286 520               | 2 820 401         | 2 642 477         | 2 311 551          | 3 270 695         | 2 579 048         |
| ABSA - Current Acc - 2160143854 | 1 742 924               | 1 589 924         | 1 393 204         | 1 742 924          | 1 589 924         | 1 340 586         |
| FNB - Call Acc - 62459044162    | 22 716 599              | 3 129 026         | 23 934 585        | 22 716 599         | 3 129 026         | 23 934 585        |
| FNB - Call - 62496427967        | 1 000                   | 1 000             | 1 000             | 1 000              | 1 000             | 1 000             |
| FNB - Call - 62496436265        | 1 000                   | 1 000             | 1 000             | 1 000              | 1 000             | 1 000             |
| FNB - Call - 62496439607        | 1 000                   | 1 000             | 1 000             | 1 000              | 1 000             | 1 000             |
| FNB - Call - 62599305763        | 10 943                  | 1 030             | 10 741            | 10 943             | 1 030             | 10 741            |
| FNB - Call - 62897156529        | 2 003 694               | 14 011            | -                 | 2 003 694          | 14 011            | -                 |
| FNB - Call - 62496441842        | 370 096                 | 23 427 690        | 6 528 164         | 370 096            | 23 427 690        | 6 528 977         |
| FNB - Call - 62852253261        | 7 995 157               | 32 890 412        | 3 023 807         | 7 995 157          | 32 890 567        | 3 023 807         |
| FNB - Call - 62852254300        | 1 115                   | 1 065             | 1 030             | 1 115              | 1 065             | 1 030             |
| <b>Total</b>                    | <b>37 130 048</b>       | <b>63 876 559</b> | <b>37 537 008</b> | <b>37 155 079</b>  | <b>64 327 008</b> | <b>37 421 774</b> |

# Enoch Mjijima Local Municipality

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## Notes to the Annual Financial Statements

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### 7. Biological assets

#### Reconciliation of biological assets - 2023

Biological assets

| Opening balance | Fair value adjustment | Total     |
|-----------------|-----------------------|-----------|
| 7 589 369       | (1 881 303)           | 5 708 066 |

#### Reconciliation of biological assets - 2022

Biological assets

| Opening balance | Fair value adjustment | Total     |
|-----------------|-----------------------|-----------|
| 5 527 600       | 2 061 769             | 7 589 369 |

# Enoch Mgijima Local Municipality

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## Notes to the Annual Financial Statements

2023

2022

### 7. Biological assets (continued)

#### Non-financial information

No restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the acquisition of biological assets.

All biological assets are located in the nature reserve and spa. The primary activities revolving around biological assets are as follows:

- Ensure that the game life of the Municipality are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase of game, resulting in an inflow of economic resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

#### Methods and assumptions used in determining fair value

| Quantities of each biological asset | 2023 Quantity | 2023 Fair value  | 2022 Quantity | 2022 Fair value  |
|-------------------------------------|---------------|------------------|---------------|------------------|
| Rhino                               | 10            | 975 000          | 9             | 2 451 948        |
| Giraffe                             | 28            | 401 128          | 23            | 328 349          |
| Eland                               | 46            | 412 574          | 43            | 526 395          |
| Kudu                                | 42            | 344 064          | 42            | 479 699          |
| Zebra                               | 67            | 442 401          | 63            | 312 318          |
| Nyala                               | 18            | 108 000          | 18            | 210 615          |
| Lechwe                              | 48            | 432 000          | 44            | 475 644          |
| Blesbok                             | 45            | 116 280          | 42            | 107 025          |
| Impala                              | 150           | 265 050          | 140           | 245 564          |
| Springbok                           | 34            | 92 174           | 34            | 154 493          |
| Fallow Deer                         | 21            | 63 000           | 22            | 66 000           |
| Gemsbok                             | 38            | 307 420          | 37            | 377 121          |
| Black Wildebeest                    | 91            | 450 177          | 85            | 328 673          |
| Red Hartebeest                      | 102           | 958 086          | 87            | 599 435          |
| Ostrich                             | 12            | 54 768           | 10            | 33 060           |
| Mountain Reed Buck                  | 12            | 130 944          | 12            | 88 775           |
| Buffalo                             | 10            | 155 000          | 10            | 804 255          |
|                                     | <b>774</b>    | <b>5 708 066</b> | <b>721</b>    | <b>7 589 369</b> |

An active market exists for game therefore the fair value of the game was determined with reference to the price in the relevant market.

In 2018 the Municipality exchanged three white rhinoceroses for 10 buffalo. The buffalo are being kept on a private game reserve until the Municipal game reserve has been made suitable.

# Enoch Mgijima Local Municipality

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## Notes to the Annual Financial Statements

2023 2022

### 8. Investment property

|                     | 2023             |   |                | 2022             |   |                |
|---------------------|------------------|---|----------------|------------------|---|----------------|
|                     | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 326 352 511      | -   | 326 352 511    | 326 352 511      | -   | 326 352 511    |

#### Reconciliation of investment property - 2023

|                     | Opening balance | Total       |
|---------------------|-----------------|-------------|
| Investment property | 326 352 511     | 326 352 511 |

#### Reconciliation of investment property - 2022

|                     | Opening balance | Total       |
|---------------------|-----------------|-------------|
| Investment property | 326 352 511     | 326 352 511 |

Investment property constitutes land that is used for service delivery.

#### Pledged as security

No investment has been pledged as security for any liability.

#### Key judgements and assumptions regarding control over land

Property owned by the Municipality that has RDP houses built on it has not been included in Investment Property as the municipality does not control access to the land.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## Enoch Mgjijima Local Municipality

(Registration number EC139)  
Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 9. Property, plant and equipment

|                        | 2023                 |   | 2022                 |                      |   |                      |
|------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
|                        | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value       | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value       |
| Land                   | 197 438 917          | -   | 197 438 917          | 197 438 917          | -   | 197 438 917          |
| Buildings              | 130 738 374          | (87 832 644)  | 42 905 730           | 130 738 374          | (81 116 635)  | 49 621 739           |
| Other equipment        | 5 563 964            | (2 418 398)   | 3 145 566            | 4 338 369            | (2 159 420)   | 2 178 949            |
| Furniture and fixtures | 7 322 476            | (4 110 942)   | 3 211 534            | 5 963 464            | (3 678 099)   | 2 285 365            |
| Motor vehicles         | 38 166 768           | (11 103 469)  | 27 063 299           | 29 919 966           | (8 456 901)   | 21 463 065           |
| IT equipment           | 11 907 801           | (3 546 006)   | 8 361 795            | 9 389 376            | (3 141 193)   | 6 248 183            |
| Electricity            | 327 751 364          | (167 951 657)   | 159 799 707          | 284 848 255          | (139 204 546)   | 145 643 709          |
| Roads and storm water  | 868 768 176          | (521 359 911)   | 347 408 265          | 868 768 176          | (487 071 908)   | 381 696 268          |
| Landfill sites         | 217 902 670          | (43 129 353)  | 174 773 317          | 135 469 360          | (15 357 429)  | 120 111 931          |
| Work in progress       | 213 519 342          | (42 232 732)  | 171 286 610          | 151 311 384          | -   | 151 311 384          |
| Community assets       | 370 318 082          | (178 645 855)   | 191 672 227          | 353 243 539          | (162 132 704)   | 191 110 835          |
| <b>Total</b>           | <b>2 389 397 934</b> | <b>(1 062 330 967)</b>  | <b>1 327 066 967</b> | <b>2 171 429 180</b> | <b>(902 318 835)</b>  | <b>1 269 110 345</b> |

## Enoch Mjijima Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 9. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2023

|                        | Opening balance      | Additions          | Transfers        | Other changes, movements | Depreciation        | Impairment loss     | Total                |
|------------------------|----------------------|--------------------|------------------|--------------------------|---------------------|---------------------|----------------------|
| Land                   | 197 438 917          | -                  | -                | -                        | -                   | -                   | 197 438 917          |
| Buildings              | 49 621 739           | -                  | -                | -                        | (6 716 009)         | -                   | 42 905 730           |
| Plant and machinery    | 2 178 949            | 1 225 595          | -                | -                        | (221 157)           | (37 821)            | 3 145 566            |
| Furniture and fixtures | 2 285 365            | 1 359 013          | -                | -                        | (329 881)           | (102 963)           | 3 211 534            |
| Motor vehicles         | 21 463 065           | 8 246 801          | -                | -                        | (760 197)           | (1 886 370)         | 27 063 299           |
| IT equipment           | 6 248 183            | 2 518 425          | -                | -                        | (394 355)           | (10 458)            | 8 361 795            |
| Electricity            | 145 643 709          | 11 746 377         | 12 674 164       | -                        | (7 079 516)         | (3 185 027)         | 159 799 707          |
| Roads and storm water  | 381 696 268          | -                  | -                | -                        | (31 292 153)        | (2 995 850)         | 347 408 265          |
| Landfill sites         | 120 111 931          | -                  | -                | 82 433 310               | (27 771 924)        | -                   | 174 773 317          |
| Work in progress       | 151 311 384          | 92 076 629         | (29 866 472)     | -                        | -                   | (42 234 931)        | 171 286 610          |
| Community assets       | 191 110 836          | -                  | 17 074 543       | -                        | (14 590 990)        | (1 922 162)         | 191 672 227          |
|                        | <b>1 269 110 346</b> | <b>117 172 840</b> | <b>(117 765)</b> | <b>82 433 310</b>        | <b>(89 156 182)</b> | <b>(52 375 582)</b> | <b>1 327 066 967</b> |

## Enoch Mgjijima Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

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#### 9. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2022

|                        | Opening balance      | Additions         | Transfers    | Change in estimate | Depreciation        | Impairment loss    | Total                |
|------------------------|----------------------|-------------------|--------------|--------------------|---------------------|--------------------|----------------------|
| Land                   | 197 438 917          | -                 | -            | -                  | -                   | -                  | 197 438 917          |
| Buildings              | 58 016 893           | -                 | -            | -                  | (5 405 868)         | (2 989 286)        | 49 621 739           |
| Other equipment        | 2 533 369            | 232 332           | -            | -                  | (518 715)           | (68 037)           | 2 178 949            |
| Furniture and fixtures | 3 074 311            | 68 493            | -            | -                  | (593 299)           | (264 140)          | 2 285 365            |
| Motor vehicles         | 18 656 117           | 4 304 387         | -            | -                  | (1 497 439)         | -                  | 21 463 065           |
| IT equipment           | 1 621 209            | 5 354 553         | -            | -                  | (649 842)           | (77 737)           | 6 248 183            |
| Electricity            | 155 300 390          | -                 | -            | -                  | (9 224 538)         | (432 143)          | 145 643 709          |
| Roads                  | 391 835 090          | -                 | 15 026 591   | -                  | (23 313 938)        | (1 851 475)        | 381 696 268          |
| Landfill site          | 21 066 054           | -                 | -            | 111 022 374        | (10 369 595)        | (1 606 902)        | 120 111 931          |
| Work In Progress       | 133 373 534          | 32 964 441        | (15 026 591) | -                  | -                   | -                  | 151 311 384          |
| Community              | 199 576 058          | -                 | -            | -                  | (8 158 356)         | (306 867)          | 191 110 835          |
|                        | <b>1 182 491 942</b> | <b>42 924 206</b> | <b>-</b>     | <b>111 022 374</b> | <b>(59 731 590)</b> | <b>(7 596 587)</b> | <b>1 269 110 345</b> |

#### Pledged as security

No property, plant and equipment has been pledged as security for any liability.

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

#### Cumulative expenditure recognised in the carrying value of property, plant and equipment

|                |          |                    |
|----------------|----------|--------------------|
| Infrastructure | -        | 136 025 283        |
| Community      | -        | 42 393 576         |
|                | <b>-</b> | <b>178 418 859</b> |

# Enoch Mgijima Local Municipality

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## Notes to the Annual Financial Statements

|   | 2023              | 2022              |
|---|-------------------|-------------------|
| <b>9. Property, plant and equipment (continued)</b>   |                   |                   |
| <b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>   |                   |                   |
| McBride Sportsfield   | 13 033 360        | 13 033 360        |
| <b>The service provider was terminated due to non-performance. The project was subsequently impaired.</b>   |                   |                   |
| Central Substation 11KV Underground Cable Upgrade   | 161 737           | 161 737           |
| <b>Upon the implementation of the projects the Municipality was affected by gazetting where R2m was taken from the original allocation and the Municipality was left with R5 448 000.00. The Municipality only managed to do the designs only on the projects and left it on the procurement stage. The project was subsequently impaired.</b>                |                   |                   |
| Nomzamo T-Switch and Central Refurbishment  | 110 184           | 110 184           |
| <b>Upon the implementation of the projects the Municipality was affected by gazetting where R2m was taken from the original allocation and the Municipality was left with R5 448 000.00. The Municipality only managed to do the designs only on the projects and left it on the procurement stage. The project was subsequently impaired.</b>                |                   |                   |
| Underground Cable Upgrade at Victoria Substation  | 100 247           | 100 247           |
| <b>The Municipality was further informed by the Department of Minerals and Energy that the two projects does not meet the grant requirements and the project will no longer be funded. The Municipality only managed to do the designs. The project was subsequently impaired.</b>  |                   |                   |
| 11KV Underground Cable Upgrade Network Between Town Hall and Alexander  | 1 148 754         | 1 148 754         |
| <b>As per the monthly progress report dated 24 March 2017 that could be retrieved, the 11kv Underground Cable Upgrade network between Town Hall to Sanlam Switchgear project was 99% complete in terms of work permed and the only component left was to terminate the cables onto the switchgear that had to be installed by the other service provider.</b> |                   |                   |
| MV and LV Refurbishment of Mlungisi Phase 2   | 3 057 018         | 3 057 017         |
| <b>Upon the implementation of the projects the Municipality ran out of funds and that affected the completion of the projects as they were managed by one consultant (Magula Erasmus). It is not probable that EMLM will resume this project in the foreseeable future , the designs will not be used in future. The project was subsequently impaired.</b>   |                   |                   |
| Substation Switchgear   | 8 385 018         | 8 385 018         |
| <b>Upon the implementation of the projects the Municipality ran out of funds and that affected the completion of the projects as they were managed by one consultant (Magula Erasmus). It is not probable that EMLM will resume this project in the foreseeable future , the designs will not be used in future.</b>  |                   |                   |
| Construction of Internal Gravel Roads Ward 30   | 5 726 669         | 5 726 669         |
| <b>The project was halted. The was then subsequently impaired.</b>  |                   |                   |
| Beautification of Hexagon   | 202 978           | 202 978           |
| <b>The project was was halted in the design stages.</b>   |                   |                   |
| Revitilisation of Small Town in Tarkastad   | 1 144 668         | 1 144 668         |
| Surfacing of Taxi Routes in Molteno & Sterkroom Phase 3   | 8 158 664         | 8 158 664         |
| Surfacing (Paving) of Gravel Roads, Ezibeleni & Mlungisi  | 528 000           | 528 000           |
| Polar Park Electrification  | 476 720           | 476 720           |
| <b>The project was halted in the design stages. The project was subsequently impaired.</b>  |                   |                   |
| Additional text   |                   |                   |
|   | <b>42 234 017</b> | <b>42 234 016</b> |

# Enoch Mgijima Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 9. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Impairment

Based on 2022/23 audit recommendations and impairments included in Property, plant and equipment, for assets in use (assets in fair to poor condition) extensive impairment review was conducted in the 2023 financial year and triggers for impairment were identified and thus impairments were incurred for the reporting period.

### 10. Heritage assets

|  | 2023             |                               |                | 2022             |                               |                |
|--|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
|  | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Art, antiquities, exhibits and war memorials | 2 539 920        | (29 000)                      | 2 510 920      | 2 539 920        | (29 000)                      | 2 510 920      |

#### Reconciliation of heritage assets 2023

|  |                 |           |
|--|-----------------|-----------|
| Art, antiquities, exhibits and war memorials | Opening balance | Total     |
|  | 2 510 920       | 2 510 920 |

#### Reconciliation of heritage assets 2022

|  |                 |                              |           |
|--|-----------------|------------------------------|-----------|
| Art, antiquities, exhibits and war memorials | Opening balance | Impairment losses recognised | Total     |
|  | 2 539 920       | (29 000)                     | 2 510 920 |

#### Pledged as security

No heritage assets have been pledged as security.

