WALTER SISULU
LOCAL MUNICIPALITY
Botho Humanity Ubuntu

Walter Sisulu Local Municipality
Financial statements
for the year ended June 30, 2022

General Information

Legal form of entity	EC145-Walter Local Municipality South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality provides functions as included in Schedule 4B and Schedule 5B of the Constitution. It should however be noted that the Water and Sanitation function, which is generally allocated to Category B municipalities, are performed by the District Municipality.
Nature of business and principal activities	Walter Sisulu Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)
Mayoral committee	
	Cllr VD Davids
	Cllr MC Botha
	Cllr Y Zweni
	Cllr E Pretorius
Mayor	Cllr VD Davids - Appointed 9 Nov 2021
Councillors	Cllr Sikweyiya - Mayor - Terminated 8 Nov 2021
	Cllr Ngubo - Chief whip Terminated 8 Nov 2021
	Cllr Mathetha - Speaker Appointed 9 Nov 2021
	Cllr Zweni - Chief Whip Appointed 9 Nov 2021
	Cllr Nkunzi - Chairperson of MPAC Terminated 8 Nov 2021
	Cllr Botha - Appointed 9 Nov 2021
	Cllr De Jongh - Terminated 8 Nov 2021
	Cllr Lekobane - Terminated 8 Nov 2021
	Cllr Mangali - Terminated 8 Nov 2021
	Cllr Mqokrwana - Terminated 8 Nov 2021
	Cllr Mokhoabane - Terminated 8 Nov 2021
	Cllr BK George - Appointed 9 Nov 2021
	Cllr JML Lottering - Appointed 9 Nov 2021
	Cllr Mathunya - Appointed 9 Nov 2021
	Cllr Moeti - Appointed 9 Nov 2021
	Cllr Nel - Appointed 9 Nov 2021
	Cllr Schoeman - Appointed 9 Nov 2021
	Cllr LA Falasi - Terminated 8 Nov 2021
	Cllr Solani - Terminated 8 Nov 2021
	Cllr Theron - Appointed 9 Nov 2021
	Cllr Van Heereden - Terminated 8 Nov 2021
	Cllr Jan - Appointed 9 Nov 2021
	Cllr Nodwele - Appointed 9 Nov 2021
	Cllr Hukwe - Appointed 9 Nov 2021
	Cllr Busakwe - Appointed 9 Nov 2021
	Cllr Wele - Appointed 9 Nov 2021
	Cllr Matlotlo - Appointed 9 Nov 2021
	Cllr Moyo - Appointed 9 Nov 2021
	Cllr London - Appointed 9 Nov 2021
	Cllr Mnana - Appointed 9 Nov 2021
	Cllr Pretorius - Appointed 9 Nov 2021
	Cllr Tau - Appointed 9 Nov 2021
	Cllr Bangisa - Terminated 8 Nov 2021
	Cllr Ndzeku - Terminated 8 Nov 2021

General Information

Grading of local authority	Category B
Chief Finance Officer (CFO)	Y Ngqele
Accounting Officer	K Gashi
Registered office	1 Jan Greyling Street Burgersdorp 9744
Bankers	First National Bank Aliwal North
Auditors	Auditor General South Africa (AGSA) Chartered Accountants (S.A.) Registered Auditors
Attorneys	Mbabane Maswazi & Mkosana Inc Horn Kumm Fouche

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

Abbreviations used:

INEP	integrated National Electrification Grant Programme
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
CFO	Chief Finance Officer
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

APPROVAL OF THE ACCOUNTING OFFICER

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003 as amended), 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 ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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 judgments and estimates.

The annual financial statements have been prepared in compliance with the Municipal Standard Chart of Accounts (MSCOA) which was implemented with effect from 1 July 2020.

I as the Accounting Officer acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set 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 functions 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 risks 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.

I am 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 can be relied upon for the preparation of annual financial statements. However, any system of internal control can only provide reasonable, and not absolute, assurance against material misstatements or deficits.

I have reviewed the municipality's cash flow for the year ended 30 June 2022 and, in the light of this review and the current financial position, am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

I would like to bring to your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note … to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act 20 of 1998 as amended) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The municipality has not been able to pay its creditors within the prescribed period due to financial constraints that led to the municipality to adopt an unfunded budget since 1 July 2016. However, upon assessment of the municipality's going concern, it was noted that although the liquidity ratios and solvency may be unfavourable at the end of the 2021/22 financial year, there were support interventions through the Development Bank of Southern Africa, National and Provincial Government under Section 139 (5) of the Constitution as well as other short-term support mechanisms by COGTA and Treasury.

The COVID pandemic subsided during the financial year, thus releasing further opportunities for increases in the revenue streams that were hamstrung by the pandemic and related lockdowns.

The Office of the Auditor General is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page …..

The annual financial statements set out on pages ….. to ….., which have been prepared on the going concern basis, were approved on 31 August 2022.

K. GASHI

Municipal Manager

Date: 31 August 2022

Statement of Financial Position as at June 30, 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	9	487,658	347,278
Receivables from exchange transactions	10&13	157,320,326	78,021,713
Receivables from non-exchange transactions	11&13	45,956,329	34,696,778
VAT receivable	12	21,885,019	22,247,891
Cash and cash equivalents	14	24,449,261	10,829,204
		250,098,593	**146,142,864**
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	3,073,511	3,369,384
Investment property	4	263,169,096	263,487,338
Property, plant and equipment	5	1,018,111,534	1,024,989,215
Intangible assets	6	3,019,705	3,235,845
Heritage assets	7	45,552,560	45,552,560
		1,332,926,406	**1,340,634,342**
Total Assets		**1,583,024,999**	**1,486,777,206**
Liabilities			
Current Liabilities			
Other financial liabilities	16	1,025,913	297,882
Payables from exchange transactions	18	574,325,320	474,765,390
Consumer deposits	19	2,404,472	2,163,582
Employee benefit obligation	8	14,035,198	11,482,939
Unspent conditional grants and receipts	15	2,325,132	4,131,240
		594,116,035	**492,841,033**
Non-Current Liabilities			
Other financial liabilities	16	927,264	1,956,696
Employee benefit obligation	8	34,420,000	31,375,763
Provisions	17	43,944,297	40,264,584
		79,291,561	**73,597,043**
Total Liabilities		**673,407,596**	**566,438,076**
Net Assets		**909,617,403**	**920,339,130**
Accumulated surplus		909,617,403	920,339,130
Total Net Assets		**909,617,403**	**920,339,130**