#### Impairment

The events of the 29th of Jan 2022 led to the burning and demise of the historic Queenstown town hall. The asset is by nature a heritage asset, however, it is used as office dwelling and thus classified as municipal offices. The contents in the building are moveable in nature and some are of historical significance. The building, office equipment and pertinent moveable assets that were in the building are damaged and have been impaired accordingly and disclosed as such in the relevant PPE classes.

The moveable assets of historical significance include the Mayoral chain and badge, which were kept under lock and key in the Mayor's safe. These invaluable contents have been impaired.

#### Fair value of heritage assets (measured at cost less accumulated impairment losses)

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## Notes to the Annual Financial Statements

|   | 2023                 | 2022                |
|---|----------------------|---------------------|
| <b>11. Payables from exchange transactions</b>  |                      |                     |
| Trade payables  | 1 172 073 222        | 821 776 579         |
| Payments received in advanced   | 48 706 134           | 32 750 827          |
| Other payables  | 13 256 377           | 16 580 472          |
| Unallocated deposits  | 23 924 047           | 16 284 887          |
| Retention fees  | 9 491 548            | 3 613 044           |
| Payroll control   | 371 193              | (1 074 380)         |
|   | <b>1 267 822 521</b> | <b>889 931 429</b>  |
| <b>12. Payables from non-exchange transactions</b>  |                      |                     |
| Equitable share excess  | 941 862              | 941 862             |
| Other payables from DOT   | -                    | 25 601 298          |
|   | <b>941 862</b>       | <b>26 543 160</b>   |
| In 2021 the municipality received more Equitable Share than was allocated in the Division of Revenue Act. |                      |                     |
| <b>13. Consumer deposits</b>  |                      |                     |
| Electricity   | 10 942 206           | 10 694 224          |
| <b>14. Employee benefit obligations</b>   |                      |                     |
| <b>The amounts recognised in the statement of financial position are as follows:</b>                      |                      |                     |
| <b>Carrying value</b>   |                      |                     |
| Non-current portion of Post Retirement Medical Aid  | (23 582 000)         | (23 215 000)        |
| Non-current portion of Long Service Awards  | (16 959 000)         | (16 712 000)        |
| Current portion of Post Retirement Medical Aid  | (1 348 000)          | (1 250 000)         |
| Current portion of Long Service Awards  | (3 015 000)          | (3 840 000)         |
| Accrual for bonuses   | (8 248 783)          | (7 754 377)         |
| Provision for leave   | (37 841 715)         | (40 000 199)        |
|   | <b>(90 994 498)</b>  | <b>(92 771 576)</b> |
| Non-current liabilities   | (40 541 000)         | (39 927 000)        |
| Current liabilities   | (50 453 498)         | (52 844 576)        |
|   | <b>(90 994 498)</b>  | <b>(92 771 576)</b> |
| <b>Net expense recognised in the statement of financial performance</b>                                   |                      |                     |
| Current service cost  | 3 230 000            | 3 577 000           |
| Interest cost   | 4 748 000            | 4 293 000           |
| Actuarial (gains) losses  | (3 001 000)          | (6 734 000)         |
| Benefits paid   | (5 090 000)          | (3 086 000)         |
|   | <b>(113 000)</b>     | <b>(1 950 000)</b>  |

# Enoch Mgijima Local Municipality

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## Notes to the Annual Financial Statements

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2022

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### 14. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

|   |         |         |
|---|---------|---------|
| Discount rates used                             | 11,01 % | 11,44 % |
| Expected rate of return on assets               | 7,33 %  | 8,10 %  |
| Expected rate of return on reimbursement rights | 3,24 %  | 3,09 %  |
| Actual return on reimbursement rights           | 12,00 % | 10,81 % |
| Medical cost trend rates                        | 6,44 %  | 7,33 %  |
| Expected pension increases                      | 4,00 %  | 3,24 %  |

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### 14. Employee benefit obligations (continued)

#### Other assumptions

- Pre retirement mortality SA 85-90 light-1
- Post retirement mortality 2019 PA (90)-1, with 1% p.a. mortality improvement from 2019
- Normal retirement age 62 years
- Spouse age differences (Male older than female) 3 years
- AIDS No assumptions made
- Proportion with a spouse dependant at retirement 60%
- Continuation of membership at retirement 75%
- Proportion of eligible in-service non-members joining a scheme by retirement and continuing with the subsidy at hand and after retirement 15%

The assumed general earnings, healthcare inflation rate and discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed general earnings would have the following effects:

|   | One<br>percentage<br>point<br>increase | One<br>percentage<br>point<br>decrease |
|---|--|--|
| Effect on the aggregate of the service cost and interest cost | 491 870                                | 487 000                                |
| Effect on defined benefit obligation                          | 1 092 820                              | 1 082 000                              |
| <b>Discount rate</b>  |  |  |
|   | 260 000                                | (228 000)                              |
|   | 3 595 000                              | (3 125 000)                            |
| <b>Healthcare inflation rate</b>                              |  |  |
|   | 32 000                                 | 24 000                                 |
|   | 106 000                                | 82 000                                 |

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

|                            | 2023       | 2022       | 2021       | 2020       | 2019       |
|----------------------------|------------|------------|------------|------------|------------|
| Defined benefit obligation | 44 904 000 | 48 857 000 | 46 967 000 | 44 873 000 | 45 864 015 |

#### Reconciliation of leave provision

|                 | Opening<br>balance | Leave paid out | Decrease in<br>provision | Total        |
|-----------------|--------------------|----------------|--------------------------|--------------|
| Leave provision | (40 000 199)       | 2 799 829      | (641 345)                | (37 841 715) |

A provision has been raised for the unused leave days held by employees. The provision is reduced as leave days are used or when the leave is paid out. Leave days are paid out when an employee leaves the employment of the Municipality. It is not possible to predict when the provision amounts will be used or paid out as employees are not restricted in when they are allowed to use the leave and leave days can be carried forward to future leave cycles, subject to limits.

# Enoch Mgijima Local Municipality

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## Notes to the Annual Financial Statements

|  | 2023             | 2022              |
|--|------------------|-------------------|
| <b>15. Unspent conditional grants and receipts</b>           |                  |                   |
| <b>Unspent conditional grants and receipts comprises of:</b> |                  |                   |
| <b>Unspent conditional grants and receipts</b>               |                  |                   |
| Expanded Public Works Programme Grant                        | (3)              | (3)               |
| Municipal Infrastructure Grant                               | 3 091 620        | 23 428 089        |
| Integrated National Electrification Programme Grant          | 1                | 1                 |
| Chris Hani District Municipality                             | (1)              | (1)               |
|  | <b>3 091 617</b> | <b>23 428 086</b> |
| <b>Movement during the year</b>                              |                  |                   |
| Balance at the beginning of the year                         | 55 431 656       | 7 714 071         |
| Total Receipts   | 113 828 333      | 82 093 704        |
| Total Revenue recognised                                     | (166 167 972)    | (66 379 689)      |
| Treasury overpayment of grant (MIG)                          | (400)            | -                 |
|  | <b>3 091 617</b> | <b>23 428 086</b> |
| <b>16. Finance lease obligation</b>                          |                  |                   |
| <b>Minimum lease payments due</b>                            |                  |                   |
| - within one year  | 1 042 768        | -                 |
| - in second to fifth year inclusive                          | 1 218 703        | -                 |
|  | <b>2 261 471</b> | -                 |
| less: future finance charges                                 | (444 784)        | -                 |
| <b>Present value of minimum lease payments</b>               | <b>1 816 687</b> | -                 |
| <b>Present value of minimum lease payments due</b>           |                  |                   |
| - within one year  | 721 122          | -                 |
| - in second to fifth year inclusive                          | 1 095 566        | -                 |
|  | <b>1 816 688</b> | -                 |
| Non-current liabilities                                      | 2 279 222        | -                 |
| Current liabilities  | -                | -                 |
|  | <b>2 279 222</b> | -                 |

The municipality entered into a finance lease for printing equipment.

The average lease term is 3 years and the average effective borrowing rate is 14% .

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## Notes to the Annual Financial Statements

|  | 2023 | 2022 |
|--|------|------|
|--|------|------|

### 17. Provisions

#### Reconciliation of provisions - 2023

|               | Opening Balance | Change in estimates | Interest  | Total       |
|---------------|-----------------|---------------------|-----------|-------------|
| Landfill site | 155 710 120     | 82 433 310          | 8 811 759 | 246 955 189 |

#### Reconciliation of provisions - 2022

|               | Opening Balance | Interest  | Total       |
|---------------|-----------------|-----------|-------------|
| Landfill site | 149 293 611     | 6 416 509 | 155 710 120 |

#### Environmental rehabilitation provision

The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, Act 107 of 1998, sections 3(14) – (16) and 4 (10) of Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The expected future cost to rehabilitate the landfill site is the best estimate of the expenditure required to settle the present obligation. This is determined as the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

### 18. Service charges

|                     |                    |                    |
|---------------------|--------------------|--------------------|
| Sale of electricity | 242 083 994        | 249 779 997        |
| Refuse removal      | 50 435 977         | 78 849 156         |
|                     | <b>292 519 971</b> | <b>328 629 153</b> |

### 19. Rental of facilities and equipment

#### Premises

|                                |           |           |
|--------------------------------|-----------|-----------|
| Rental of municipal properties | 3 347 122 | 3 303 510 |
|--------------------------------|-----------|-----------|

#### Garages and parking

|                    |       |       |
|--------------------|-------|-------|
| Rental of carports | 1 260 | 1 548 |
|--------------------|-------|-------|

#### Facilities and equipment

|                        |                  |                  |
|------------------------|------------------|------------------|
| Rental of container    | 20 578           | 20 578           |
| Rental of street signs | 253 272          | 231 014          |
|                        | <b>273 850</b>   | <b>251 592</b>   |
|                        | <b>3 622 232</b> | <b>3 556 650</b> |

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## Notes to the Annual Financial Statements

|  | 2023              | 2022              |
|--|-------------------|-------------------|
| <b>20. Interest earned on debtors by service type</b>  |                   |                   |
| Interest received - Assessment rates   | 41 505 696        | 29 537 977        |
| Interest received - Electricity Distribution   | 8 727 021         | 5 808 019         |
| Interest received - Refuse removal   | 37 355 560        | 23 151 264        |
|  | <b>87 588 277</b> | <b>58 497 260</b> |
| <b>21. Income from agency services</b>   |                   |                   |
| Vehicle Registration   | 3 993 862         | 3 071 248         |
| The income from agency fees consists of commission received from the Department of Transport for the issuing of vehicle registrations. The municipality (agent) collects licencing fees for vehicles on behalf of the Department of Transport (principal). |                   |                   |
| <b>22. Licences and permits</b>  |                   |                   |
| Drivers licences   | 3 448 397         | 2 875 006         |
| Trading, transport and special   | 9 163             | 11 710            |
|  | <b>3 457 560</b>  | <b>2 886 716</b>  |
| <b>23. Other revenue</b>   |                   |                   |
| Department of Transport  | 48 336 540        | 65 417 599        |
| The municipality received funds from the Department of Transport for projects involving provincial roads.  |                   |                   |
| <b>24. Other income</b>  |                   |                   |
| Advert costs   | -                 | 1 304             |
| Building plan fees   | 442 799           | 341 350           |
| Burial fees  | 1 690 935         | 1 555 764         |
| Commission   | 2 455 238         | 3 307 723         |
| Electricity reconnection fees  | 688 101           | 616 231           |
| Gate Monies  | 53 788            | 57 140            |
| Insurance claims   | 217 308           | 1 243 204         |
| Miscellaneous income   | 1 009 590         | 385 679           |
| Pound fees   | 324 865           | 101 784           |
| Roadworthy certificates  | 23 114            | 27 098            |
| Sale of tender documents   | 291 073           | 90 304            |
|  | <b>7 196 811</b>  | <b>7 727 581</b>  |
| <b>25. Investment revenue</b>  |                   |                   |
| <b>Interest revenue</b>  |                   |                   |
| Bank   | 664 870           | 177 544           |
| Investments  | 4 026 605         | 3 473 978         |
|  | <b>4 691 475</b>  | <b>3 651 522</b>  |

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## Notes to the Annual Financial Statements

|                               | 2023                  | 2022                  |
|-------------------------------|-----------------------|-----------------------|
| <b>26. Property rates</b>     |                       |                       |
| <b>Rates received</b>         |                       |                       |
| Property rates                | 143 504 694           | 136 904 692           |
| <b>Valuations</b>             |                       |                       |
| Agricultural                  | 4 902 369 567         | 4 902 369 567         |
| Business                      | 2 689 091 108         | 2 689 091 108         |
| Church                        | 214 187 010           | 214 187 010           |
| Education                     | 224 237 000           | 224 237 000           |
| Government                    | 668 915 031           | 668 915 031           |
| Industrial                    | 166 451 008           | 166 451 008           |
| Municipal                     | 1 338 789 135         | 1 338 789 135         |
| Other                         | 25 092 006            | 25 092 006            |
| Public service infrastructure | 460 648 024           | 460 648 024           |
| Residential                   | 8 783 771 593         | 8 584 797 612         |
| Vacant land                   | 364 310 931           | 364 310 931           |
|                               | <b>19 837 862 413</b> | <b>19 638 888 432</b> |

The last general valuation came into effect on 1 July 2019. The general valuation roll was compiled by Ndlala Mass Valuation Services.

The below rates are applied to property valuations to determine assessment rates:

| Category                      |            |            |
|-------------------------------|------------|------------|
| Residential (cents in a Rand) | 0,00980560 | 0,00933870 |
| Business/commercial           | 0,01239570 | 0,01180550 |
| Agriculture                   | 0,00245140 | 0,00233470 |
| Public service purpose        | 0,00980700 | 0,00934000 |
| Industrial                    | 0,01239570 | 0,01180550 |
| Government                    | 0,24514000 | 0,00233470 |
| Vacant land                   | 0,04579790 | 0,04361710 |

## 27. Government grants and subsidies

| Operating grants                      |                    |                    |
|---------------------------------------|--------------------|--------------------|
| Equitable share                       | 215 409 000        | 196 899 000        |
| Expanded Public Works Programme Grant | 3 088 000          | 3 498 000          |
| Finance Management Grant              | 3 100 000          | 3 100 000          |
| Library Grant                         | 5 250 000          | 5 250 000          |
|                                       | <b>226 847 000</b> | <b>208 747 000</b> |

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## Notes to the Annual Financial Statements

|  | 2023               | 2022               |
|--|--------------------|--------------------|
| <b>27. Government grants and subsidies (continued)</b> |                    |                    |
| <b>Capital grants</b>                                  |                    |                    |
| Integrated National Electrification Programme Grant    | 9 737 000          | -                  |
| Municipal Infrastructure Grant                         | 67 664 069         | 37 226 474         |
| Office of the Premier                                  | 26 932 437         | 17 305 216         |
|  | <b>104 333 506</b> | <b>54 531 690</b>  |
|  | <b>331 180 506</b> | <b>263 278 690</b> |

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. During the year the municipality received its draw downs as per National Treasury indicatives

### Financial Management Grant

|   |             |             |
|---|-------------|-------------|
| Balance unspent at beginning of year    | -           | -           |
| Current year receipts                   | 3 100 000   | 3 100 000   |
| Conditions met - transferred to revenue | (3 100 000) | (3 100 000) |
|   | -           | -           |

### Expanded Public Works Programme Grant

|   |             |             |
|---|-------------|-------------|
| Balance unspent at beginning of year    | (3)         | (3)         |
| Current year receipts                   | 3 088 000   | 3 498 000   |
| Conditions met - transferred to revenue | (3 088 000) | (3 498 000) |
|   | <b>(3)</b>  | <b>(3)</b>  |

### Grant 5

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

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

### Municipal Infrastructure Grant

|   |                  |                   |
|---|------------------|-------------------|
| Balance unspent at beginning of year    | 23 428 089       | 6 528 563         |
| Current year receipts                   | 47 328 000       | 54 126 000        |
| Conditions met - transferred to revenue | (67 664 469)     | (37 226 474)      |
|   | <b>3 091 620</b> | <b>23 428 089</b> |

### Integrated National Electrification Programme Grant

|   |             |          |
|---|-------------|----------|
| Balance unspent at beginning of year    | 1           | 1        |
| Current-year receipts                   | 9 736 999   | -        |
| Conditions met - transferred to revenue | (9 736 999) | -        |
|   | <b>1</b>    | <b>1</b> |

# Enoch Mgijima Local Municipality

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|   | 2023             | 2022             |
|---|------------------|------------------|
| <b>27. Government grants and subsidies (continued)</b>  |                  |                  |
| <b>Library subsidy</b>  |                  |                  |
| Current-year receipts   | 5 250 000        | 5 250 000        |
| Conditions met - transferred to revenue   | (5 250 000)      | (5 250 000)      |
|   | <u>-</u>         | <u>-</u>         |
| <b>Department of Transport</b>  |                  |                  |
| <b>Office of the Premier</b>  |                  |                  |
| Current-year receipts   | 26 932 437       | -                |
| Conditions met - transferred to revenue   | (26 932 437)     | -                |
|   | <u>-</u>         | <u>-</u>         |
| Conditions still to be met - remain liabilities (see note 15).  |                  |                  |
| The grant is used for small towns revitalisations.  |                  |                  |
| <b>Grant 21</b>   |                  |                  |
| Conditions still to be met - remain liabilities (see note 15).  |                  |                  |
| Provide explanations of conditions still to be met and other relevant information.  |                  |                  |
| <b>28. Public contributions and donations</b>   |                  |                  |
| Donation of assets in kind  | <u>2 171 522</u> | -                |
| The Municipality received a donation of a Waste Compactor Truck during the year from the Department of Forestry, Fisheries and the Environment. The fair value of the truck is R 2 171 522. |                  |                  |
| <b>29. Fines, Penalties and Forfeits</b>  |                  |                  |
| Electricity   | 2 733 242        | 930 267          |
| Traffic   | 868 628          | 724 835          |
|   | <u>3 601 870</u> | <u>1 655 102</u> |

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|  | 2023               | 2022               |
|--|--------------------|--------------------|
| <b>30. Employee related costs</b>                  |                    |                    |
| Basic  | 218 394 614        | 205 427 345        |
| Bonus  | 18 091 423         | 16 705 587         |
| Bargaining council                                 | 100 896            | 121 157            |
| Casual labour                                      | 5 896 764          | 4 277 061          |
| Contract workers                                   | 12 025 349         | 10 394 429         |
| EPWP   | 4 974 761          | 3 928 139          |
| Group life insurance                               | 930 718            | 944 065            |
| Leave pay provision charge                         | (8 940)            | 4 392 967          |
| Housing benefits and allowances                    | 678 875            | 462 996            |
| Long-service awards                                | 2 099 226          | 2 940 714          |
| Medical aid - company contributions                | 19 955 656         | 19 360 323         |
| Night shift services                               | 1 593 260          | 1 817 002          |
| Overtime payments                                  | 5 381 293          | 4 422 488          |
| Pension - company contributions                    | 37 353 478         | 36 559 043         |
| Skills development levy                            | 2 515 894          | 2 404 255          |
| Transport allowances                               | 9 343 091          | 8 937 762          |
| UIF  | 1 588 084          | 1 581 961          |
|  | <b>340 914 442</b> | <b>324 677 294</b> |
| <b>Remuneration of Municipal Manager</b>           |                    |                    |
| Annual Remuneration                                | 515 244            | -                  |
| Remote allowance                                   | 20 825             | -                  |
| UIF  | 708                | -                  |
| Bargaining council                                 | 43                 | -                  |
| Contributions to Medical Funds                     | 4 631              | -                  |
| Skills Development Levy                            | 5 407              | -                  |
|  | <b>546 858</b>     | <b>-</b>           |
| <b>Remuneration of former MM - Mrs Zondani</b>     |                    |                    |
| Basic Salary                                       | 405 536            | 1 153 703          |
| Backpay  | 8 002              | -                  |
| Transport allowance                                | 100 000            | 175 000            |
| Director Backpay                                   | 23 082             | -                  |
| Leave paid out                                     | 230 826            | -                  |
| Remote allowance                                   | 21 441             | 61 552             |
| Pension allowance                                  | 20 340             | 207 818            |
| UIF  | 708                | 2 125              |
| Bargaining council                                 | 41                 | 153                |
| Retirement annuity                                 | 62 875             | -                  |
| Skill development levy                             | 4 184              | 12 522             |
|  | <b>877 035</b>     | <b>1 612 873</b>   |
| <b>Remuneration of Acting MM - Mr A Mkhangelwa</b> |                    |                    |
| Basic Salary                                       | -                  | 429 399            |
| Acting allowance                                   | -                  | 39 907             |
| Remote allowance                                   | -                  | 21 279             |
| UIF  | -                  | 886                |
| Bargaining council                                 | -                  | 54                 |
| Pension fund                                       | -                  | 77 081             |
| Medical aid allowance                              | -                  | 24 565             |
| Skills development levy                            | -                  | 4 504              |
|  | <b>-</b>           | <b>597 675</b>     |

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## Notes to the Annual Financial Statements

|   | 2023             | 2022             |
|---|------------------|------------------|
| <b>30. Employee related costs (continued)</b>           |                  |                  |
| <b>Remuneration of Chief Finance Officer</b>            |                  |                  |
| Basic salary  | 947 642          | 936 957          |
| Travel allowance  | 150 000          | 150 000          |
| Remote allowance  | 51 574           | 50 316           |
| UIF   | 2 125            | 2 125            |
| Bargaining council                                      | 130              | 153              |
| Contribution to pension fund                            | 170 576          | 168 658          |
| SDL   | 10 814           | 10 231           |
| Backpay   | 27 045           | -                |
| Pension allowance                                       | 20 340           | -                |
|   | <b>1 380 246</b> | <b>1 318 440</b> |
| <b>Remuneration of the Director: Technical Services</b> |                  |                  |
| Basic salary  | 761 192          | 811 081          |
| Housing allowance                                       | 136 076          | 22 679           |
| Backpay   | 23 900           | -                |
| Remote allowance  | 51 448           | 41 930           |
| Travel allowance  | 181 543          | 30 257           |
| UIF   | 2 125            | 1 771            |
| Bargaining council                                      | 130              | 134              |
| Contribution to medical aid                             | 52 394           | 36 290           |
| Contribution to pension fund                            | 137 013          | 146 033          |
| Skills development levy                                 | 11 188           | 8 633            |
| Pension allowance                                       | 16 950           | -                |
|   | <b>1 373 959</b> | <b>1 098 808</b> |

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## Notes to the Annual Financial Statements

|  | 2023           | 2022             |
|--|----------------|------------------|
| <b>30. Employee related costs (continued)</b>                      |                |                  |
| <b>Remuneration of the Director: Community and Social Services</b> |                |                  |
| Basic salary   | 206 583        | 858 802          |
| Backpay  | 23 586         | -                |
| Travel allowance   | 60 000         | 202 500          |
| Leavepayout  | 210 108        | -                |
| Remote allowance   | 13 522         | 50 316           |
| UIF  | 531            | 2 125            |
| Bargaining council   | 31             | 153              |
| Contribution to pension/ retirement fund                           | 57 525         | 154 634          |
| Contributions to Medical Fund                                      | 10 143         | 39 679           |
| Skills development levy  | 5 138          | 10 366           |
|  | <b>587 167</b> | <b>1 318 575</b> |

During the financial year Mr L Bolani resigned .

### Remuneration of Performance Management director - Mrs N Mani

|                         |                |          |
|-------------------------|----------------|----------|
| Basic Salary            | 253 186        | -        |
| Remote allowance        | 10 350         | -        |
| UIF                     | 531            | -        |
| Bargaining Council      | 32             | -        |
| Medical aid             | 5 007          | -        |
| Skills development levy | 2 686          | -        |
|                         | <b>271 792</b> | <b>-</b> |

### Remuneration of the Director: Corporate and Support Services

|                                |                |          |
|--------------------------------|----------------|----------|
| Basic Salary                   | 390 244        | -        |
| Car Allowance                  | 60 000         | -        |
| Performance Bonuses            | 4 230          | -        |
| Remote allowance               | 21 279         | -        |
| UIF                            | 886            | -        |
| Bargaining council             | 54             | -        |
| Contributions to Pension Funds | 70 224         | -        |
| Acting allowance               | 10 577         | -        |
| Skills development levy        | 4 390          | -        |
|                                | <b>561 884</b> | <b>-</b> |

The Director of Corporate Services was suspended in January 2022 and the Manager of Corporate Services Mr Ngxobongwana has been acting in the position since then. The Director of Corporate Services resigned in May 2022 Mrs N Mazwayi was then appointed in March 2023.

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## Notes to the Annual Financial Statements

|  | 2023              | 2022              |
|--|-------------------|-------------------|
| <b>30. Employee related costs (continued)</b>                                  |                   |                   |
| <b>Former Director Corporate Services (Backpay - Current year)</b>             |                   |                   |
| Acting allowance   | -                 | 758 339           |
| Bonus  | -                 | 63 734            |
| Remote allowance   | 692               | -                 |
| Backpay  | 17 296            | 6 466             |
| Acting allowance   | -                 | 7 967             |
| Travel allowance   | -                 | 150 000           |
| Housing allowance  | -                 | 11 574            |
| UIF  | -                 | 2 125             |
| Bargaining council   | -                 | 153               |
| Contributions to pension fund  | 18 645            | 158 926           |
| Contributions to medical fund  | -                 | 56 634            |
| Skills development levy  | 366               | 9 778             |
| Group life insurance   | -                 | 15 678            |
|  | <b>36 999</b>     | <b>1 241 374</b>  |
| <b>Director Corporate Services (Acting)</b>                                    |                   |                   |
| Acting allowance   | 11 388            | -                 |
| <b>Remuneration of the Director: Strategic Executive</b>                       |                   |                   |
| Basic salary   | 941 537           | 958 338           |
| Acting allowance   | 43 794            | -                 |
| Annual Bonus   | 100 000           | 100 000           |
| Director backpay   | 27 059            | -                 |
| Travel allowance   | 168 000           | 140 000           |
| Pension allowance  | 20 340            | -                 |
| Remote allowance   | 51 574            | 50 316            |
| UIF  | 2 125             | 2 125             |
| Bargaining council   | 130               | 153               |
| Contributions to Medical aid fund  | 58 681            | 57 277            |
| Skills development levy  | 13 775            | 12 781            |
|  | <b>1 427 015</b>  | <b>1 320 990</b>  |
| <b>Remuneration of Director Integrated Planning &amp; Economic Development</b> |                   |                   |
| Basic Salary   | 253 186           | -                 |
| Remote allowance   | 10 350            | -                 |
| UIF  | 531               | -                 |
| Bargaining council   | 32                | -                 |
| Medical aid  | 5 007             | -                 |
| Skills development levy  | 2 686             | -                 |
|  | <b>271 792</b>    | <b>-</b>          |
| <b>31. Remuneration of councillors</b>   |                   |                   |
| Honourable Mayor   | 560 919           | 858 481           |
| Chief Whip   | 716 736           | 674 523           |
| Speaker  | 764 183           | 695 136           |
| Councillors salaries   | 18 589 848        | 16 697 295        |
| M-PAC  | 244 892           | 237 226           |
| Executive Committee Members  | 6 230 983         | 5 907 421         |
|  | <b>27 107 561</b> | <b>25 070 082</b> |

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|  | 2023              | 2022               |                   |                   |
|--|-------------------|--------------------|-------------------|-------------------|
| <b>31. Remuneration of councillors (continued)</b>   |                   |                    |                   |                   |
| <b>In-kind benefits</b>  |                   |                    |                   |                   |
| The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council |                   |                    |                   |                   |
| The Mayor has the use of a Council owned vehicles for official duties.   |                   |                    |                   |                   |
| <b>32. Depreciation and amortisation</b>   |                   |                    |                   |                   |
| Property, plant and equipment  | 89 187 683        | 61 457 836         |                   |                   |
| <b>33. Finance costs</b>   |                   |                    |                   |                   |
| Finance leases   | 76 515            | -                  |                   |                   |
| Other interest paid  | 89 943 779        | 57 804 449         |                   |                   |
| Landfill provision interest  | 8 811 759         | -                  |                   |                   |
|  | <b>98 832 053</b> | <b>57 804 449</b>  |                   |                   |
| <b>34. Repairs and maintenance</b>   |                   |                    |                   |                   |
| Plant and machinery  | 1 294 391         | 1 038 983          |                   |                   |
| Buildings and grounds  | 714 893           | 1 670 600          |                   |                   |
| Roads and stormwater   | 1 406 489         | 25 721             |                   |                   |
| Electrical infrastructure  | 24 214 576        | 5 868 522          |                   |                   |
|  | <b>27 630 349</b> | <b>8 603 826</b>   |                   |                   |
| <b>35. Bulk purchases</b>  |                   |                    |                   |                   |
| Electricity - Eskom  | 311 219 146       | 327 270 906        |                   |                   |
| <b>Electricity losses</b>  |                   |                    |                   |                   |
|  | Number<br>2023    | Number<br>2022     |                   |                   |
| Units purchased  | 200 915 478       | 237 676 508        | 327 270 906       | 277 911 740       |
| Units sold   | (102 339 738)     | (118 437 218)      | (252 274 246)     | (208 546 990)     |
| <b>Total loss</b>  | <b>98 575 740</b> | <b>119 239 290</b> | <b>74 996 660</b> | <b>69 364 750</b> |
| Comprising of:   |                   |                    |                   |                   |
| Technical losses   | -                 | -                  | -                 | -                 |
| Non-technical losses   | 98 575 740        | 119 239 290        | 74 996 660        | 69 364 750        |
| <b>Total</b>   | <b>98 575 740</b> | <b>119 239 290</b> | <b>74 996 660</b> | <b>69 364 750</b> |
| Percentage Loss:   |                   |                    |                   |                   |
| Technical losses   | -                 | -                  | -                 | -                 |
| Non-technical losses   | 51 %              | 50 %               | 23 %              | 25 %              |
| <b>Total</b>   | <b>51 %</b>       | <b>50 %</b>        | <b>23 %</b>       | <b>25 %</b>       |

The loss in electricity sales is due to the high instance of illegal connections and meter tampering.