* See Note 42 & 41

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	149,725,356	148,672,233
Rental of facilities and equipment	21	2,113,605	2,463,012
Interest received (trading)		24,609,123	16,731,026
Agency services	23	279,837	3,946,873
Licences and permits	24	2,430,703	2,073,710
Other Income		2,857,428	2,078,781
Total revenue from exchange transactions		**182,016,052**	**175,965,635**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	48,862,327	43,385,772
Transfer revenue			
Government grants & subsidies	26	88,725,239	94,294,680
Fines, Penalties and Forfeits	22	350,199	293,845
Total revenue from non-exchange transactions		**137,937,765**	**137,974,297**
Total revenue		**319,953,817**	**313,939,932**
Expenditure			
Employee related costs	27	(106,528,646)	(103,644,194)
Remuneration of councillors	28	(8,503,597)	(8,307,182)
Depreciation and amortisation	29	(25,663,994)	(25,729,108)
Finance costs	30	(35,869,004)	(14,286,055)
Debt Impairment	31	(9,980,465)	(27,376,902)
Bulk purchases	32	(128,380,522)	(106,094,076)
Fair value adjustments	34	(295,873)	(943,516)
Actuarial losses		(1,095,986)	(918,367)
General Expenses	33	(39,555,691)	(53,217,202)
Repairs and Maintenance		(11,954,676)	(5,407,039)
Operating Grant expenditure		(1,664,382)	(2,390,000)
Total expenditure		**(369,492,836)**	**(348,313,641)**
Deficit for the year		**(49,539,019)**	**(34,373,709)**

* See Note 42 & 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	397,383,259	397,383,259
Adjustments		
Correction of errors 41	537,569,646	537,569,646
Balance at July 1, 2020 as restated*	**934,952,905**	**934,952,905**
Changes in net assets		
Prior period adjustment	19,759,934	19,759,934
Net income (losses) recognised directly in net assets	19,759,934	19,759,934
Surplus for the year	(34,373,709)	(34,373,709)
Total recognised income and expenses for the year	(14,613,775)	(14,613,775)
	(14,613,775)	(14,613,775)
Restated* Balance at July 1, 2021	**920,339,132**	**920,339,132**
Changes in net assets		
Surplus for the year	(49,539,019)	(49,539,019)
Other movements	38,817,290	38,817,290
Total changes	(10,721,729)	(10,721,729)
Balance at June 30, 2022	**909,617,403**	**909,617,403**

Note(s)

* See Note 42 & 41

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property rates		54,039,564	32,838,801
Sale of goods and services		105,370,942	115,638,538
Grants		88,396,190	68,000,211
Other receipts		14,059,431	16,509,308
		261,866,127	232,986,858
Payments			
Employee costs		(105,679,770)	(111,951,375)
Suppliers		(92,904,745)	(91,313,563)
Finance costs		(32,083,922)	(12,203,369)
		(230,668,437)	(215,468,307)
Net cash flows from operating activities	36	**31,197,690**	**17,518,551**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(17,276,232)	(17,743,501)
Cash flows from financing activities			
Repayment of other financial liabilities		(301,401)	(179,730)
Finance lease payments		-	(1,467,212)
Net cash flows from financing activities		**(301,401)**	**(1,131,541)**
Net increase/(decrease) in cash and cash equivalents		**13,620,057**	**(1,356,491)**
Cash and cash equivalents at the beginning of the year		10,829,204	12,185,695
Cash and cash equivalents at the end of the year	14	**24,449,261**	**10,829,204**

The accounting policies on pages 13 to 40 and the notes on pages 41 to 85 form an integral part of the financial statements.

* See Note 42 & 41

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	138,011,332	16,533,516	**154,544,848**	149,725,356	**(4,819,492)**	Note 56
Rental of facilities and equipment	5,061,644	(2,159,144)	**2,902,500**	2,113,605	**(788,895)**	Note 56
Interest received (trading)	13,878,545	13,831,955	**27,710,500**	24,609,123	**(3,101,377)**	Note 56
Agency services	2,857,320	722,110	**3,579,430**	279,837	**(3,299,593)**	Note 56
Licences and permits	4,199,068	11,478,711	**15,677,779**	2,430,703	**(13,247,076)**	Note 56
Miscellaneous other revenue	5,644,904	(1,041,114)	**4,603,790**	2,857,428	**(1,746,362)**	Note 56
Total revenue from exchange transactions	**169,652,813**	**39,366,034**	**209,018,847**	**182,016,052**	**(27,002,795)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	33,025,707	38,786,354	**71,812,061**	48,862,327	**(22,949,734)**	Note 56
Transfer revenue						
Government grants & subsidies	89,724,561	(11,455,711)	**78,268,850**	88,725,239	**10,456,389**	Note 56
Fines, Penalties and Forfeits	370,811	-	**370,811**	350,199	**(20,612)**	Note 56
Total revenue from non-exchange transactions	**123,121,079**	**27,330,643**	**150,451,722**	**137,937,765**	**(12,513,957)**	
Total revenue	**292,773,892**	**66,696,677**	**359,470,569**	**319,953,817**	**(39,516,752)**	
Expenditure						
Personnel	(101,794,266)	(11,196,986)	**(112,991,252)**	(106,528,646)	**6,462,606**	Note 56
Remuneration of councillors	(9,972,227)	1,533,797	**(8,438,430)**	(8,503,597)	**(65,167)**	Note 56
Depreciation and amortisation	(18,029,337)	(29,605,418)	**(47,634,755)**	(25,663,994)	**21,970,761**	Note 56
Finance costs	(686,779)	(10,013,221)	**(10,700,000)**	(35,869,004)	**(25,169,004)**	Note 56
Debt Impairment	(6,320,153)	(3,179,847)	**(9,500,000)**	(9,980,465)	**(480,465)**	Note 56
Bulk purchases	(71,894,000)	(58,106,000)	**(130,000,000)**	(128,380,522)	**1,619,478**	Note 56
General Expenses	(54,470,688)	348,110	**(54,122,578)**	(53,174,749)	**947,829**	Note 56
Total expenditure	**(263,167,450)**	**(110,219,565)**	**(373,387,015)**	**(368,100,977)**	**5,286,038**	
Operating deficit	**29,606,442**	**(43,522,888)**	**(13,916,446)**	**(48,147,160)**	**(34,230,714)**	
Fair value adjustments	-	-	**-**	(295,873)	**(295,873)**	
Actuarial gains/losses	-	-	**-**	(1,095,986)	**(1,095,986)**	
	-	**-**	**-**	**(1,391,859)**	**(1,391,859)**	
Deficit before taxation	**29,606,442**	**(43,522,888)**	**(13,916,446)**	**(49,539,019)**	**(35,622,573)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**29,606,442**	**(43,522,888)**	**(13,916,446)**	**(49,539,019)**	**(35,622,573)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	326,476	-	**326,476**	487,658	**161,182**	Note 56
Receivables from exchange transactions	31,387,845	(186,082)	**31,201,763**	163,897,547	**132,695,784**	
Receivables from non-exchange transactions	59,261,944	(59,261,944)	**-**	45,956,329	**45,956,329**	Note 56
VAT receivable	-	-	**-**	21,885,019	**21,885,019**	Note 56
Cash and cash equivalents	3,908,559	(3,908,559)	**-**	24,449,261	**24,449,261**	Note 56
	94,884,824	**(63,356,585)**	**31,528,239**	**256,675,814**	**225,147,575**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	4,312,900	(4,312,900)	**-**	3,073,511	**3,073,511**	Note 56
Investment property	146,783,601	(146,783,601)	**-**	263,169,096	**263,169,096**	Note 56
Property, plant and equipment	527,290,917	(512,875,167)	**14,415,750**	1,018,111,534	**1,003,695,784**	Note 56
Intangible assets	398,786	(398,786)	**-**	3,019,705	**3,019,705**	Note 56
Heritage assets	2,984,705	(2,984,705)	**-**	45,552,560	**45,552,560**	Note 56
	681,770,909	**(667,355,159)**	**14,415,750**	**1,332,926,406**	**1,318,510,656**	
Total Assets	**776,655,733**	**(730,711,744)**	**45,943,989**	**1,589,602,220**	**1,543,658,231**	
Liabilities						
Current Liabilities						
Other financial liabilities	528,555	-	**528,555**	1,025,913	**497,358**	Note 56
Payables from exchange transactions	71,312,099	(128,736,000)	**(57,423,901)**	574,325,320	**631,749,221**	
Consumer deposits	2,352,444	-	**2,352,444**	2,404,472	**52,028**	Note 56
Employee benefit obligation	2,119,580	-	**2,119,580**	14,035,198	**11,915,618**	Note 56
Unspent conditional grants and receipts	-	-	**-**	2,325,132	**2,325,132**	Note 56
	76,312,678	**(128,736,000)**	**(52,423,322)**	**594,116,035**	**646,539,357**	
Non-Current Liabilities						
Other financial liabilities	5,129,311	-	**5,129,311**	927,264	**(4,202,047)**	Note 56
Employee benefit obligation	-	-	**-**	34,420,000	**34,420,000**	Note 56
Provisions	-	-	**-**	43,944,297	**43,944,297**	Note 56
	5,129,311	**-**	**5,129,311**	**79,291,561**	**74,162,250**	
Total Liabilities	**81,441,989**	**(128,736,000)**	**(47,294,011)**	**673,407,596**	**720,701,607**	
Net Assets	**695,213,744**	**(601,975,744)**	**93,238,000**	**916,194,624**	**822,956,624**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	695,213,744	(601,975,744)	**93,238,000**	909,617,405	**816,379,405**	Note 56