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|   | 2023               | 2022               |
|---|--------------------|--------------------|
| <b>36. Contracted services</b>  |                    |                    |
| Legal fees  | 5 681 913          | 3 580 782          |
| Maintenance   | 20 106 500         | 13 217 827         |
| Accounting and MSCOA  | 12 545 575         | 7 108 576          |
| Fleet management  | 7 041 208          | 4 463 535          |
|   | <b>45 375 196</b>  | <b>28 370 720</b>  |
| <b>37. Transfers and subsidies</b>  |                    |                    |
| <b>Other subsidies</b>  |                    |                    |
| SPCA  | 175 000            | 125 000            |
| Free basic services   | 1 440 517          | 1 462 688          |
|   | <b>1 615 517</b>   | <b>1 587 688</b>   |
| Transfers and subsidies consist of financial support provided to the SPCA and the cost of free units of electricity provided to indigent consumers who are located in areas serviced directly by Eskom. |                    |                    |
| <b>38. General expenses</b>   |                    |                    |
| Accommodation   | 642 098            | 150 371            |
| Audit committee   | 250 910            | 328 640            |
| Advertising   | 811 914            | 576 312            |
| Alternative energy  | 1 716 000          | 1 768 525          |
| Auditors remuneration   | 6 107 871          | 7 290 070          |
| Bank charges  | 1 583 523          | 1 360 291          |
| Cleaning  | 138 395            | 29 800             |
| Commission paid   | 3 574 633          | -                  |
| Consulting and professional fees  | 1 880 694          | 1 539 664          |
| Consumables   | 987 944            | 1 138 404          |
| Entertainment   | 559 772            | 821 207            |
| Fuel and oil  | 5 645 182          | 4 801 899          |
| Fines and penalties   | -                  | 358                |
| Insurance   | 3 406 974          | 2 997 337          |
| Medical expenses  | 14 589             | 3 905              |
| Other expenses  | 14 400             | 250                |
| Postage and courier   | 2 322              | 20 133             |
| Printing and stationery   | 837 809            | 418 293            |
| Project expenditure   | 54 49 274 124      | 68 690 198         |
| Promotions  | 210 575            | 53 250             |
| Protective clothing   | 90 745             | 486 160            |
| Rentals   | 4 003 055          | 2 610 873          |
| Subscriptions and membership fees   | 3 577 140          | 3 769 145          |
| Telephone and fax   | 5 339 698          | 6 439 481          |
| Training  | 260 007            | 1 541 382          |
| Travel - local  | 34 127             | 97 160             |
| Title deed search fees  | -                  | 2 353              |
| Utilities   | 3 803 651          | -                  |
| Refuse  | 1 036 148          | (244 924)          |
| Utilities   | 1 258 235          | 676 947            |
| Street lights   | 1 163 387          | -                  |
| Vehicle licenses  | 46 974             | 336 774            |
| Ward committees   | 3 870 000          | 2 354 000          |
| Workmen's compensation  | -                  | 1 013 022          |
|   | <b>102 142 896</b> | <b>111 071 280</b> |

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|   | 2023               | 2022               |
|---|--------------------|--------------------|
| <b>39. Auditors' remuneration</b>   |                    |                    |
| Fees  | 6 107 871          | 7 290 070          |
| <b>40. Impairment of assets</b>   |                    |                    |
| <b>Impairments</b>  |                    |                    |
| Property, plant and equipment   | 52 373 381         | 7 625 587          |
| <b>41. Cash generated from operations</b>   |                    |                    |
| Deficit   | (263 055 206)      | (253 892 329)      |
| <b>Adjustments for:</b>   |                    |                    |
| Depreciation and amortisation   | 139 389 542        | 61 457 836         |
| Fair value adjustment   | 1 881 303          | (2 061 769)        |
| Impairment deficit  | -                  | 7 625 587          |
| Debt impairment   | (99 355 580)       | (184 424 642)      |
| Movements in Employee benefit obligations   | (113 000)          | (1 950 000)        |
| Movements in Provisions   | 91 245 069         | 126 145 250        |
| 13th Cheque Accrual   | 494 406            | 73 664             |
| Movement in leave accrual   | (2 158 484)        | 1 593 139          |
| <b>Changes in working capital:</b>  |                    |                    |
| Decrease/(Increase) in Receivables from exchange transactions   | (76 070 667)       | 184 273 548        |
| Decrease/(Increase) in Receivables from non-exchange transactions   | 57 044 543         | (26 958 932)       |
| Decrease/(Increase) in VAT receivable   | -                  | (886 348)          |
| Other Financial assets  | -                  | 137 162            |
| Increase/(Decrease) in Payables from exchange transactions  | 377 891 091        | 254 581 464        |
| Increase/(Decrease) in VAT  | (13 888 307)       | (3 496 958)        |
| Increase/(Decrease) in Unspent conditional grants and receipts  | (20 336 469)       | 15 714 017         |
|   | <b>192 968 241</b> | <b>177 930 689</b> |
| <b>42. Commitments</b>  |                    |                    |
| <b>Authorised capital expenditure</b>   |                    |                    |
| <b>Already contracted for but not provided for</b>  |                    |                    |
| • Property, plant and equipment   | 248 734 333        | 278 677 675        |
| <b>Total capital commitments</b>  |                    |                    |
| Already contracted for but not provided for   | 248 734 333        | 278 677 675        |
| <b>Total commitments</b>  |                    |                    |
| <b>Total commitments</b>  |                    |                    |
| Authorised capital expenditure  | 248 734 333        | 278 677 675        |
| This committed expenditure relates to property, plant and equipment and will be financed by retained surpluses, existing cash resources, and grant funding. |                    |                    |
| <b>43. Contingencies</b>  |                    |                    |
| <b>Pending litigations and claims:</b>  |                    |                    |

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|   | 2023      | 2022      |
|---|-----------|-----------|
| <b>43. Contingencies (continued)</b>  |           |           |
| Matter 8092 Otn Mag Crt- A Motile Lukhanji Municipality   | 129 814   | 129 814   |
| In 2005 applicant sought damages for repairs and maintenance to property he leased from the municipality for an amount of R94 814.00  |           |           |
| PR 302/17- T Matyalana vs EMLM  | 50 000    | 100 000   |
| Applicant challenges his dismissal from erstwhile Inkwanca Municipality. Pending hearing.   |           |           |
| MAT9476 Qtn Mag Crt- Lukhanji Municipality vs Malongwe KS   | 100 000   | 100 000   |
| Instructed to launch application for demolition of buildings on the basis of contravention of building regulations (July 2019).   |           |           |
| ECQTNR29/2018- Nomabhaca Lournu Mgulwa  | 480 000   | 480 000   |
| This plaintiff sues the municipality together with Cllr Mbengo for R400 000 for damages arising out of alleged comments by the councilor in a local newspaper about plaintiff |           |           |
| Case No. 04/2018 - Tian Schoeman v Enoch Mgijima and Nozibele Makanda   | 166 450   | 166 450   |
| Plaintiff sues the municipality for loss and damage of his vehicle to the value of R86 450.00 due to an accident allegedly caused by former mayor Makanda                     |           |           |
| Case No. 2297/2016 - Nosibulelo Dalasile v Enoch Mgijima  | 160 000   | 160 000   |
| Plaintiff sues the municipality for R100 000.00 for injuries caused when she fell onto an open and unattended drain.  |           |           |
| Matter 16666 GHT H/C- Jan Draghoender v Lukhanji Local Municipality.  | 1 092 926 | 1 092 926 |
| Matter concerns payment of damages arising from injuries sustained whilst using municipal property.   |           |           |
| Mat 23154 - Zepe & Company vs Lukhanji Municipality   | 226 348   | 226 348   |
| Action for the recovery of legal costs in a matter in which the Plaintiff acted for the municipality. The Plaintiff has to tax their costs.                                   |           |           |
| Case No. 648/2018- Axolille Qononda v Enoch Mgijima LM/ Elliot Tromp  | 28 400    | 28 400    |
| Plaintiff sues the municipality for R28 400,47 for damages to his car due to negligent driving by the municipality  |           |           |
| Case No. ECD 3633/18 - Ikamva Architects and Another vs EMLM  | 1 893 804 | -         |
| Application to compel the municipality to supply electricity on uninterrupted basis, among other relief sought.   |           |           |
| Case No 04/2021- Sada Retail Centre   | 18 346    | -         |
| Payment of amount owed by EMLM for services rendered and goods delivered  |           |           |
| Mat 23033 - M Yelani vs EMLM  | 126 500   | 126 500   |
| Motor vehicle collision claim July 2016.  |           |           |

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|  | 2023       | 2022       |
|--|------------|------------|
| <b>43. Contingencies (continued)</b>   |            |            |
| ECD 121721 - P Parker & Others vs EMLM   | 100 000    | 4 100 000  |
| Application for reinstatement.   |            |            |
| PR 190/17 - A Nuku vs Lukhanji Municipality & Others   | 100 000    | 100 000    |
| Application for arbitration award to be replaced with compensation award.  |            |            |
| MAT8082 - Lukhanji Municipality vs Tyaliti Family Trust  | 100 000    | 100 000    |
| Application to demolish  |            |            |
| Case No. ECQTNRC 87/2018 - Tynetix Trading (Pty) Ltd & Another   | 381 979    | 381 979    |
| Claim for services rendered  |            |            |
| ED#2018/11/17 - Economic Development & Economic Affairs Department   | 625 000    | 625 000    |
| Penalty for non-compliance with National Environmental Management Act. Penalty has been paid   |            |            |
| Mat 25554 - Gcobisa Matakane v EMLM  | 32 020     | 32 020     |
| Default judgement against the municipality   |            |            |
| Matter 849/2017 GHT/HC- Phumla Madlavu v Enoch Mgijima Municipality  | -          | 1 900 000  |
| Plaintiff sues the Municipality for injuries caused to her child due to an unattended electricity substation wherein her child was electrocuted        |            |            |
| Case No. 3010/2021 GHC - Batalala Construction   | 5 546 486  | 5 546 486  |
| Contractual dispute based on project costs incurred out of mandate   |            |            |
| Case No: 2989/19 - Lifetime Connections Man and Supply   | 12 008 066 | 12 006 066 |
| Payment of alleged outstanding payment certificates and claims in the amount of R1 736 637.80 (Part A) and R9 969 427.92 (Part B). Pending litigation. |            |            |
| MHC 2050/19 - T. Bukani & Another  | 50 000     | 900 000    |
| Eviction with claim against Municipality   |            |            |
| Case No. 51/20 GTHC - Enoch Mgijima Farmers Union v EMLM & Others  | 150 000    | 150 000    |
| Application for supervisory structural interdict.  |            |            |
| Case No. 1774/2020 Vuyani Shumi v EMLM   | 5 300 000  | 5 300 000  |
| Application for payment of amount allegedly owed by municipality for unlawful occupation of Erf 1977 & 1979 Zone 1, Ezibeleni by another occupier.     |            |            |
| Case No. 162/21 Booi & Sons  | 48 000     | 48 000     |
| Payment of amount allegedly owed by EMLM for services rendered and goods delivered (Lucerne). Pending litigation.                                      |            |            |

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|  | 2023      | 2022      |
|--|-----------|-----------|
| <b>43. Contingencies (continued)</b>   |           |           |
| Case No: 131/2021 Maseti Professional Funeral Directors cc   | 158 000   | 158 142   |
| Claim for damages to a building structure allegedly caused by some unknown municipal employees. Pending litigation.                          |           |           |
| ECQTNRC 55/21 9Iger Trading (Pty) Ltd  | 550 000   | 550 000   |
| Claim for payment for services rendered and goods delivered. Pending litigation.   |           |           |
| Case No. 1631/2020 Nonkebhotani Agricultural Primary Co-operative Ltd and 50 Others v Minister of Public Works and Infrastructure and Others | 100 000   | 100 000   |
| Application for the municipality to provide sanitation and housing services improperly.  |           |           |
| PS 50/20 PELC - Asanda Mbengo  | 300 000   | 300 000   |
| Applicant challenges his dismissal from erstwhile Inkwanca Municipality. Pending hearing.  |           |           |
| Case No. 104/19 QTMC - Thobela Pearl Bukani vs Mbebe and Another   | 750 000   | 750 000   |
| Counter application for eviction in the matter of Bukani and Mbebe for ownership rights on a property. Pending litigation.                   |           |           |
| CA 115/2021 ECD - Twizza (Pty) Ltd and 3 Others  | 488 082   | 488 082   |
| Application for contempt of court against the Municipal Manager and former Executive Mayor. Appeal heard. Judgement is reserved.             |           |           |
| Case No. 1222/2021 ECD - Eskom Holdings  | 1 604 156 | 1 604 156 |
| Application for rescission of order of High Court. Enrolled for hearing.   |           |           |
| Case No. 1073/2020 - Lukhozi Consulting Engineers  | 17 151    | 17 151    |
| Claim for payment for services rendered and goods delivered. Matter to be settled. Awaiting confirmation of services by Plaintiff.           |           |           |
| Case No. 1074/2020 - Lukhozi Consulting Engineers  | 13 541    | 13 541    |
| Claim for payment for services rendered and goods delivered. Matter to be settled. Awaiting confirmation of services by Plaintiff.           |           |           |
| Case No. 1075/2020 - Lukhozi Consulting Engineers  | 31 827    | 31 827    |
| Claim for payment for services rendered and goods delivered. Matter to be settled. Awaiting confirmation of services by Plaintiff.           |           |           |
| Case No. 1076/2020 - Lukhozi Consulting Engineers  | 10 203    | 10 203    |
| Claim for payment for services rendered and goods delivered. Matter to be settled. Awaiting confirmation of services by Plaintiff.           |           |           |
| Letter of demand - Enigma Chartered Accountants  | 3 452 216 | 3 452 216 |
| Claim for payment for services rendered.   |           |           |

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|  | 2023      | 2022      |
|--|-----------|-----------|
| <b>43. Contingencies (continued)</b>   |           |           |
| ECD 091918 - P. Chibwe and 2 Others  | 30 000    | 30 000    |
| Application for review and set aside of Arbitrator's Award. Matter is at exchange of pleadings.  |           |           |
| Case No. GTHC - Express Builders CC  | 2 461 288 | 2 461 288 |
| Claim for payment in respect of loss of profits, security interest, management fees, wrongful and unlawful deductions from appointment for construction contract.  |           |           |
| Letter of demand - Big Family Construction / Nduvho Construction JV  | 1 066 781 | 1 066 781 |
| Claim for payment of disputed loss of profit on terminated contract. A report was forwarded to the Public Protector.   |           |           |
| Case No. 794/21 QTN - Witness Ndakuthini Malgas  | 7 322     | 7 322     |
| Claim for pothole related damages. Pending request and submission of further particulars by Plaintiff.   |           |           |
| Case No. 1131/2021 QTN - Thembisile Feni   | 17 000    | 17 000    |
| Claim for payment for arrear stipends arising from employment as Ward Committee member. Pending litigation.  |           |           |
| Case No. 628/2022 GTHC - Independent Councillors Enoch Mgijima & Another   | 100 000   | 100 000   |
| Interdict against award of construction contract and application for access to documents. Part A has been heard. Judgement was reserved.   |           |           |
| EMLM vs Various suppliers  | 500 000   | 500 000   |
| High Court Review to set aside Panel Appointments. Pending hearing.  |           |           |
| EMLM vs Thomas & Others  | 100 000   | 100 000   |
| Eviction of Illegal Occupants from municipal owned properties. Pending litigation.   |           |           |
| Case No. 1078/2011 Mthatha High Court- Pinky Gidzana   | 4 623 886 | 4 735 981 |
| Plaintiff Sues the municipality for injuries caused to her child due to alleged negligence by the municipality leading to cement pipes falling on her child causing pelvic injuries to her. Judgement granted for plaintiff. Awaiting date for determination of quantum. |           |           |
| Case No. 340/17 ECQTNRC (2021)- Nobuhle Mbulawa v EMLM   | 120 479   | -         |
| Plaintiff sues for Warrant of Execution against Goods for Payments outstanding interest in the amount of R120 478,64 arising from a motor vehicle damages related claim  |           |           |