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	25,291,396	-	**25,291,396**	-	**(25,291,396)**	Note 56
Service charges	123,463,882	-	**123,463,882**	-	**(123,463,882)**	Note 56
Grants	89,724,561	(9,813,700)	**79,910,861**	-	**(79,910,861)**	Note 56
Other revenue	18,104,247	-	**18,104,247**	-	**(18,104,247)**	
	256,584,086	**(9,813,700)**	**246,770,386**	**-**	**(246,770,386)**	
Payments						
Suppliers and employees	(164,412,230)	-	**(164,412,230)**	-	**164,412,230**	Note 56
Finance costs	(686,779)	-	**(686,779)**	-	**686,779**	Note 56
Transfers and grants	(324,951)	-	**(324,951)**	-	**324,951**	
	(165,423,960)	**-**	**(165,423,960)**	**-**	**165,423,960**	
Net cash flows from operating activities	**91,160,126**	**(9,813,700)**	**81,346,426**	**-**	**(81,346,426)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(29,286,519)	-	**(29,286,519)**	-	**29,286,519**	Note 56
Cash flows from financing activities						
Repayment of other financial liabilities	245,000	-	**245,000**	(179,730)	**(424,730)**	
Finance lease payments	-	-	**-**	(1,467,212)	**(1,467,212)**	
Net cash flows from financing activities	**245,000**	**-**	**245,000**	**(1,646,942)**	**(1,891,942)**	
Net increase/(decrease) in cash and cash equivalents	62,118,607	(9,813,700)	**52,304,907**	(1,646,942)	**(53,951,849)**	Note 56
Cash and cash equivalents at the beginning of the year	12,185,694	-	**12,185,694**	12,185,695	**1**	Note 56
Cash and cash equivalents at the end of the year	**74,304,301**	**(9,813,700)**	**64,490,601**	**10,538,753**	**(53,951,848)**	
Reconciliation						

Accounting Policies

Figures in Rand	Note(s)	2022	2021

1. Presentation of Financial Statements

The 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 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.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the 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, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

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

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

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.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow [The Community occupied the Land and the Municipality does not expect to derive any future benefits as long as the land is illegally occupied]

Additional information is disclosed in Note 4.

1.5 Biological assets that form part of an agricultural activity

A biological asset is a living animal or plant, while agricultural produce is the harvested product of the biological asset.The entity recognises biological assets or agricultural produce when, and only when:

- the municipality 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.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

Where the Municipality acquires a biological asset through a non-exchange transaction, the biological asset is also measured at its fair value less cost 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.

Agricultural produce harvested from the Municipality's biological assets is measured at its fair value less costs to sell at the point of harvest.

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

1.6 Investment property

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

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.
- to meet service delivery objectives,.

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

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

Investment property is initially recognised at cost at its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

1.6 Investment property (continued)

Where investment property 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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised. carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property - land	indefinite
Property - buildings	25-30 years

Land is not depreciated as it is deemed to have an indefinite useful life.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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 an impairment is recognised in the Statement of Financial Performance.

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

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

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

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost on its acquisition date.

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 Municipality. Trade discounts and rebates are deducted in arriving at the cost.The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

1.7 Property, plant and equipment (continued)

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

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

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

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.Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asse

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

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis. .

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	25-30
Motor vehicles	Straight-line	5-15
Office equipment	Straight-line	1-20
Infrastructure	Straight-line	7-50
Community	Straight-line	25

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

1.7 Property, plant and equipment (continued)

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

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

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

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

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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 an impairment is recognised in the Statement of Financial Performance.

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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 33).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Accounting Policies

1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:
(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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.

The Municipality recognises an intangible asset only 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.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

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.If the acquired item’s fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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.

Accounting Policies

1.9 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5-10

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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 an impairment is recognised in the Statement of Financial Performance.

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

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

1.10 Heritage assets

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

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

Recognition

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

Initial measurement

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets 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 the Municipality.Trade discounts and rebates are deducted in arriving at the cost..

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

1.10 Employee benefits (continued)

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.The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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 on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance

1.11 Financial instruments

Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

Subsequent Measurement

Financial instruments are categorised as follow:

a) Financial instruments at amortised cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.

b) Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.

1.11 Financial instruments (continued)

c) Financial instruments at fair value comprise of financial assets or financial liabilities that are:
i) derivatives;
ii) combined instruments that are designated at fair value;
iii) instruments held for trading;
iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
v)financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

Financial assets measured at cost:

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

Derecognition of financial instruments:

Financial assets:

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities:

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

Offsetting of financial instruments:

1.11 Financial instruments (continued)

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Key terms and defintions applicable to Financial Instruments:

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

1.11 Financial instruments (continued)

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	**Category**
Receivables from Exchange and Non-Exchange transactions	Financial asset measured at amortised cost
Cash and Cash equivalent	Financial asset measured at amortised cost

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

Class	**Category**
Other Financial liabilities (Loan and Finance lease)	Financial liability measured at amortised cost
Payables from Exchange transaction	Financial liability measured at amortised cost
Taxes and transfers payable	Financial liability measured at amortised cost

1.12 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Derecognition

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

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

1.13 Inventories

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

1.13 Inventories (continued)

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

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

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

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

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

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

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

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

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

[Specify judgements made]

1.15 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

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, an 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.

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Accounting Policies

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.15 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods, if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they are accrued to employees. The liability at year-end is based on bonus accrued at year-end for each employee.

1.16 Provisions and contingencies

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

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

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

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

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

Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

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

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

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

1.16 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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

1.18 Revenue from exchange transactions (continued)

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 .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

1.19 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

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

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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.

Taxation revenue are not grossed up for the amount of tax expenditures.

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.

1.20 Investment income

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

1.21 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.

1.22 Expenditure

The Municipality has the following expediture classifications:
-Employee related costs
-Remuneration of councillors
-Depreciation and amortisation
-Finance costs
-Debt Impairment
-Bulk purchases
-Transfers and Subsidies
-Loss on disposal of assets and liabilities
-Fair value adjustments
-Actuarial losses
-General Expenses
-Repairs and Maintenance
-Operating Grant expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners

Expenditure is recognised when the asset is consumed or there is an incurrence of a liabiity

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.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.26 Segment information

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

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

1.26 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.

1.27 Budget information

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

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.28 Related parties

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

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

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

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

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

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

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

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

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

Accounting Policies

1.29 Events after reporting date

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

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

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

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

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 July 1, 2022 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

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

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

An effective date for the guideline has not yet been determined.

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

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

2. New standards and interpretations (continued)

The effective date of these revisions have not yet been set. April 1, 2099.

The municipality expects to adopt the revisions for the first time in the 2098/2099 financial statements.

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

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. April 1, 2099.

The municipality expects to adopt the revisions for the first time in the 2098/2099 April 1, 2099.

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

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time in the 2098/2099 financial statements.

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

GRAP 104 (as revised): Financial Instruments

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

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

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

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The impact of this standard is currently being assessed.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called “items”).

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially “misstated” over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:
- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. April 1, 2023.

The municipality expects to adopt the interpretation for the first time in the 2022/2023 April 1, 2023.

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

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Notes to the Financial Statements

2. New standards and interpretations (continued)

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
  - Added clarification that investment property is measured at fair value at earliest of:
    - o completion of construction or development; or
    - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - o property meets, or ceases to meet definition of investment property and
    - o evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to “financial statements” or “face of the financial statements”

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
  - Disclose carrying amount of each material service concession asset recognised at the reporting date

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 37 – Joint Arrangements

- Application guidance clarified
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is April 1, 2023.

The municipality expects to adopt the improvements for the first time in the 2022/2023 financial statements.

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

3. Biological assets that form part of an agricultural activity

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - Fair Value	3,073,511	-	3,073,511	3,369,384	-	3,369,384

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

	Opening balance	Gains or losses arising from changes in fair value	Increase/Decrease due to physical changes	Total
Biological assets - Fair Value	3,369,384	903,702	(1,199,575)	3,073,511

Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	Gains or losses arising from changes in fair value	Increase/Decrease due to physical changes	Total
Biological assets - Fair Value	4,312,900	(1,016,716)	73,200	3,369,384

Non-financial information

Quantities of each biological asset	2022	2021
Springbuck	220	348
Blesbuck	130	353
Black Wildebeest	67	122
Gemsbuck	21	23
Redhartebeest	70	177
Eland	6	10
Zebra	36	55
Ostrich	5	6
Buffalo	26	25
Mountain Reedbuck	8	4
	589	**1,123**

All biological assets are classified as consumable and are held for sale.

All biological assets are located in the Aliwal North Nature Reserve, the Aliwal North Spa and Burgersdorp Nature Reserve. The primary activities revolving around biological assets are as follows:

Ensure that the game life in the municipal area 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 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.

Notes to the Financial Statements

Figures in Rand	2022	2021

3. Biological assets that form part of an agricultural activity (continued)

Methods and assumptions used in determining fair value

Fair values were determined based on market-related prices using the Department of Agriculture, Western Cape, Game pricing schedule. This pricing schedule is generally accepted as a reliable source of the latest market trends and demands.

Notes to the Financial Statements

Figures in Rand

4. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	265,078,550	(1,909,454)	263,169,096	265,078,550	(1,591,212)	263,487,338

Reconciliation of investment property - 2022

	Opening balance	Depreciation and impairment	Total
Investment property	263,487,338	(318,242)	263,169,096

Reconciliation of investment property - 2021

	Opening balance	Depreciation and impairment	Total
Investment property	263,805,581	(318,243)	263,487,338

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.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

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

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	352,633,085	-	352,633,085	352,633,085	-	352,633,085
Buildings	69,727,027	(14,457,937)	55,269,090	69,727,027	(12,048,281)	57,678,746
Motor vehicles	20,253,094	(2,878,656)	17,374,438	11,016,216	(2,627,894)	8,388,322
Infrastructure	556,398,674	(110,761,542)	445,637,132	556,316,530	(92,141,142)	464,175,388
Community	65,092,910	(9,219,405)	55,873,505	65,092,910	(7,652,957)	57,439,953
Other property, plant and equipment	7,127,583	(2,464,457)	4,663,126	8,190,491	(3,502,265)	4,688,226
Work In Progress	77,742,954	-	77,742,954	69,571,248	-	69,571,248
Capitalised Restoration Cost	26,836,115	(17,917,911)	8,918,204	26,836,115	(16,421,868)	10,414,247
Total	**1,175,811,442**	**(157,699,908)**	**1,018,111,534**	**1,159,383,622**	**(134,394,407)**	**1,024,989,215**

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation and impairment	Total
Land	352,633,085	-	-	352,633,085
Buildings	57,678,746	-	(2,409,656)	55,269,090
Motor vehicles	8,388,322	9,797,937	(811,821)	17,374,438
Infrastructure	464,175,388	82,144	(18,620,400)	445,637,132
Community	57,439,953	-	(1,566,448)	55,873,505
Other property, plant and equipment	4,688,226	834,919	(860,019)	4,663,126
Work In Progress	69,571,248	8,171,706	-	77,742,954
Capitalised Restoration Cost	10,414,247	-	(1,496,043)	8,918,204
	1,024,989,215	**18,886,706**	**(25,764,387)**	**1,018,111,534**

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation and impairment	Total
Land	352,633,085	-	-	352,633,085
Buildings	60,088,402	-	(2,409,656)	57,678,746
Motor vehicles	7,049,159	1,900,222	(561,059)	8,388,322
Infrastructure	482,447,289	348,499	(18,620,400)	464,175,388
Community	59,006,401	-	(1,566,448)	57,439,953
Other property, plant and equipment	4,254,771	1,190,714	(757,259)	4,688,226
Work In Progress	55,267,182	14,304,066	-	69,571,248
Capitalised Restoration Cost	11,910,291	-	(1,496,044)	10,414,247
	1,032,656,580	**17,743,501**	**(25,410,866)**	**1,024,989,215**

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	**Depreciation method**	**Average useful life**
Buildings	Straight-line	25-30
Roads and Storm Water	Straight-line	7-50
Electricity	Straight-line	20-45
Recreation Grounds and facilities	Straight-line	25-30
Cemetry	Straight-line	25-30
Office equipment and tools	Straight-line	1-10
Motor vehicle and implements	Straight-line	7-15