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|  | 2023      | 2022 |
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| <b>43. Contingencies (continued)</b>   |           |      |
| Case No's 1719/2019; 1720/2019; 3326/2019; 3327/2019; 3330/2019; 3331/2019; 3332/2019; and 3333/2019(2019)-Bird's River Farmer's Association (Case Numbers 1719 and 1720/2019; Case Numbers 3332/2019 and 3333/19). Winterberg Farmer's Association vs EMLM  | 138 575   | -    |
| The applications emanate from RFIs submitted to the municipality's Finance Department in 2019, which were not responded to in terms of PAIA procedures by the Farmer's Associations. The matters were not opposed as the main issues related to unresolved queries on implementation of rates rebates and information that was requested was not provided. The RFI's were done in accordance with procedures laid down in PAIA. PAIA gives effect to the right of access to information in accordance with section 32 of the Constitution, 1996. |           |      |
| Case No. 705/2021 QTN(2021)- Ephraim Zimamele Fuzani VS EMLM   | 18 575    | -    |
| The municipality was served with summons concerning a claim for a pothole damage on the 28th January 2021 at or near the Komani Hospital Road for needed to deal with the third party directly. There were poor prospects of success as the duty of care could not be avoided.   |           |      |
| ECEL4792-21 (CCMA –East London)(2022)- EMLM v IMATU obo MVANA & 21 OTHERS  | 2 709 287 | -    |
| Application for rescission of a CCMA Award due to non-receipt of notice of set down.   |           |      |
| Case No. 5035/2017(2017)- John Adrian Heath obo Lihlumise Nzuzo vs EMLM  | 222 404   | -    |
| Payment of taxed costs in the amount of R222 404, 13 arising from an order of the High Court dated 9th October 2019 in which the municipality was found liable to pay to the Plaintiff an amount of R425 000-00 in full and final settlement for damages suffered by Lihlumise Nzuzo (a minor) from an electrocution in Tarkastad on 8th April 2017.   |           |      |
| P90/22PELC(2022)- EMLM v Xolela Mzini & Others   | 359 154   | -    |
| Set aside of a settlement agreement due to absence of authority and that the settlement was obtained under duress.   |           |      |
| Case No. 1801/2021GHC(2021)- Seven Bridges Trading 23 (Pty) Ltd Caltex Eastern Cape Marketer v EMLM & 3 Others   | 95 010    | -    |
| Application to compel municipality to comply with Zoning Scheme procedures and for removal of a container placed without complying with zoning procedures and to pay costs   |           |      |
| Case No. 09/2023(2023)- Mariska Bezuidenhout v EMLM  | 34 531    | -    |
| Pothole damages claim for R34 530.94 at or near Griffiths Road, near McDonalds, Komani on the 5th June 2022.   |           |      |
| Case No. 3721/2022(2022)- Tshiya Infrastructure Development PTY LTD v EMLM   | 6 000 000 | -    |
| In September 2019, Plaintiff was appointed by the municipality through a tender process for Hiring of Plant and machinery for a period of 36 months. Summons were served to the municipality to the amount of R3 617 267.50  |           |      |

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|---|-------------------|-------------------|
| <b>43. Contingencies (continued)</b>  |                   |                   |
| Case No.3417/2022(2022)- Xolani Makeleni  | 500 000           | -                 |
| Application to compel payment of outstanding salary and leave payments in lieu of resignation from employment |                   |                   |
| Case No.1593/2022(2022)- Cliffie Pringle and Others v EMLM  | 176 268           | -                 |
| Eviction application. Payment of Attorneys account.   |                   |                   |
| Letter of Demand(2022)- Zandile Bus Services v EMLM   | 78 000            | -                 |
| Demand of payment for services rendered at the municipality special instance and request.                     |                   |                   |
| Case No.720/23GTHC- EMLM v Jackson College Academy  | 1 000 000         | -                 |
| Application for a demolition order.   |                   |                   |
| Case No.395/2020(06.2023)- Phumzile Mvelo v EMLM  | 107 617           | -                 |
| Pothole damages claim.  |                   |                   |
| Case No.4351/22GTHC- EMLM v Minister of Finance & Others  | 1 000 000         | -                 |
| Urgent interdict to order release of Equitable Share (Part A)(Part B – Review Application)                    |                   |                   |
| Case No.09/22GTHC- ZithuleleSigonyela v EMLM  | 1 000 000         | -                 |
| Breach of contract of employment  |                   |                   |
| Case No.588/2023(04.2023)- ISANCO (Mxakwe & Njikela) v EMLM & Another   | 300 000           | -                 |
| Application for declaratory order and reinstatement of Cllr Mxakwe & Njikela                                  |                   |                   |
| Case No.472/2020 (06.2023)- Zuko Dywili v EMLM  | 26 309            | -                 |
| Claim for unpaid remuneration   |                   |                   |
| Case No. 4050/2022<br>Thalami Civils (PTY) Ltd  | 673 246           | -                 |
|   | <b>59 855 047</b> | <b>50 293 679</b> |

# Enoch Mgjijima Local Municipality

(Registration number EC139)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 44. Related parties

Accounting Officer  
Councillors  
Audit Committee

A. Ntengenyane  
Refer to General Information page

C Sprag

I Dladla

WS Manthe

T Sagela

W Mushohwe

P Mahlasela - Chief Financial Officer

D Van Wyk - Strategic Executive Officer

Z H Nkosinkulu - Director of Technical Services

A Mkhangelwa - Director of Community Services

N Mazwayi - Director of Corporate Services

K Maceba Director Integrated Planning & Economic

Development

Hashe M

Ndlebe T

Ndzombane N

Ben Mazwi T

Pantshwa A

Members of key management

Spatial Planning and land use management Committee

### Audit Committee Fees

2023

**Member**  
C Sprag  
I Dladla  
WS Manthe  
T Sagela  
W Mushowe

|  | Fees           | Travel        | Other         | Total          |
|--|----------------|---------------|---------------|----------------|
|  | 27 216         | 11 180        | 11 149        | 49 545         |
|  | 22 880         | 28 480        | 8 921         | 60 281         |
|  | 23 328         | 26 512        | 16 886        | 66 726         |
|  | 17 496         | 6 318         | 10 692        | 34 506         |
|  | 21 384         | 6 318         | 12 150        | 39 852         |
|  | <b>112 304</b> | <b>78 808</b> | <b>59 798</b> | <b>250 910</b> |

2022

## Enoch Mgijima Local Municipality

(Registration number EC139)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 44. Related parties (continued)

| Member      | Fees           | Travel        | Other         | Total          |
|-------------|----------------|---------------|---------------|----------------|
| MK Mafani   | 29 900         | 2 719         | 12 150        | 44 769         |
| M Mbenenge  | 23 328         | -             | 17 044        | 40 372         |
| Z Mgaga     | 19 440         | -             | 12 150        | 31 590         |
| T Mqeta     | 68 080         | 5 811         | 18 972        | 92 863         |
| M Mthombeni | 19 440         | -             | 12 150        | 31 590         |
| C Sparg     | 11 664         | 1 889         | 2 430         | 15 983         |
| I Dladla    | 15 690         | 10 841        | 3 270         | 29 801         |
| WS Manthe   | 7 776          | 2 898         | 2 430         | 13 104         |
| T Sagela    | 7 776          | 5 442         | 2 430         | 15 648         |
| W Mushowe   | 7 776          | -             | 1 458         | 9 234          |
|             | <b>210 870</b> | <b>29 600</b> | <b>84 484</b> | <b>324 954</b> |

#### Spatial Planning and Land Use Management Committee

| Designation | Sitting | Hours         | Other         | Total         |
|-------------|---------|---------------|---------------|---------------|
| Member      | 7 776   | 4 860         | -             | 12 636        |
| Member      | 3 888   | 2 430         | -             | 6 318         |
| Chairperson | 10 460  | 4 860         | -             | 15 320        |
| Member      | 7 776   | 6 660         | 1 800         | 16 236        |
| Member      | 3 888   | 2 430         | -             | 6 318         |
| Subtotal    | -       | 33 788        | 21 240        | 56 828        |
|             |         | <b>33 788</b> | <b>21 240</b> | <b>56 828</b> |
|             |         |               | <b>1 800</b>  | <b>1 800</b>  |

## Enoch Mgijima Local Municipality

(Registration number EC139)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 44. Related parties (continued)

##### Councillors and Mayoral committee members

2023

| Name  | Basic salary | Travel allowance | Telephone and data allowance | Pension, Medical and other contributions | Back pay | Total   |
|---|--------------|------------------|------------------------------|--|----------|---------|
| M Papiyana (Executive Mayor)  | 403 734      | 128 444          | 28 742                       | 5 352                                    | -        | 566 272 |
| T Bunu (Former Executive Mayor, Portfolio Head Institutional Planning & Economic Development) | 520 733      | 181 768          | 44 400                       | 64 138                                   | 10 853   | 821 892 |
| N Nqabisa (Speaker)   | 538 233      | 170 241          | 44 400                       | 7 275                                    | 8 682    | 768 831 |
| NS Nollebe (Chief Whip)   | 456 767      | 159 601          | 44 400                       | 53 979                                   | 8 140    | 722 887 |
| U Galada (BTO Portfolio Head)   | 487 316      | 159 601          | 44 400                       | 24 128                                   | 8 140    | 723 585 |
| ZNE Ralane (Public Safety Portfolio Head)   | 452 749      | 159 601          | 44 400                       | 31 622                                   | 8 140    | 696 512 |
| P Madubedube (Corp Services Portfolio Head)   | 468 823      | 159 601          | 44 400                       | 41 935                                   | 8 140    | 722 899 |
| M Mangcotywa (Technical Services Portfolio Head)  | 468 823      | 159 601          | 44 400                       | 41 935                                   | 8 140    | 722 899 |
| O Adonis (Human Settlements Portfolio Head)   | 504 596      | 159 601          | 44 400                       | 6 868                                    | 8 140    | 723 605 |
| NF Papiyana (Former community Services Portfolio Head)  | 397 900      | 134 307          | 42 222                       | 43 218                                   | 8 140    | 625 787 |
| AN Hendricks (MPAC Portfolio Head)  | 54 927       | 12 910           | 5 831                        | -  | -        | 73 668  |
| SS Lali (Community Services & Former MPAC Portfolio Head)                                     | 443 646      | 155 700          | 44 400                       | 57 221                                   | 7 901    | 708 868 |
| SE Mvana (Former Institutional Planning & Economic Development Portfolio Head)                | 142 481      | 53 200           | 14 800                       | 23 244                                   | 6 512    | 240 237 |
| BC Simina (Special Programs Unit Portfolio Head)  | 452 749      | 159 601          | 44 400                       | 58 004                                   | 8 140    | 722 894 |
| M Mxakwe  | 34 570       | 11 224           | 7 400                        | 510                                      | -        | 53 704  |
| MM Mbengo   | 106 457      | 39 284           | 25 900                       | 1 818                                    | 17 972   | 191 431 |
| AA Njikela  | 34 570       | 11 224           | 7 400                        | 510                                      | -        | 53 704  |
| GT Titus  | 141 503      | -                | 22 200                       | -  | -        | 163 703 |
| S Miza  | 97 512       | 33 672           | 22 200                       | 8 996                                    | 3 435    | 165 815 |
| MN Kortman  | 37 371       | 11 493           | 4 092                        | 3 415                                    | -        | 56 371  |
| EN Marawu   | 149 702      | -                | 25 900                       | 17 000                                   | -        | 192 602 |
| LA Haggard  | 184 685      | 67 343           | 44 400                       | 33 272                                   | 3 435    | 333 135 |
| PPZ Mandile   | 195 634      | 67 343           | 44 400                       | 20 426                                   | 3 434    | 331 237 |
| NC Twalo  | 169 661      | 67 343           | 44 400                       | 19 928                                   | 3 435    | 304 767 |
| ZS Tutwana  | 244 391      | -                | 44 400                       | 20 189                                   | 3 435    | 312 415 |

## Enoch Mgijima Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 44. Related parties (continued)

|                |         |        |        |        |       |         |
|----------------|---------|--------|--------|--------|-------|---------|
| TG Yekani      | 164 678 | 61 732 | 40 700 | 32 720 | 3 435 | 303 265 |
| M Ngesi        | 184 685 | 67 344 | 44 400 | 30 834 | 3 435 | 330 698 |
| S Mkhunqo      | 192 462 | 67 344 | 44 400 | 23 305 | 3 435 | 330 946 |
| MS Hokolo      | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| A Ngonyama     | 197 820 | 67 344 | 44 400 | 17 939 | 3 435 | 330 938 |
| LCS Tokwe      | 170 913 | 67 344 | 44 400 | 44 646 | 3 435 | 330 738 |
| HA Deyssel     | 197 820 | 67 344 | 44 400 | 17 939 | 3 435 | 330 938 |
| B Quqa         | 197 820 | 67 344 | 44 400 | 17 939 | 3 435 | 330 938 |
| AA Ganca       | 199 026 | 67 344 | 44 400 | 16 757 | 3 435 | 330 962 |
| M Mnyaka       | 181 745 | 67 344 | 44 400 | 34 037 | 3 435 | 330 961 |
| DD Mac Taggart | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| DJ Stellenberg | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| KL Clark       | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| SC Ndarala     | 197 820 | 67 344 | 44 400 | 17 939 | 3 435 | 330 938 |
| AT Cetywayo    | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| NM Solani      | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| SV Mkefa       | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| VS Nqayi       | 197 820 | 67 344 | 44 400 | 17 939 | 3 435 | 330 938 |
| AB Zondi       | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| FN Duda        | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| W Boo!         | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| K Nonyongo     | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| SA Jack        | 181 102 | 61 732 | 40 700 | 16 448 | 3 435 | 303 417 |
| NS Kweza       | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| E Mavango      | 196 707 | 67 344 | 44 400 | 19 354 | 3 435 | 331 240 |
| S Neli         | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| Z Baleni       | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| X Williams     | 196 481 | 67 344 | 44 400 | 19 280 | 3 435 | 330 940 |
| A Sizani       | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| M Nqyalivani   | 200 231 | 67 344 | 44 400 | 15 575 | 3 435 | 330 985 |
| N Nduku        | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| LL Ndlebe      | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| ZS Manqaphela  | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| TM Panya       | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| T Vaili        | 212 914 | 67 344 | 44 400 | 3 146  | 3 435 | 331 239 |
| NX Tom         | 199 025 | 67 344 | 44 400 | 17 035 | 3 435 | 331 239 |

## Enoch Mgijima Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 44. Related parties (continued)

|                 |                   |                  |                  |                  |               |                   |
|-----------------|-------------------|------------------|------------------|------------------|---------------|-------------------|
| S Dukwe         | 199 025           | 67 344           | 44 400           | 16 757           | 3 435         | 330 961           |
| L Komeni        | 197 820           | 67 344           | 44 400           | 17 939           | 3 435         | 330 938           |
| M Matsolo       | 197 820           | 67 344           | 44 400           | 17 939           | 3 435         | 330 938           |
| S Plaatjie      | 197 820           | 67 344           | 44 400           | 17 939           | 3 435         | 330 938           |
| N Makasi        | 212 914           | 67 344           | 44 400           | 3 146            | 3 435         | 331 239           |
| A Keva          | 199 025           | 67 344           | 44 400           | 16 757           | 3 435         | 330 961           |
| N Yaliwe        | 189 187           | 67 344           | 44 400           | 26 418           | 3 435         | 330 784           |
| SA Qwalela      | 212 914           | 67 344           | 44 400           | 3 146            | 3 435         | 331 239           |
| L Pukwana       | 212 914           | 67 344           | 44 400           | 3 146            | 3 435         | 331 239           |
| VV Bomela       | 197 820           | 67 344           | 44 400           | 17 939           | 3 435         | 330 938           |
| MF Ambraal      | 147 666           | 67 344           | 44 400           | 13 467           | 3 435         | 276 312           |
| B Fingwana Geld | 212 914           | 67 344           | 44 400           | 3 146            | 3 435         | 331 239           |
| MC Qamngana     | 106 457           | 39 284           | 25 900           | 1 818            | 17 972        | 191 431           |
| CO Everitt      | 53 960            | -                | 8 466            | 624              | -             | 63 050            |
| AA Ngoma        | 15 848            | -                | 2 486            | 183              | -             | 18 517            |
|                 | <b>17 058 072</b> | <b>5 523 275</b> | <b>3 295 152</b> | <b>1 167 953</b> | <b>10 853</b> | <b>27 055 305</b> |