Figures in Rand	2022	2021

5. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Electricity	8,650,864	8,549,618
Community	33,068,783	33,068,783
Roads	53,602,747	46,843,367
	95,322,394	**88,461,768**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Upgrading of Dukathole internal streets	5,896,766	5,896,766
Electrification of 392 stands in Aliwal North	3,760,735	3,760,735
Fencing of Joe Gqabi and Joe Slovo Community Halls	170,000	170,000
Renovation at Mzamomhle Hall	43,537	43,537
	9,871,038	**9,871,038**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Sauer Park - Synthetic Track	397,800	397,800
Sarah Morosi - Sportsfield	14,270,891	14,270,891
	14,668,691	**14,668,691**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	56,549,149	56,549,149
Additions/capital expenditure	6,860,626	6,860,626
	63,409,775	**63,409,775**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Buildings	Total
Opening balance	11,177,848	31,023,698	43,537	42,245,083
Additions/capital expenditure	14,215,511	1,147,295	-	15,362,806
Disposal	-	-	(43,537)	(43,537)
Transferred to completed items	(1,015,203)	-	-	(1,015,203)
	24,378,156	**32,170,993**	**-**	**56,549,149**

Notes to the Financial Statements

Figures in Rand	2022	2021

5. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
General expenses	11,517,715	5,407,039

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

Notes to the Financial Statements

6. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	6,900,620	(3,880,915)	3,019,705	6,675,376	(3,439,531)	3,235,845

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,235,845	225,244	(441,384)	3,019,705

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	239,905	3,437,324	(441,384)	3,235,845

Intangible Assets consist only of software.

No intangible asset were assessed having an indefinate useful life.

There are no internally generated intangible assets at reporting date.

There are no contractual commitments for the acquisition of intangible assets.

Pledged as security

No Intangible assets are pledged as security for any liabilities.

6. Intangible assets (continued)

Restricted title

There are no intangible assets whose title is restricted.

Notes to the Financial Statements

Figures in Rand

7. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	45,552,560	-	45,552,560	45,552,560	-	45,552,560

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	45,552,560	45,552,560

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	45,552,560	45,552,560

Figures in Rand	2022	2021

7. Heritage assets (continued)

Heritage assets which fair values cannot be reliably measured

Details of Heritage Assets		
Block House	3,175,200	3,175,200
Jubilee Fountain	900,000	900,000
Taal Mountain	550,000	550,000
Voortrekkerdrif	150,000	150,000
Light of Century	300,000	300,000
Cencentrion Camp Kerkhof	9,877,760	9,877,760
Durban Street Cemetry	1,450,000	1,450,000
Old Cemetry by the river	1,490,000	1,490,000
Fort at Nature Reserve	3,175,200	3,175,200
Fort on Bronepad	4,644,200	4,644,200
Fort behind the hospital	3,175,200	3,175,200
SA War Memorial Site	1,250,000	1,250,000
Freedom Square	650,000	650,000
Kerkplein Museum	5,775,000	5,775,000
Joe Gqabi Statue	950,000	950,000
Museum -Old library	3,720,000	3,720,000
Frere Bridge	960,000	960,000
Jamestown Museum	3,360,000	3,360,000
	45,552,560	**45,552,560**

Restrictions on heritage assets

There are no restrictions on realisability of heritage assets or remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase , construct or develop Heritage Assets or for repairs, maintenance or enhancements.

Pledged as security

There are no heritage assets pledged as security for any liabilities.

8. Employee benefit obligations

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

Carrying value		
Opening balance	(42,858,702)	(37,740,829)
Movement for the year	(5,596,496)	(5,117,873)
	(48,455,198)	**(42,858,702)**
Non-current liabilities	(34,420,000)	(31,375,763)
Current liabilities	(14,035,198)	(11,482,939)
	(48,455,198)	**(42,858,702)**

The Movement for Post retirment medical benefits is reconciled as follows:

Post Retirement Medical Benefits		
Opening Balance	25,600,622	22,658,426
Current service cost	1,243,982	1,089,040
Interest cost	2,870,595	3,005,120
Payments made	(1,346,978)	(895,270)
Actuarial (gain)/loss	1,229,779	(256,694)
	29,598,000	**25,600,622**

Notes to the Financial Statements

Figures in Rand	2022	2021

8. Prepayments (continued)

Net expense recognised in the statement of financial performance

Current service cost	1,243,982	1,089,040
Interest cost	2,870,595	3,005,120
Actuarial (gains) losses	1,229,779	(256,694)
Payments made	(1,346,978)	(895,720)
	3,997,378	**2,941,746**

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	139	139
In-service (employee) non-members	192	206
Continuation members (e.g. Retirees, widows, orphans)	22	19
	353	**364**

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

In-service members	13,892,000	12,916,738
In-service non-members	4,270,000	4,277,860
Continuation members	11,436,000	8,406,024
	29,598,000	**25,600,622**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
- Bonitas
- KeyHealth
-LA Health
-HOSMED
-SAMWUMED

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.83 %	11.39 %
Health Care Cost Inflation Rate	8.44 %	7.88 %
Net Effective Discount Rate	3.13 %	3.25 %

The discount rate used is a composite of all goverment bonds and is calculated using a technique known as bootstrapping.

Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

Normal retirement age

The normal retirement age for employees of the municipality is 65 years.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

8. Prepayments (continued)

Sensitivity analysis

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

	One percentage point increase	**One percentage point decrease**
Employer's accrued liability	34,315,000	25,777,000
Employer's service cost (year following)	1,519,000	999,000
Employer's interest cost (year following)	3,998,000	2,988,000

The effect of a one percent increase and decrease in the discount rates is as follows

	One percentage point increase	**One percentage point decrease**
Employer's accrued liability	25,912,000	34,201,000
Employer's service cost (year following)	1,015,000	1,496,000
Employer's interest cost (year following)	3,258,000	3,648,000

Long service awards		
Opening Balance	5,855,073	5,024,079
Current service cost	494,053	430,813
Interest cost	461,170	369,903
Payments made	(239,503)	(587,723)
Actuarial (gain)/loss	(133,793)	618,001
	6,437,000	**5,855,073**

Net expense recognised in the statement of financial performance

Current service cost	494,053	430,813
Interest cost	461,170	369,903
Actuarial (gains) losses	(133,793)	618,001
Payments made	(239,503)	(587,723)
	581,927	**830,994**

The following employees are eligibe for long service awards

In-service (employee) members	331	345

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

In-service members	6,437,000	5,855,073

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.81 %	8.17 %
General earnings inflation rate (long-term)	7.33 %	4.64 %
Net Effective Discount Rate	3.24 %	2.39 %
Average retirement age	62.00	62.00

8. Prepayments (continued)

The discount rate used is a composite of all goverment bonds and is calculated using a technique known as bootstrapping.

Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

Normal retirement age

The normal retirement age for employees of the municipality is 65 years.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity analysis

Assumed salary increase rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in salary inflation would have the following effects:

	One percentage point increase	One percentage point decrease
Employer’s accrued liability	6,793,000	6,111,000
Employer’s service cost (year following)	670,000	595,000
Employer’s interest cost (year following)	705,000	632,000

The effect of a one percent increase and decrease in the discount rates is as follows

	One percentage point increase	One percentage point decrease
Employer’s accrued liability	6,101,000	6,810,000
Employer’s service cost (year following)	599,000	666,000
Employer’s interest cost (year following)	689,000	642,000

9. Inventories

Consumable Stores	487,658	347,278

Notes to the Financial Statements

Figures in Rand	2022	2021

10. Receivables from exchange transactions

Consumer debtors - Electricity	101,872,319	51,173,414
Consumer debtors - Refuse	20,846,002	12,687,706
Consumer debtors - Other Arrears	24,306,365	3,864,953
Consumer debtors - JGDM	10,295,640	10,295,640
	157,320,326	**78,021,713**

No receivables are pledged as security for any liabilities.