## Enoch Mgjijima Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 44. Related parties (continued)

2022

| Name   | Basic salary | Travel allowance | Telephone and data allowance | Other short-term employee benefits | Total   |
|--|--------------|------------------|------------------------------|------------------------------------|---------|
| T Bunu (Mayor / Former Corporate Services Portfolio Head)      | -            | 189 548          | 44 400                       | 56 805                             | 817 756 |
| LE Gubula-Mqingwana (Former Mayor)                             | 527 003      | 76 041           | 15 866                       | 20 604                             | 326 114 |
| BG Van Heerden (Former Speaker)                                | 213 603      | 60 833           | 15 866                       | 17 552                             | 264 064 |
| NS Ntlebe (Chief Whip)   | 169 813      | 173 452          | 44 400                       | 8 395                              | 674 522 |
| AN Hendricks (Former Public Safety Portfolio Head)             | 448 275      | 57 031           | 15 866                       | 11 432                             | 248 552 |
| KM Sovendle (Former Human Settlement and Land Portfolio Head)  | 164 223      | 76 041           | 15 866                       | 24 071                             | 248 552 |
| F S Sopapaza-Lungisa (Former SPU Portfolio Head)               | 132 574      | 57 031           | 15 866                       | 26 384                             | 248 552 |
| SE Mvana (IPED Portfolio Head)                                 | 149 271      | 154 442          | 44 400                       | 62 055                             | 674 522 |
| M Peter (Former Finance Portfolio Head)                        | 413 625      | 53 200           | 11 100                       | 14 295                             | 173 893 |
| ZNE Ralane (Public Safety Portfolio Head)                      | 95 298       | 154 442          | 44 400                       | 49 261                             | 674 522 |
| M Bennet (Former MPAC Chairperson)                             | 426 419      | 55 358           | 15 866                       | 16 455                             | 241 726 |
| N Ngabisa (Speaker / Former Technical Services Portfolio Head) | 154 047      | 163 529          | 44 400                       | -                                  | 711 599 |
| B C Simina (SPU Portfolio Head)                                | 503 670      | 93 101           | 25 900                       | 29 383                             | 405 752 |
| P Madubedube (Corporate Services Portfolio Head)               | 257 368      | 93 101           | 25 900                       | 20 006                             | 405 752 |
| M Mangcotywa (Technical Services Portfolio Head)               | 266 745      | 93 101           | 25 900                       | 20 006                             | 405 752 |
| O Adonisi (Human Settlement and Land Portfolio Head)           | 266 745      | 93 101           | 25 900                       | 20 006                             | 405 752 |
| NF Papiyana (Community Services Portfolio Head)                | 286 750      | 93 101           | 25 900                       | -                                  | 405 751 |
| U Galada (Finance Portfolio Head)                              | 295 940      | 93 101           | 28 742                       | 8 395                              | 426 178 |
| LN Haggard   | 278 027      | 90 370           | 28 742                       | 17 896                             | 415 035 |
| L Amos   | 292 815      | 93 101           | 28 742                       | 11 520                             | 426 178 |
| TP Blekiwe   | 180 359      | 67 344           | 44 400                       | 27 060                             | 319 163 |
| A V Bokuva   | 69 294       | 24 064           | 15 866                       | 4 824                              | 114 048 |
| D M Kabanie  | 65 098       | 24 064           | 15 866                       | 9 020                              | 114 048 |
| M G Madikane   | 60 090       | 24 064           | 15 866                       | 14 028                             | 114 048 |
| M Xipu Mgedezi   | 63 936       | 24 064           | 15 866                       | 10 181                             | 114 047 |
| E N Tsotetsi   | 69 294       | 24 064           | 15 866                       | 4 824                              | 114 048 |
| P Madubedube   | 60 090       | 24 064           | 15 866                       | 14 028                             | 114 048 |
|  | 65 097       | 24 064           | 15 866                       | 9 020                              | 114 047 |
|  | 80 395       | 28 060           | 18 500                       | 6 030                              | 132 985 |

## Enoch Mgijima Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand

#### 44. Related parties (continued)

|                       |         |        |        |        |         |
|-----------------------|---------|--------|--------|--------|---------|
| L A Kepeyi            | 69 294  | 24 064 | 15 866 | 4 824  | 114 048 |
| P P Z Mandile         | 190 139 | 67 344 | 44 400 | 17 280 | 319 163 |
| TM Baleng             | 69 294  | 24 064 | 15 866 | 4 824  | 114 048 |
| B G Rani              | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |
| B Ngesi               | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |
| S C Gwampi            | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |
| L L Ngculu            | 69 294  | 24 064 | 15 866 | 4 824  | 114 048 |
| L M Koltana           | 63 571  | 24 064 | 15 866 | 10 547 | 114 048 |
| U C Mlindazwe         | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |
| N C Twalo             | 165 335 | 67 344 | 44 400 | 42 084 | 319 163 |
| A Seyisi              | 74 118  | 24 064 | 15 866 | -      | 114 048 |
| Z S Tutwana           | 239 519 | -      | 44 400 | 35 244 | 319 163 |
| L C Rasimosi          | 60 090  | 24 064 | 15 866 | 14 028 | 114 048 |
| O Adonisi             | 86 424  | 28 060 | 18 500 | -      | 132 984 |
| N J Qomoyi            | 60 090  | 24 064 | 15 866 | 14 028 | 114 048 |
| X G Mkhubukeli Lufele | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |
| T G Yekani            | 175 779 | 67 344 | 44 400 | 31 640 | 319 163 |
| A Tiwana              | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |
| G Kibi                | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |
| TV Mpolo              | 60 090  | 24 064 | 15 866 | 14 028 | 114 048 |
| M M Mbengo            | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |
| M Ngesi               | 180 359 | 67 344 | 44 400 | 27 060 | 319 163 |
| N Ngcefe              | 69 294  | 24 064 | 15 866 | 4 824  | 114 048 |
| L Nondyola            | 74 118  | 24 064 | 15 866 | -      | 114 048 |
| M V Velaphi           | 74 118  | 24 064 | 15 866 | -      | 114 048 |
| A Batyi               | 74 118  | 24 064 | 15 866 | -      | 114 048 |
| Z S Ngondo            | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |
| B M Mgoqi             | 60 090  | 24 064 | 15 866 | 14 028 | 114 048 |
| D D Njozela           | 63 571  | 24 064 | 15 866 | 10 547 | 114 048 |
| N C Matswele          | 60 090  | 24 064 | 15 866 | 14 028 | 114 048 |
| S Mkhunqo             | 184 611 | 67 344 | 44 400 | 22 807 | 319 162 |
| M S Hokolo            | 207 419 | 67 344 | 44 400 | -      | 319 163 |
| A Mhlontlo            | 76 141  | 22 041 | 15 866 | -      | 114 048 |
| A Ngonyama            | 192 948 | 67 344 | 44 400 | 14 471 | 319 163 |
| C M Boast             | 74 118  | 24 064 | 15 866 | -      | 114 048 |
| M J Thole             | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |

## Enoch Mgijima Local Municipality

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### Notes to the Annual Financial Statements

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#### 44. Related parties (continued)

|                 |         |        |        |        |         |
|-----------------|---------|--------|--------|--------|---------|
| N A Kopolo      | 74 118  | 24 064 | 15 866 | -      | 114 048 |
| B Mtini         | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |
| Z N Njoli       | 65 098  | 24 064 | 15 866 | 9 020  | 114 048 |
| L C S Tokwe     | 180 359 | 67 344 | 44 400 | 27 060 | 319 163 |
| B C Simina      | 73 697  | 28 060 | 18 500 | 12 727 | 132 984 |
| H A Deysel      | 192 948 | 67 344 | 44 400 | 14 471 | 319 163 |
| S Miza          | 192 947 | 67 344 | 44 400 | 14 472 | 319 163 |
| B Quqa          | 202 595 | 67 344 | 44 400 | 4 824  | 319 163 |
| A A Ganca       | 207 419 | 67 344 | 44 400 | -      | 319 163 |
| M Bango         | 74 118  | 24 064 | 15 866 | -      | 114 048 |
| M Mangcotywa    | 80 395  | 28 060 | 18 500 | 6 030  | 132 985 |
| M M Mnyaka      | 128 397 | 39 284 | 28 742 | 10 182 | 206 605 |
| D D MacTaggart  | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| D U Stellenberg | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| K L Clark       | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| S C Ndarala     | 132 549 | 39 284 | 28 742 | 6 030  | 206 605 |
| M Mxakwe        | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| A T Cetwayo     | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| N M Solani      | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| S V Mkefa       | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| S V Nqayi       | 132 549 | 39 284 | 28 742 | 6 030  | 206 605 |
| A B Zondi       | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| F N Duda        | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| W Booï          | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| K Nonyongo      | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| S A Jack        | 133 755 | 39 284 | 28 742 | -      | 206 605 |
| N S Kweza       | 138 579 | 39 284 | 28 742 | 4 824  | 206 605 |
| E Mavango       | 134 720 | 39 284 | 28 742 | 3 859  | 206 605 |
| S Neli          | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| Z Baleni        | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| X Williams      | 129 736 | 39 284 | 28 742 | 8 843  | 206 605 |
| A Sizani        | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| M Ndyalivani    | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| N Nduku         | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| L L Ndlebe      | 138 579 | 39 284 | 28 742 | -      | 206 605 |
| Z S Mangaphela  | 138 579 | 39 284 | 28 742 | -      | 206 605 |

## Enoch Mgijima Local Municipality

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### Notes to the Annual Financial Statements

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#### 44. Related parties (continued)

|                 |                   |                  |                  |                   |
|-----------------|-------------------|------------------|------------------|-------------------|
| T M Panya       | 39 284            | 28 742           | -                | 206 605           |
| T Vali          | 39 284            | 28 742           | -                | 206 605           |
| N X Tom         | 39 284            | 28 742           | -                | 206 605           |
| S Dukwe         | 39 284            | 28 742           | -                | 206 605           |
| L Komeni        | 39 284            | 28 742           | 4 824            | 206 605           |
| M Matsolo       | 39 284            | 28 742           | 6 030            | 206 605           |
| S Plaatjie      | 39 284            | 28 742           | 2 412            | 206 605           |
| N Makasi        | 39 284            | 28 742           | -                | 206 605           |
| A Keva          | 39 284            | 28 742           | -                | 206 605           |
| N Yaliwe        | 39 284            | 28 742           | -                | 206 605           |
| S A Qwalela     | 39 284            | 28 742           | -                | 206 605           |
| L Pukwana       | 39 284            | 28 742           | -                | 206 605           |
| N Z Mtati       | 39 284            | 28 742           | -                | 206 605           |
| V V Bomela      | 16 836            | 13 942           | -                | 100 217           |
| M F Ambraal     | 39 284            | 28 742           | 3 618            | 206 605           |
| B Fingwana Geld | 39 284            | 28 742           | 6 030            | 206 605           |
| A A Njikela     | 39 284            | 28 742           | -                | 206 605           |
| M N Kortman     | 5 612             | 300              | 1 440            | 61 017            |
|                 | <b>15 928 365</b> | <b>5 208 618</b> | <b>1 254 772</b> | <b>26 160 852</b> |
|                 |                   | <b>3 689 634</b> |                  |                   |

Refer to note 31 "Remuneration of councillors".

# Enoch Mgijima Local Municipality

(Registration number EC139)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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2023

2022

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### 45. Prior period errors

The correction of the errors results in adjustments as follows:

# Enoch Mgijima Local Municipality

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## Notes to the Annual Financial Statements

2023 2022

### 45. Prior period errors (continued)

| Statement of Financial Position            | Previously reported  | Adjustment          | As restated          |
|--|----------------------|---------------------|----------------------|
| Receivables from exchange Transactions     | 73 518 215           | (57 767 244)        | 15 750 971           |
| VAT Receivable                             | 11 910 620           | (10 745 826)        | 1 164 794            |
| Receivable from non - exchange transaction | 23 049 078           | 109 209 732         | 132 258 810          |
| Property , plant and equipment             | 1 218 809 720        | 50 300 625          | 1 269 110 345        |
| Cash and Cash Equivalents                  | 63 274 708           | 1 096 379           | 64 371 087           |
| Biological Assets                          | 6 667 565            | 921 804             | 7 589 369            |
| Payables from exchange transactions        | (908 746 636)        | 18 815 207          | (889 931 429)        |
| Consumer deposits                          | (10 912 144)         | 217 920             | (10 694 224)         |
| Unspent conditional grant and receipts     | (55 431 656)         | 6 402 272           | (49 029 384)         |
| Provision                                  | (163 836 199)        | (8 126 079)         | (155 710 120)        |
| Employee benefit obligation                | (51 412 306)         | (1 432 270)         | (52 844 576)         |
| Accumulated surplus                        | (494 885 534)        | (125 144 678)       | (620 030 212)        |
|  | -                    | -                   | -                    |
|  | <b>(287 994 569)</b> | <b>(16 252 158)</b> | <b>(287 994 569)</b> |

### 1 - Receivables from Exchange transactions - Statement of Financial Position

|  | DR                | CR                |
|--|-------------------|-------------------|
| Alignment of debtors control account to the age analysis                               |                   | - 22 469 605      |
| Sundry service charges   | 2 882 316         | -                 |
| Waste removal charges  | 3 447 025         | -                 |
| Waste  | 25 402            | -                 |
| Electricity  | 120 701           | -                 |
| VAT on electricity   | 3 636             | -                 |
| National government  | 34 462 992        | -                 |
| <b>(b) - Reversal of unsupported journal resulting in difference with age analysis</b> |                   |                   |
| Input VAT  | 3 512 455         | -                 |
| <b>Adjustment</b>  | <b>44 454 527</b> | <b>22 469 605</b> |

### Current Assets - Statement of Financial Position

|                                 |                    |
|---------------------------------|--------------------|
| Previously reported             | 171 752 621        |
| Correction of PY balances       | 41 793 041         |
| <b>Restated Closing Balance</b> | <b>213 545 662</b> |

### Non-Current Assets - Statement of Financial Position

|                                 |                      |
|---------------------------------|----------------------|
| Previously reported             | 1 554 340 716        |
| Correction of PY balances       | 51 222 429           |
| <b>Restated Closing Balance</b> | <b>1 605 563 145</b> |

### Current liabilities - Statement of Financial Position

|                                 |                      |
|---------------------------------|----------------------|
| Previously reported             | 1 027 447 604        |
| Correction of PY balances       | (24 003 129)         |
| <b>Restated Closing Balance</b> | <b>1 003 444 475</b> |

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## Notes to the Annual Financial Statements

2023

2022

### 45. Prior period errors (continued)

#### Non-Current Liabilities - Statement of Financial Position

|                                 |                    |
|---------------------------------|--------------------|
| Previously reported             | 203 763 199        |
| Correction of PY balances       | (8 126 079)        |
| <b>Restated Closing Balance</b> | <b>195 637 120</b> |

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### 2022 Comparative restatements

| Statement of Financial Performance          | Previously reported | Adjustment           | As restated      | Reference |
|---|---------------------|----------------------|------------------|-----------|
| <b>REVENUE</b>                              |                     |                      |                  |           |
| Service charges                             | 293 056 107         | 35 573 046           | 328 629 153      |           |
| Rental of facilities and equipment          | 3 547 672           | 8 978                | 3 556 650        |           |
| Other income                                | 3 418 084           | 1 038 617            | 4 456 701        |           |
| License and permits                         | 2 884 402           | 2 314                | 2 886 716        |           |
| Income from agency services                 | 2 412 588           | 658 660              | 3 071 248        |           |
| Interest earned on debtors                  | 90 025 033          | (31 527 773)         | 58 497 260       |           |
| Property rates                              | 108 898 879         | 28 005 813           | 136 904 692      |           |
| Government grants and subsidies             | 338 508 929         | (71 959 359)         | 266 549 570      |           |
| Interest received on investments            | 3 650 083           | 1 439                | 3 651 522        |           |
| <b>EXPENDITURE</b>                          |                     |                      |                  |           |
| Employee related costs                      | (319 478 092)       | (5 199 202)          | (324 677 294)    |           |
| Depreciation and amortisation               | (53 452 283)        | (8 005 553)          | (61 457 836)     |           |
| Finance costs                               | (58 100 975)        | 296 526              | (57 804 449)     |           |
| Repairs and maintenance                     | (9 804 450)         | 1 200 623            | (8 603 827)      |           |
| Contracted services                         | (27 907 289)        | (463 431)            | (28 370 720)     |           |
| General expenses                            | (42 671 007)        | (68 400 273)         | (111 071 280)    |           |
| Remuneration of Councillors                 | (24 832 856)        | (237 226)            | (25 070 082)     |           |
| Debt Impairment                             | (183 949 192)       | (475 450)            | (184 424 642)    |           |
| Fair value adjustments on Biological Assets | 1 139 965           | 921 804              | 2 061 769        | 4123538   |
| Impairment Loss                             | (9 121 855)         | 1 496 268            | (7 625 587)      |           |
|   | <b>118 223 743</b>  | <b>(117 064 179)</b> | <b>1 159 564</b> |           |

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## Notes to the Annual Financial Statements

|  | 2023                 | 2022 |
|--|----------------------|------|
| <b>45. Prior period errors (continued)</b>                                     |                      |      |
| <b>Revenue from exchange transactions - Statement of Financial Performance</b> |                      |      |
| Previously reported  | 398 993 969          |      |
| Correction of revenue in the correct financial year.                           | 71 172 880           |      |
|  | <b>470 166 849</b>   |      |
| <b>Revenue from non-exchange - Statement of Financial Performance</b>          |                      |      |
| Previously reported  | 449 062 910          |      |
| Correction of revenue in the correct financial year.                           | (43 953 546)         |      |
|  | <b>405 109 364</b>   |      |
| <b>Expenditure - Statement of Financial Performance</b>                        |                      |      |
| Previously reported  | 1 058 176 593        |      |
| Correction of mistatements   | 79 787 718           |      |
|  | <b>1 137 964 311</b> |      |
| <b>Other income - Statement of Financial Performance</b>                       |                      |      |
| Previously reported  | 7 873 965            |      |
| Correcting mistatements  | 921 804              |      |
|  | <b>8 795 769</b>     |      |
| The following disclosures have been restated:                                  |                      |      |
| Irregular expenditure  |                      |      |
| Previously Disclosure  |                      |      |
| Opening balance  | 65 767 317           |      |
| Add: Irregular Expenditure - current year                                      | 106 408 242          |      |
| Less: Amount written off by Council - prior period                             | -                    |      |
| Adjustment   |                      |      |
| Adjustment to prior year expenditure on projects - Opening balance             | 199 592 610          |      |
| Additional irregular expenditure identified and corrections - current year     | 48 308 838           |      |
|  | <b>247 901 448</b>   |      |

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## Notes to the Annual Financial Statements

|  | 2023 | 2022               |
|--|------|--------------------|
| <b>45. Prior period errors (continued)</b> |      |                    |
| <b>New disclosure</b>                      |      |                    |
| Opening balance                            |      | 265 359 927        |
| Add: Irregular Expenditure - current year  |      | 154 717 080        |
|  |      | <u>420 077 007</u> |

The irregular expenditure was adjusted to take into account the additional irregular expenditure identified by the auditors.

### Commitments

#### Previous disclosure

#### Authorised capital expenditure

#### Already contracted for but not provided for

|                               |                    |
|-------------------------------|--------------------|
| Property, plant and equipment | <u>278 677 675</u> |
|-------------------------------|--------------------|

#### Adjustments

|  |                  |
|--|------------------|
| Additional approved costs and standing time claims | <u>5 611 211</u> |
|--|------------------|

#### Restated disclosure:

#### Already contracted for but not provided for

|                               |                    |
|-------------------------------|--------------------|
| Property, plant and equipment | 284 288 886        |
|                               | <u>284 288 886</u> |

The Commitments balance was adjusted to include variation orders and approved additional costs that were approved and additional expenditure identified during the audit.

### 46. Risk management

#### Financial risk management

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 that 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 of 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. There has not been any reviews conducted during the year which exposed the municipality to high financial risks. Further quantitative disclosures are included throughout these Annual Financial Statements.

# Enoch Mgijima Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 46. Risk management (continued)

#### Liquidity risk

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

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 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 timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

| At 30 June 2023          | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|--------------------------|------------------|-----------------------|-----------------------|--------------|
| Trade and other payables | 1 267 822 521    | -                     | -                     | -            |
| Other 1                  | 10 942 206       | -                     | -                     | -            |
| At 30 June 2022          | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Trade and other payables | 889 931 429      | -                     | -                     | -            |
| Other 1                  | 10 694 224       | -                     | -                     | -            |

#### Credit risk

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 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 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 (financial assets that are neither past due nor (impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank.

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial assets in 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 maximum credit risk exposure in respect of the relevant financial instruments at year end were as follows:

| Financial instrument                   | 2023        | 2022       |
|--|-------------|------------|
| Receivables from exchange transactions | 191 566 979 | 15 750 971 |

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## Notes to the Annual Financial Statements

|  | 2023       | 2022        |
|--|------------|-------------|
| <b>46. Risk management (continued)</b>     |            |             |
| Receivables from non-exchange transactions | 75 214 267 | 132 258 810 |
| Cash and cash equivalents                  | 37 197 521 | 64 371 087  |

### Market risk

#### Interest rate risk

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 charges. 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. Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handing over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

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.

#### 47. Going concern

The Enoch Mgijima Local Municipality's Annual Financial Statements are prepared on a going concern basis despite the presence of some material uncertainties in the short term. Management's assumption is that the municipality will continue to exist as a going concern and to exist in the foreseeable future unless de – established or merged into a new entity by the Municipal Demarcation Board.

The municipality is aware of the following financial challenges which threaten its financial viability and as a going concern:

- Operating at a deficit as reported in the Financial Performance at year end
- The municipality's inability to pay its major creditors over the past 12 months
- Longer debtors payment period
- Increase in Eskom debt, and
- The growing debtors figures and increase in debt impairment that has to be written off at year end

The municipality received confirmation from National Treasury that the equitable share will be paid to the municipality. Portion of the equitable share will be used to pay for the Eskom debt. The municipality's smart meter project is ongoing. The meter audit has been done and smart meters are being on large power users. A significant increase in electricity sales is anticipated. This will enable the municipality to pay its creditors as they fall due and also report a surplus in future.

As part of the turnaround strategy of the municipality, the municipality is currently implementing a financial recovery programme that entails implementing set of activities that will improve the financial viability of the municipality. Cost containment measures as contained in MFMA circular 68 are currently being implemented with the aim of curbing expenditure on non – essential procurement

# Enoch Mgijima Local Municipality

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## Notes to the Annual Financial Statements

2023 2022

### 47. Going concern (continued)

The municipality envisages returning to full financial viability in 2022/23, as detailed in the financial plan presented to council and submitted to National Treasury.

A National Cabinet Regulator has been appointed to oversee the financial administration of the municipality. This will not impact the municipality's continued operation.

### 48. Events after the reporting date

A National Cabinet Regulator has been appointed to oversee the financial administration of the municipality.

### 49. Unauthorised expenditure

|  |                    |                    |
|--|--------------------|--------------------|
| Opening balance                              | 427 021 722        | 20 383 415         |
| Add: Unauthorised expenditure - current year | 487 930 609        | 406 638 307        |
| Less: Amount written off by Council          | -                  | -                  |
|  | <b>914 952 331</b> | <b>427 021 722</b> |

The unauthorised expenditure for the years ended 30 June 2017, 30 June 2018, 30 June 2019 and 30 June 2020 were investigated and written off by Council. The unauthorised expenditure for the year ended 30 June 2021 is still under investigation. The need for disciplinary action or criminal proceedings is still to be determined.

### 50. Fruitless and wasteful expenditure

|  |                    |                    |
|--|--------------------|--------------------|
| Opening balance  | 169 737 924        | 126 693 885        |
| Add: Fruitless and wasteful expenditure - current year | 135 703 188        | 43 044 039         |
| Less: Amount written off by Council - 2020/21          | (26 934 592)       | -                  |
| Less: Amount written off by Council - 2021/22          | (58 100 974)       | -                  |
|  | <b>220 405 546</b> | <b>169 737 924</b> |

Fruitless and Wasteful Expenditure for 2020/21 and 2021/22 was investigated and written off in 2022/2023. Additional fruitless and wasteful expenditure relating to the years ended 30 June 2023, has been identified is still under investigation.

### 51. Irregular expenditure

|   |                    |                    |
|---|--------------------|--------------------|
| Opening balance                                     | 420 077 005        | 265 359 926        |
| Add: Irregular Expenditure - current year           | 168 297 668        | 154 717 079        |
| Less: Amounts written off by Council - prior period | (79 809 936)       | -                  |
|   | <b>508 564 737</b> | <b>420 077 005</b> |

The irregular expenditure for the 2021/2022 financial year and prior year audit findings of R79 809 93 were investigated and approved for write off by council. The remaining balance was referred by MPAC for further action and implementation of consequence management and institution of disciplinary action where deemed appropriate.

#### Details of irregular expenditure – current year

|   |   |                    |
|---|---|--------------------|
| Supply Chain Management Regulation and / or Policy deviations | Disciplinary steps taken/criminal proceedings Items have been referred to MPAC for investigation and the need for criminal proceedings to be determined | <u>150 505 795</u> |
|---|---|--------------------|

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## Notes to the Annual Financial Statements

|   | 2023             | 2022             |
|---|------------------|------------------|
| <b>52. Additional disclosure in terms of Municipal Finance Management Act</b> |                  |                  |
| <b>Contributions to organised local government</b>                            |                  |                  |
| Opening balance   | 5 065 802        | 11 368 620       |
| Current year subscription / fee   | 3 534 358        | 3 735 530        |
| Amount paid - current year  | (5 065 802)      | (10 038 348)     |
|   | <b>3 534 358</b> | <b>5 065 802</b> |
| <b>Auditor's remuneration</b>   |                  |                  |
| Opening balance   | 1 870 799        | 7 242 296        |
| Fees  | 6 107 871        | 7 290 070        |
| Amount paid - previous years  | (7 680 150)      | (12 661 567)     |
|   | <b>298 520</b>   | <b>1 870 799</b> |
| <b>PAYE</b>   |                  |                  |
| Opening balance   | 3 366 105        | -                |
| Current year subscription / fee   | 44 392 888       | 41 991 916       |
| Amount paid - current year  | (44 044 153)     | (38 625 811)     |
|   | <b>3 714 840</b> | <b>3 366 105</b> |
| <b>UIF</b>  |                  |                  |
| Opening balance   | 289 687          | -                |
| Current year subscription / fee   | 3 619 810        | 3 552 308        |
| Amount paid - current year  | (3 606 279)      | (3 262 621)      |
|   | <b>303 218</b>   | <b>289 687</b>   |
| <b>Pension fund contributions</b>   |                  |                  |
| Opening balance   | 4 482 047        | -                |
| Current year subscription / fee   | 54 917 532       | 55 731 941       |
| Amount paid - current year  | (54 796 085)     | (51 249 894)     |
|   | <b>4 603 494</b> | <b>4 482 047</b> |
| <b>Medical aid contributions</b>  |                  |                  |
| Current year subscription   | 30 142 299       | 30 133 333       |
| Amount paid - Current year  | (30 142 299)     | (30 133 333)     |
|   | <b>-</b>         | <b>-</b>         |
| <b>VAT</b>  |                  |                  |
| VAT receivable  | 14 496 209       | 1 164 794        |
| <b>Councillors' arrear consumer accounts</b>                                  |                  |                  |

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

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## Notes to the Annual Financial Statements

|   | 2023                                | 2022                                |                |
|---|-------------------------------------|-------------------------------------|----------------|
| <b>52. Additional disclosure in terms of Municipal Finance Management Act (continued)</b> |                                     |                                     |                |
| 30 June 2023  | Outstanding<br>less than 90<br>days | Outstanding<br>more than 90<br>days | Total          |
| Councillor A Keva   | 1 746                               | 58 051                              | 59 797         |
| Councillor S MKHUNQE  | 1 051                               | 37 248                              | 38 299         |
| Councillor M NGESI  | 455                                 | -                                   | 455            |
| Councillor W BOOI   | -                                   | 1 500                               | 1 500          |
| Councillor V BOMELA   | 90                                  | -                                   | 90             |
| Councillor NS KWEZA   | 917                                 | 504                                 | 1 421          |
| Councillor AT CETYWAYO  | 2 276                               | 2 157                               | 4 433          |
| Councillor SN NELI  | 34                                  | 3 110                               | 3 144          |
| Councillor E MAVANGO  | 628                                 | 16 563                              | 17 191         |
| Councillor A NJIKELA  | 1 486                               | 31 532                              | 33 018         |
| Councillor A GANCA  | 872                                 | 2 733                               | 3 605          |
| Councillor M MATSOLO  | 1 361                               | 50 562                              | 51 923         |
| Councillor DU STELLENBERG   | 2 794                               | 31 150                              | 33 944         |
| Councillor SC NDARALA   | 1 397                               | 16 903                              | 18 300         |
| Councillor T VALI   | 1 306                               | -                                   | 1 306          |
| Councillor M HOKOLO   | 989                                 | 36 052                              | 37 041         |
| Councillor P MADUBEDUBE   | 795                                 | 37 656                              | 38 451         |
| Councillor ZP MANDILE   | 595                                 | 7 762                               | 8 357          |
| Councillor M MXAKWE   | 1 114                               | 20 040                              | 21 154         |
| Councillor O ADONIS   | 987                                 | 3 168                               | 4 155          |
| Councillor AB ZONDI   | 698                                 | 660                                 | 1 358          |
| Councillor LCS TOKWE  | 2 036                               | 76 915                              | 78 951         |
| Councillor M LALI   | 1 400                               | 28 096                              | 29 496         |
| Councillor N NQABISA  | 723                                 | 20 690                              | 21 413         |
|   | <b>25 750</b>                       | <b>483 052</b>                      | <b>508 802</b> |

### 53. Financial instruments disclosure

#### Categories of financial instruments

##### 2023

#### Financial assets

|  | At amortised<br>cost | Total              |
|--|----------------------|--------------------|
| Receivables from exchange transactions     | 191 566 979          | 191 566 979        |
| Receivables from non-exchange transactions | 45 235 597           | 45 235 597         |
| Cash and cash equivalents                  | 37 197 521           | 37 197 521         |
|  | <b>274 000 097</b>   | <b>274 000 097</b> |

#### Financial liabilities

|   | At amortised<br>cost | Total                |
|---|----------------------|----------------------|
| Payables from exchange transactions     | 1 267 822 521        | 1 267 822 521        |
| Consumer deposits                       | 10 942 206           | 10 942 206           |
| Payables from non-exchange transactions | 941 862              | 941 862              |
|   | <b>1 279 706 589</b> | <b>1 279 706 589</b> |

##### 2022

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## Notes to the Annual Financial Statements

|  | 2023 | 2022 |
|--|------|------|
|--|------|------|

### 53. Financial instruments disclosure (continued)

#### Financial assets

|  | At amortised cost  | Total              |
|--|--------------------|--------------------|
| Trade and other receivables from exchange transactions | 15 750 971         | 15 750 971         |
| Other receivables from non-exchange transactions       | 132 258 810        | 132 258 810        |
| Cash and cash equivalents                              | 64 371 087         | 64 371 087         |
|  | <b>212 380 868</b> | <b>212 380 868</b> |

#### Financial liabilities

|   | At amortised cost  | Total              |
|---|--------------------|--------------------|
| Payables from exchange transactions     | 889 931 429        | 889 931 429        |
| Loans from economic entities            | 10 694 224         | 10 694 224         |
| Payables from non-exchange transactions | 941 862            | 941 862            |
|   | <b>901 567 515</b> | <b>901 567 515</b> |

### 54. Project expenditure

|  |                   |                   |
|--|-------------------|-------------------|
| Department of Transport - Provincial roads | 48 336 540        | 65 417 599        |
| Other                                      | -                 | 3 272 599         |
|  | <b>48 336 540</b> | <b>68 690 198</b> |

The municipality received funds from the Department of Transport for work done on Tsolwana Nature Reserve Road.