11. Receivables from non-exchange transactions

Other receivables	(556,488)	2,153,713
Consumer debtors - Rates	44,824,265	30,779,626
Consumer debtors - Other (Specified)	1,688,552	1,763,439
	45,956,329	**34,696,778**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	37,865,066	25,932,689
Financial asset receivables included in receivables from non-exchange transactions above	**8,091,263**	**8,764,089**
Total receivables from non-exchange transactions	45,956,329	34,696,778

No receivables are pledged as security for any liabilities.

12. VAT receivable

VAT	21,885,019	22,247,891

The VAT balance consists of the following:

VAT Receivable		
VAT Control	2,524,538	5,558,646
Input VAT	60,240,661	61,594,002
Output VAT	(40,958,844)	(45,916,085)
	21,806,355	**21,236,563**

13. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	81,144,531	52,270,142
Consumer debtors - Electricity	126,563,470	80,480,817
Consumer debtors - Refuse	105,854,065	43,395,057
Consumer debtors - Other Arrears	72,366,477	115,846,268
Consumer debtors - JGDM	10,295,640	10,295,640
Consumer debtors - Other (Specified)	1,688,552	1,763,439
	397,912,735	**304,051,363**

Figures in Rand	2022	2021

13. Consumer debtors disclosure (continued)

Less: Allowance for impairment		
Consumer debtors - Rates	(36,320,266)	(21,490,516)
Consumer debtors - Electricity	(24,691,151)	(29,307,403)
Consumer debtors - Refuse	(85,008,063)	(30,707,351)
Consumer debtors - Other Arrears	(48,060,112)	(111,981,315)
	(194,079,592)	**(193,486,585)**
Net balance		
Consumer debtors - Rates	44,824,265	30,779,626
Consumer debtors - Electricity	101,872,319	51,173,414
Consumer debtors - Refuse	20,846,002	12,687,706
Consumer debtors - Other Arrears	24,306,365	3,864,953
Consumer debtors - JGDM	10,295,640	10,295,640
Consumer debtors - Other (Specified)	1,688,552	1,763,439
	203,833,143	**110,564,778**
Statutory receivables included in consumer debtors above are as follows:		
Rates-Debtors	25,763,634	13,164,352
Financial asset receivables included in consumer debtors above	**178,069,509**	**97,400,426**
Total consumer debtors	203,833,143	110,564,778
Rates		
Current (0 -30 days)	2,590,067	5,218,894
31 - 60 days	2,207,599	-
61 - 90 days	1,972,398	2,633,347
91 - 120 days	74,374,467	44,417,902
Less: Impairment	(36,320,266)	(21,490,517)
	44,824,265	**30,779,626**
Electricity		
Current (0 -30 days)	15,167,132	12,630,763
31 - 60 days	7,001,436	-
61 - 90 days	6,854,259	7,440,644
91 - 120 days	97,540,643	60,409,410
Less: Impairment	(24,691,151)	(29,307,403)
	101,872,319	**51,173,414**
Refuse		
Current (0 -30 days)	1,773,061	3,269,490
31 - 60 days	1,696,497	-
61 - 90 days	1,509,124	1,742,890
91 - 120 days	100,875,384	38,382,666
Less: Impairment	(85,008,064)	(30,707,340)
	20,846,002	**12,687,706**

Figures in Rand	2022	2021

13. Consumer debtors disclosure (continued)

Other Arears

Current (0 -30 days)	2,991,753	8,803,164
31 - 60 days	3,224,032	(7,726,465)
61 - 90 days	2,674,364	(5,537,648)
91 - 120 days	63,476,329	120,307,217
Less: Impairment	(48,060,113)	(111,981,315)
	24,306,365	**3,864,953**

Consumer Debtor-JGDM

> 365 days	10,295,640	10,295,640

Other (specify)

> 365 days	1,688,552	1,763,439

Reconciliation of allowance for impairment

Balance at beginning of the year	(184,099,128)	(174,563,037)
Contributions to allowance	(9,980,465)	(9,536,091)
	(194,079,593)	**(184,099,128)**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	18,434
Bank balances	8,680,478	7,265,676
Short-term deposits	15,768,783	3,545,094
	24,449,261	**10,829,204**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2022	June 30, 2021	June 30, 2020
First National Bank - Main Account - 6247 6326 965	8,588,635	7,255,948	910,031	8,674,281	7,255,948	1,158,041
ABSA Bank - Aliwal North Branch - 1750 14 1125	6,197	9,727	15,022	6,197	9,727	15,022
ABSA 32 Day Notice - Acc 92 7883 5880	1,039,146	94,561	10,668,628	1,039,146	94,561	-
ABSA Call Account - Acc 92 7435 2868	417,300	314,848	305,476	417,300	314,848	-
First National Bank Call Account - Acc 62 4822 13247	14,298,017	3,144,058	10,210	14,298,017	3,144,058	-
ABSA 32 Day Notice - Acc 50 6434 4937	2,348	2,342	2,340	2,348	2,342	-
ABSA 32 Day Notice - Acc 9064489631	7,744	7,720	7,710	7,744	7,720	-
Total	**24,359,387**	**10,829,204**	**11,919,417**	**24,445,033**	**10,829,204**	**1,173,063**

Figures in Rand	2022	2021

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National Government (MIG)	-	212,616
National Government (INEP)	-	1,593,492
Provincial Government (Other Grants)	835,246	835,246
District Municipality (JGDM)	1,489,886	1,489,886
	2,325,132	**4,131,240**

Movement during the year

Balance at the beginning of the year	4,131,240	11,614,125
Additions during the year	88,396,190	14,403,780
Income recognition during the year	(90,202,298)	(21,886,665)
	2,325,132	**4,131,240**

The nature and extent of government grants recognised in the financial statements are an indication of other forms of government assistance from which the municipality has directly benefited; and Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

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

16. Other financial liabilities

At amortised cost		
Bank loan	1,953,177	2,254,578
Terms and conditions		

Interest is calculated at 5.00% interest rate and the loan will be fully redeemed on 30 September 2027

Non-current liabilities		
At amortised cost	927,264	1,956,696
Current liabilities		
At amortised cost	1,025,913	297,882

Notes to the Financial Statements

Figures in Rand	2022	2021

17. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	40,264,584	3,679,713	43,944,297

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	36,893,964	3,370,620	40,264,584

Environmental rehabilitation provision

The provision relates to the rehabilitation of the Landfill site. The operation, licencing, management and closure of landfill sites in South Africa is highly regulated.

Currently, landfill sites are regulated under the Waste Act, that is binding on all spheres of government, and any person that undertakes an activity that produces waste or involves the handling of waste. The Waste Act should be read with the National Environmental Act, Act No. 107 of 1998 that provides the legislative framework for environmental protection.