### 55. Change in estimate

#### Property, plant and equipment

In prior year there was a change in estimates on the landfill site which resulted in an increase in the asset and the relevant expenditure which is depreciation. The change was caused by the change in the methodology and the change of the expert that was used to perform the valuation. The effect of this revision has increased the depreciation charges for the current and future periods by: -

|                    | 2023               | 2022               | Impact            |
|--------------------|--------------------|--------------------|-------------------|
| Change in estimate | 217 902 670        | 135 469 360        | 82 433 310        |
| Depreciation       | (27 771 924)       | (10 369 596)       | (17 402 328)      |
|                    | <b>190 130 746</b> | <b>125 099 764</b> | <b>65 030 982</b> |

|                    | 2024               | 2025               | 2026               | 2027               |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| Change in estimate | 217 902 670        | 217 902 670        | 217 902 670        | 217 902 670        |
| Depreciation       | (27 771 924)       | (27 771 924)       | (27 771 924)       | (27 771 924)       |
|                    | <b>190 130 746</b> | <b>190 130 746</b> | <b>190 130 746</b> | <b>190 130 746</b> |

There was a change in estimates on the landfill site which resulted in a increase in the assets and the relevent expenditure which is depreciation. The change was caused by the change in the methodology and the change of the expert that was used to perform the valuation.

# Enoch Mgijima Local Municipality

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### 56. Segment information

#### General information

#### Identification of segments

The municipality has two activities that generate economic benefits: electricity distribution and sale and refuse collection and disposal services.

The municipality regularly reports its actual spending against the original and adjusted budgets using the municipal votes and sub votes, including sub votes relating to electricity distribution and sale and refuse collection and disposal services.

#### Aggregated segments

The Electricity distribution and Electricity Infrastructure Development Unit sub votes were combined for reporting on Electricity distribution and sale.

The Cleansing: Open areas, Cleansing: Refuse Disposal, Cleansing: Refuse Removals and Cleansing: Street Cleaning sub votes were combined for the reporting on Refuse collection and disposal.

#### Types of goods and/or services by segment

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

#### Reportable segment

Segment 1  
Segment 2  
Segment 3  
Segment 4  
Segment 5  
Segment 6  
Segment 7  
Segment 8  
Segment 9

#### Goods and/or services

Budget and Treasury  
Community Services  
Corporate Services  
Council  
Human Settlement  
Integrated Planning and Economic Development  
Office of the Municipal Manager  
Public safety  
Goods and/or services 6  
Technical Services

#### Segment surplus or deficit, assets and liabilities

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#### 56. Segment information (continued)

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|                                    | Budget and Treasury | Community Services | Corporate Services | Council            | Human Settlement | Integrated Planning and Economic Development | Office of the Municipal Manager | Public safety    | Technical Services | Total              |
|------------------------------------|---------------------|--------------------|--------------------|--------------------|------------------|--|---------------------------------|------------------|--------------------|--------------------|
| <b>Revenue</b>                     |                     |                    |                    |                    |                  |  |                                 |                  |                    |                    |
| Services charges                   | -                   | 81 055 917         | -                  | -                  | -                | -  | -                               | -                | 2 16 891 211       | 297 947 128        |
| Rental of facilities and equipment | -                   | 149 894            | -                  | -                  | 3 188 465        | -  | -                               | 405              | 283 466            | 3 622 230          |
| Interest earned on debtors         | 41 505 696          | 37 355 560         | -                  | -                  | -                | -  | -                               | -                | 8 727 021          | 87 588 277         |
| Income from agency services        | -                   | -                  | -                  | -                  | -                | -  | -                               | 3 993 862        | -                  | 3 993 862          |
| Licence and permits                | -                   | 9 164              | -                  | -                  | -                | -  | -                               | 3 448 397        | -                  | 3 457 561          |
| Other revenue                      | -                   | -                  | -                  | -                  | -                | -  | -                               | -                | 53 333 001         | 53 333 001         |
| Other income                       | 929 586             | 3 166 277          | -                  | 164 736            | 249 883          | -  | -                               | 513 458          | 1 178 278          | 6 202 218          |
| Interest received on investments   | 4 691 474           | -                  | -                  | -                  | -                | -  | -                               | -                | -                  | 4 691 474          |
| Property rates                     | 143 504 694         | -                  | -                  | -                  | -                | -  | -                               | -                | -                  | 143 504 694        |
| Government grants and subsidies    | 92 208 269          | 15 466 708         | -                  | 172 705 092        | -                | 25 541 652                                   | 3 088 000                       | -                | 20 780 000         | 329 789 721        |
| Fines                              | -                   | -                  | -                  | -                  | -                | -  | -                               | 868 628          | 2 733 242          | 3 601 870          |
| Donations                          | -                   | 2 171 522          | -                  | -                  | -                | -  | -                               | -                | -                  | 2 171 522          |
| <b>Total Revenue</b>               | <b>282 839 719</b>  | <b>139 375 042</b> | -                  | <b>172 869 828</b> | <b>3 438 348</b> | <b>25 541 652</b>                            | <b>3 088 000</b>                | <b>8 824 750</b> | <b>303 926 219</b> | <b>939 903 558</b> |
| <b>Entity's revenue</b>            |                     |                    |                    |                    |                  |  |                                 |                  |                    | <b>939 903 558</b> |

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|   | Budget and Treasury  | Community Services   | Corporate Services  | Council             | Human Settlement    | Integrated Planning and Economic Development | Office of the Municipal Manager | Public safety       | Technical Services   | Total                  |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|--|---------------------------------|---------------------|----------------------|------------------------|
| <b>56. Segment information (continued)</b>            |                      |                      |                     |                     |                     |  |                                 |                     |                      |                        |
| <b>Expenditure</b>                                    |                      |                      |                     |                     |                     |  |                                 |                     |                      |                        |
| Employee related costs                                | (53 151 241)         | (94 826 185)         | (26 162 845)        | (2 638 726)         | (17 536 265)        | (11 372 215)                                 | (29 542 366)                    | (43 031 001)        | (63 353 414)         | (341 614 258)          |
| Remuneration of councillors                           | -                    | -                    | -                   | (27 107 562)        | -                   | -  | -                               | -                   | -                    | (27 107 562)           |
| Depreciation and amortisation                         | -                    | -                    | (121 508)           | -                   | (41 338 360)        | -  | (6 044 852)                     | -                   | (31 642 105)         | (79 146 825)           |
| Finance costs   | (96 636 064)         | -                    | (74 330)            | -                   | -                   | -  | -                               | -                   | -                    | (96 710 394)           |
| Debt impairment                                       | (23 261 067)         | (381 354 667)        | -                   | -                   | -                   | -  | -                               | -                   | 272 691 629          | (131 924 105)          |
| Repairs and maintenance                               | (57 163)             | (385 684)            | -                   | -                   | (688 103)           | -  | (25 081)                        | (55 716)            | (29 449 386)         | (30 661 133)           |
| Bulk purchases  | -                    | -                    | -                   | -                   | -                   | -  | -                               | -                   | (311 219 146)        | (311 219 146)          |
| Contracted services                                   | (17 671 840)         | -                    | -                   | (5 681 913)         | (67 956)            | -  | -                               | (14 912 278)        | (7 041 208)          | (45 375 195)           |
| Transfers and subsidies                               | (1 615 516)          | -                    | -                   | -                   | -                   | -  | -                               | -                   | -                    | (1 615 516)            |
| General expenses                                      | (9 188 553)          | (3 954 421)          | (1 228 097)         | (12 071 150)        | (540 163)           | (117 174)                                    | (5 624 181)                     | (1 669 808)         | (61 088 927)         | (95 482 474)           |
| <b>Total segment expenditure</b>                      | <b>(201 581 444)</b> | <b>(480 520 957)</b> | <b>(27 586 780)</b> | <b>(47 499 351)</b> | <b>(60 170 847)</b> | <b>(11 489 389)</b>                          | <b>(41 236 480)</b>             | <b>(59 668 803)</b> | <b>(231 102 557)</b> | <b>(1 160 856 608)</b> |
| <b>Total segmental surplus/(deficit)</b>              |                      |                      |                     |                     |                     |  |                                 |                     |                      |                        |
| Loss on foreign exchange                              |                      |                      |                     |                     |                     |  |                                 |                     |                      | (286 417)              |
| Actuarial gains/losses                                |                      |                      |                     |                     |                     |  |                                 |                     |                      | 3 001 000              |
| Fair value adjustment on biological assets impairment |                      |                      |                     |                     |                     |  |                                 |                     |                      | 2 513 926              |
| <b>Entity's surplus (deficit) for the period</b>      |                      |                      |                     |                     |                     |  |                                 |                     |                      | <b>(50 487 010)</b>    |
|   |                      |                      |                     |                     |                     |  |                                 |                     |                      | <b>(266 211 551)</b>   |

The municipality operates throughout the Enoch Mgjijima Municipality in 5 towns in the Eastern Cape, i.e., Komani, Tarkastad, Whittlesea, Molteno and Hofmeyr. Segments were not organised on the basis of differences in geographical areas of operation and the cost to develop such information would be excessive.

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| 56. Segment information (continued) | Budget and Treasury | Community Services | Corporate Services | Council | Human Settlement | Integrated Planning and Economic Development | Office of the Municipal Manager | Public safety | Technical Services | Total |
|-------------------------------------|---------------------|--------------------|--------------------|---------|------------------|--|---------------------------------|---------------|--------------------|-------|
|-------------------------------------|---------------------|--------------------|--------------------|---------|------------------|--|---------------------------------|---------------|--------------------|-------|

Measurement of segment surplus or deficit, assets and liabilities

# Enoch Mgijima Local Municipality

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### 56. Segment information (continued)

#### The nature and effect of any asymmetrical allocations to reportable segments

The municipality allocated payables from exchange transactions to the electricity segment without allocating the related finance costs to that segment.

# Enoch Mjijima Local Municipality

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### 57. Intangible assets

#### Reconciliation of intangible assets - 2023

#### Reconciliation of intangible assets - 2022

### 58. Budget variances

#### 55.1 Service charges

The decrease in the service charges was mainly due to a fall in electricity sales as a result of the frequent load shedding in the Enoch Mjijima municipal area in the 2022/23 financial year. Customer electricity usage was low as a result of the regular Eskom loadshedding

#### 55.2 Rentals and facilities

Rentals and facilities variance of R1.1 million was due to the rental arrears owed by tenants

#### 55.3. Interest received

The positive variance of R12.7 million in the interest received was due to the high debtors book. Interest is raised by the system on the debt owed by the customers to the municipality. Debtors figure increased more than expected in the 2022/23 financial year.

#### 55.4 Agency income

The decrease in the income from agency was due interruptions in the traffic office as a result of renovations that took place during the year. This has disrupted services in that department whereby registration of vehicles could not be done for about 3 months.

#### 55.5 Other income

Other income has a positive variance because of the increases in some smaller revenue sources such as grave digging, pound sales etc.

#### 55.6 Property rates

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### 58. Budget variances (continued)

The positive variance was due to the implementation of the supplementary valuation roll during the year whereby some of the property values was adjusted.

#### 55.7 Fines, penalties & forfeits

Fines, penalties, and forfeitures: The variance of R2.7 million was due to shortfalls from fines from illegal electricity connections. Disconnection lists sent to the electricity revenue protection team daily could not be done daily due to transport challenges. This has affected the fines from illegal connections.

#### 55.8 Gains from sale of land

Sales of land did not take place in the year because of delays in finalizing the necessary processes to enable council to approve the sales

#### 55.9 Finance costs

Finance costs relate to the interest charged by Eskom on arrear accounts. The variance was caused by the increase in the debt owed by the municipality on the Eskom account. The high Eskom debt which is now more than R1.0 billion has attracted higher than expected interest.

#### 55.10 Contracted services

The increase in contracted services was due to the hiring of electricity contractors and consultants to attend to the more than expected breakdowns in the electricity infrastructure during the year. More work was done on the substations and the transformers than was expected in the year.

#### 55.11 Transfers and subsidies

R584 483 variance because of less payment to indigents. Free basic services was only paid to registered indigents.

#### 55.12 General expenditure

Variance was caused by over expenditure in expenditure items such as legal fees, insurance, audit fees and internal charges such as rates charges and electricity charges

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### 59. Accounting by principals and agents

The municipality is party to Department of Transport in a principal-agent arrangement.

The municipality (agent) collects vehicle licencing fees on behalf of the Department of Transport (principal) in exchange for the service the municipality receives commission of 19% on all fees collected.

Brandrive Trading (Pty) Ltd (the agent) recovers longstanding unpaid rates and taxes from various departments on behalf of the Municipality (principal) in return for commission 25% on all amounts received.

The ECDC Special Projects Unit is performing the Project Management Function on one of the Municipality's capital projects:

Maintenance and Upgrade of Ebdon Station for total project management fees of R900 488. Payments are made in advance by way of tranche payments based on the cash flow projections submitted with the budget draw letter by ECDC. Three tranches to the value of R11 085 524.06 have been paid to date

|  |            |   |
|--|------------|---|
| Amounts collected by the municipality on behalf of the Department of Transport | 22 780 626 | - |
| Commission at 19%  | 4 814 523  | - |
| Amount payable over to the department  | 17 966 102 | - |

### 60. Deviation from supply chain management regulations

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

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

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer. The reasons for the deviations were as follows:

#### Reason for deviation

|   |           |
|---|-----------|
| Impractical / impossible to obtain three quotes | 5 480 318 |
|---|-----------|

### 61. Budget differences

#### Material differences between budget and actual amounts

The actual expenditure for the following expenses varied from the final budget by 10% or more:

#### 61.1 Service charges

The negative variance was due to illegal connections of electricity and also households in the informal settlement who were not paying for refuse removal tariffs.

#### 61.2 Interest on debtors

The positive variance is due to an increase in outstanding debtors in the 2022/23 financial year. The higher the outstanding debtors the more the interest that is raised on the debtors.

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### 61. Budget differences (continued)

#### 61.3 Income from agency fees

The negative variance was due to less customers who came to their vehicle registrations as a result of the burnt traffic office.

#### 61.4 Other revenue

The variance was due to the revenue from the DOT received for construction of the Provincial Road.

#### 61.5 Other income

The negative variance of is due to a fall in the usage of game reserve, Bongolo dam, swimming pool and other smaller revenue generating sources.

#### 61.6 Interest received on investments

The positive variance is due to more unspent funds that were kept in the call accounts that earned earn interest.

#### 61.7 Property rates

The variance is due to the reversal of billings from the system as a result of municipal properties that were previously classified as properties for the community.

#### 61.8 Depreciation and amortisation

The positive variance is due to change in the use of useful live of some class of Assets.

#### 57.9 Impairment loss

The variance was due to impairment that was not budgeted . Impairment are not budget line items

#### 61.10 Finance costs

The negative variance is due to the more than expected Eskom interest levied on Eskom arear accounts.

#### 61.11 Debt impairment

The variance is due to low debtor collection in the 2022/23 financial year and a result a higher percentatage of consumer debtors had to be impaired.

#### 57.12 Bulk purchases

The variance is due to a higher usage of electricity than anticipated. The illegal electricity connections were not budgeted as the municipality does not know the how much electricity will be used in the informal settlement.

#### 57.13 Transfers and subsidies

The variance is due to less than expected expenditure on indigent free basic services.

#### 61.14 General expenses

The variance is due to the inclusion of the expenditure on the transfer of provincial road transferred to the department.

#### 61.15 Gains on the disposal of assets

The negative variance on the Gains on the disposal of Assets was due to the Land sale that did not take place in the 2021/22. The land sale has now been budgeted in the 2022/23 financial year.

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### 61. Budget differences (continued)

#### 61.16 Actuarial gains / losses

The variance is due to the actuarial gains or losses that was not budgeted . Will not know if there will be a loss or a gain.

#### 61.17 Fair value adjustment on biological assets

The variance is due to the unanticipated gain in the biological assets. This was not budgeted.

#### 61.18 Transfers recognised - Capital

The variance is due to more grants received from Department of Transport and the Office of the Premier than earlier indicated and budgeted.