The Minimum Requirements establish a framework for all technical aspects of the licencing, operation, management, rehabilitation, monitoring and closure of the landfill site.

Closure is the final step in the operation of the landfill site. The rehabilitation of the landfill site is required to ensure that the site is environmentally acceptable after the landfill site has stopped receiving waste.

Although certain sites have been issued with closure licences, it is estimated that no site will be rehabilitated within 1 year from reporting date and thus there are no short term portion associated with this provision.

The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the site as indicated below:

	2022	2021
Landfill site		
Aliwal North - Rehabilitation date 2026	27,601,779	27,601,779
Burgersdorp - Closure licence has been issued	7,702,739	7,702,739
Jamestown - Rehabilitation date 2032	19,006,712	19,006,712
Steynsburg - Rehabilitation date 2028	10,456,993	10,456,993
Venterstad - Closure licence has been issued	4,899,350	4,899,350
	69,667,573	**69,667,573**

18. Payables from exchange transactions

	2022	2021
Trade payables	527,766,749	434,192,995
Payments received in advance	15,510,338	22,337,180
Retentions	3,245,558	2,901,762
Joe Gqabi District Municipality (Water and Sanitation)	14,678,375	14,678,375
Deposits received	180,500	180,500
Unallocated Deposits	12,249,678	2,312
Prepaid Electricity	679,787	457,931
Interest Accrued	14,335	14,335
	574,325,320	**474,765,390**

19. Consumer deposits

	2022	2021
Electricity	2,404,472	2,163,582

Notes to the Financial Statements

Figures in Rand	2022	2021

19. Consumer deposits (continued)

The carrying amount of consumer deposits are in line with the fair value. The outstanding balance does not attract any interest.

20. Service charges

Sale of electricity	130,248,270	130,152,957
Refuse removal	19,477,086	18,519,276
	149,725,356	**148,672,233**

21. Rental of facilities and equipment

Premises		
Premises	1,956,850	2,398,704
Hall hire	128,080	57,359
	2,084,930	**2,456,063**
Facilities and equipment		
Rental of facilities	28,675	6,949
	2,113,605	**2,463,012**

22. Fines, Penalties and Forfeits

Meter Tempering	49,345	44,193
Overdue Books Fines	399	-
Traffic Fines	300,455	249,652
	350,199	**293,845**

23. Agency services

Management Fees	279,837	3,946,873

24. Licences and permits

Licence and permit Fees	2,430,703	2,073,710

Figures in Rand	2022	2021

25. Property rates

Rates received

Property rates	48,862,327	43,385,772

Valuations

Albert RD	3,062,329,906	2,064,474,790
Aliwal North	2,749,261,470	2,668,010,797
Aliwal North RD	2,511,542,814	1,182,486,419
Burgersdorp	974,453,914	799,847,052
Colesburg RD	286,513,800	173,578,273
Dukathole	424,285,601	424,011,409
Jamestown	199,002,826	164,994,607
Khayamnandi	102,081,600	102,096,005
Middleburg RD	600,000	600,000
Molteno RD	11,500,000	11,500,000
Mzamomhle	264,158,301	264,158,300
Odendaalstroom	456,900	456,900
Oviston	100,674,008	100,626,008
PHILIPPOLIS RD	1,050,000	1,050,000
Steynsburg RD	1,192,059,424	1,261,855,309
Venterstad	250,971,263	232,160,628
Wodehouse RD	1,687,091,830	809,364,748
Steynsburg	245,626,228	-
	4,063,659,885	0,261,271,245

Valuations on land and buildings are performed every 4-5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis and monthly. The monthly rates are payable on due and annual rates are payable before 30 September, interest is levied at the prime Interest at prime plus 1% per annum

The first R15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of Property Rates Act.

Property rates		
Residential properties	0.00981970	0.00945111
Residential properties mixed use	0.01866945	0.01796867
Commercial/Business properties	0.01150814	0.01058907
Industrial properties	0.01150814	0.01107617
Public Service Infrastructure properties (25% of Residential properties)	0.00245493	0.00236278
Agricultural properties used for agricultural purposes	0.00140032	0.00134776
Agricultural properties used for commercial/industrial purposes/wind farm/solar	0.00140032	0.00134776
Agricultural properties used for eco-tourism, conservation	0.00140032	0.00134776
Agriculture trading in or hunting of game	0.00532785	0.00512786
Agricultural properties not used for any purpose/ purpose	0.02197714	0.02115220
Agriculture farms used for private Towns	-	0.02115220
unknown to the municipality	0.02197714	-
State-owned properties	0.02197714	0.02115220
State-owned properties that provide regional or distict wide services	0.02197714	-
State-owned properties that provide provincial or national services	0.02197714	-
Vacant properties	0.02489397	0.02395955
	-	-

Figures in Rand	2022	2021

26. Government grants & subsidies

Operating grants		
Equitable share	64,368,000	72,408,000
Expanded Public Works Program (EPWP)	1,328,000	1,190,000
Greening and Beautification	-	442,525
Financial Management Grant (FMG)	2,100,000	2,000,000
National Treasury Audit Fees Grant -1%	4,608,060	2,162,856
Skills Development Fund	162,130	135,915
Library Grant	2,000,000	2,000,000
Municipal Infrastructure Grant	986,150	708,400
	75,552,340	**81,047,696**
Capital grants		
Municipal Infrastructure Grant	13,056,466	13,246,984
Integrated National Electricity Programme	116,433	-
	13,172,899	**13,246,984**
	88,725,239	**94,294,680**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	24,357,239	21,886,680
Unconditional grants received	64,368,000	72,408,000
	88,725,239	**94,294,680**

Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	212,616	1,345,310
Current-year receipts	13,830,000	14,168,000
Conditions met - transferred to revenue	(14,042,616)	(13,955,384)
Returned to National Revenue Fund	-	(1,345,310)
	-	**212,616**

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

The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	1,593,492	4,787,182
Conditions met - transferred to revenue	(1,593,492)	-
Returned to National Revenue Fund	-	(3,193,690)
	-	**1,593,492**

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

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

Figures in Rand	2022	2021

26. Surrender of surpluses (continued)

Other Grants (Including Housing Grant)

Balance unspent at beginning of year	835,246	3,991,747
Current-year receipts	-	2,000,000
Conditions met - transferred to revenue	-	(2,442,526)
Written off	-	(2,713,975)
	835,246	**835,246**

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

Other Grants include Spatial Development Plan, 1218 Link Houses, Area 5 services, Jamestown 858 Houses, Land Survey Management, LED Garden Project Jamestown, Greening and Beautification Grant.

Joe Gqabi District Municipality Grant

Balance unspent at beginning of year	1,489,886	1,489,886

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

The grant is allocated for the following purposes:
- Street refurbishment Aliwal North
- Fencing of Community Hall
- Sports track upgrading

During the current financial year no expenditure was incurred in respect of the Grant.

Financial Management Grant (FMG)

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

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

The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.

Expanded Public Works Program (EPWP)

Current-year receipts	1,328,000	1,190,000
Conditions met - transferred to revenue	(1,328,000)	(1,190,000)
	-	-

National Treasury Audit Fees Grant -1%

Current-year receipts	4,608,060	2,162,856
Conditions met - transferred to revenue	(4,608,060)	(2,162,856)
	-	-

Skills Development Fund

Current-year receipts	162,130	135,915
Conditions met - transferred to revenue	(162,130)	(135,915)
	-	-

Figures in Rand	2022	2021

26. Surrender of surpluses (continued)

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

The skills Development Grant is utilised to cover expenditure relating to training.

Library Grant

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

The Library Grant is used for maintaining the local libraries in the municipal area.

Notes to the Financial Statements

Figures in Rand	2022	2021

27. Employee related costs

Basic	72,804,763	72,912,337
Bonus	5,355,254	5,091,939
Medical aid - company contributions	4,140,659	3,170,686
UIF	12,341,875	11,390,739
SDL	866,858	1,600,975
Other payroll levies	342,679	97,019
Leave pay provision charge	2,110,317	559,294
Travel, motor car, accommodation, subsistence and other allowances	3,733,976	2,814,113
Overtime payments	2,521,683	2,724,361
Long-service awards	211,876	423,617
Acting allowances	287,789	410,976
Housing benefits and allowances	301,933	248,060
Cellphone allowance	(141,086)	677,678
Standby allowance	406,088	719,686
Long-term benefits - incentive scheme	1,243,982	802,714
	106,528,646	**103,644,194**

Remuneration of municipal manager - F.K.P Ntlemeza

Annual Remuneration	187,598	760,783
Travel and subsistence, telephone, motor car, housing and other allowances	78,979	460,625
Contributions to UIF, SDL and Council levy	2,974	-
Leave Pay	195,425	-
Pension Fund	22,223	-
	487,199	**1,221,408**

Remuneration of Municipal Manager - K Gashi (Appointed 1 April 2022)

Annual Remuneration	222,644	-
Travel and subsistence, telephone, motor car, housing and other allowances	76,791	-
Contributions to UIF, SDL and Council levy	3,147	-
Pension Fund	30,000	-
	332,582	**-**

Remuneration of Chief Finance Officer - Y Ngqele

Annual Remuneration	640,334	640,333
Car Allowance	291,311	377,136
Contributions to UIF, Medical and Pension Funds	10,343	-
Other	113,373	-
	1,055,361	**1,017,469**

Remuneration the Director of Community Servives - Z E Phungwani

Annual Remuneration	682,706	737,206
Travel and subsistence, telephone, motor car, housing and other allowances	287,628	280,264
Bonus	78,147	-
Contributions to UIF, SDL and Council levy	10,763	-
Acting allowance	30,835	-
	1,090,079	**1,017,470**

Notes to the Financial Statements

Figures in Rand	2022	2021

27. Employee related costs (continued)

Remuneration of the Director Technical Services - TP Mosompa

Annual Remuneration	610,823	509,112
Travel and subsistence, telephone, motor car, housing and other allowances	321,619	245,511
Contributions to UIF, SDL and Council levy	11,293	-
	943,735	**754,623**

Remuneration of the Director of Corporate Services - R Godsson

Annual Remuneration	595,567	446,764
Travel and subsistence, telephone, motor car, housing and other allowances	449,577	316,338
Contributions to UIF, SDL and Council levy	12,162	-
	1,057,306	**763,102**

Remuneration of the Director of IPED Services - VE Barnes

Annual Remuneration	559,921	-
Travel and subsistence, telephone, motor car, housing and other allowances	294,344	-
Contributions to UIF, SDL and Council levy	10,352	-
	864,617	**-**

28. Remuneration of councillors

Councillors	6,755,522	6,647,617
Travelling Allowance	797,600	330,272
Telephone Allowance	950,475	1,329,293
	8,503,597	**8,307,182**

Additional information

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

29. Depreciation and amortisation

Property, plant and equipment	24,533,931	24,849,807
Investment property	318,242	318,242
Intangible assets	811,821	561,059
	25,663,994	**25,729,108**

30. Finance costs

Non-current borrowings	-	96,574
Trade and other payables	28,752,157	3,381,524
Provisions	3,785,082	3,370,620
Employee benefits	3,331,765	7,437,337
	35,869,004	**14,286,055**

31. Debt impairment

Debt impairment	9,980,465	27,376,902

Figures in Rand	2022	2021

32. Bulk purchases

Electricity - Eskom	128,380,522	106,094,076

Electricity losses

Units purchased (Kwh)	85,884,645	86,870,686
Units sold	(68,618,498)	(69,615,636)
Total loss	**17,266,147**	**17,255,050**

33. General expenses

Advertising	286,265	357,165
Auditors remuneration	7,100,970	7,325,523
Bank charges	336,204	441,666
Cleaning	2,609,859	1,163,636
Commission paid	1,227,653	787,174
Consulting and professional fees	2,035,579	6,983,189
Consumables	(140,380)	31,600
Electricity	198,733	2,841,383
Fuel and oil	1,732,585	3,513,444
General Expenditure	9,116,596	12,685,826
Hire	39,250	-
Insurance	2,565,065	2,409,294
License fees	917,075	478,423
Magazines, books and periodicals	1,240	304,936
Operating Grant Expenditure	1,580,485	2,390,000
Postage and courier	-	(9,639)
Printing and stationery	54,537	551,640
Projects from own funds	-	132,379
Protective clothing	33,087	(370,956)
Repairs and maintenance	11,853,217	5,407,039
Security (Guarding of municipal property)	2,880,807	3,250,144
Subscriptions and membership fees	609,701	4,064,475
Telephone and fax	3,445,247	3,167,703
Training	498,800	701,257
Travel - local	4,020,691	1,984,751
Valuation Costs	171,483	422,189
	53,174,749	**61,014,241**

34. Fair value adjustments

Biological assets - (Fair value model)	(295,873)	(943,516)

35. Auditors' remuneration

Fees	7,100,970	7,325,523

Figures in Rand	2022	2021

36. Cash generated from operations

	2022	2021
Deficit	(49,539,019)	(34,373,709)
Adjustments for:		
Depreciation and amortisation	25,663,994	25,729,108
Fair value adjustments	295,873	943,516
Finance costs - Finance leases	3,785,082	3,370,620
Debt impairment	9,980,465	27,376,902
Movements in retirement benefit assets and liabilities	5,596,496	5,007,873
Movements in provisions	3,679,713	3,370,620
Changes in working capital:		
Inventories	(140,380)	(20,802)
Receivables from exchange transactions	(79,298,613)	-
Receivables (Exchange and non-exchange)	(9,980,465)	(76,536,947)
Other receivables from non-exchange transactions	(11,259,551)	-
Payables from exchange transactions	133,616,441	43,457,743
VAT	362,872	26,865,374
Unspent conditional grants and receipts	(1,806,108)	(7,482,885)
Consumer deposits	240,890	(188,862)
	31,197,690	**17,518,551**

37. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	163,897,547	163,897,547
Other receivables from non-exchange transactions	41,495,772	41,495,772
Cash and cash equivalents	24,774,166	24,774,166
	230,167,485	**230,167,485**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1,953,177	1,953,177
Trade and other payables from exchange transactions	578,312,915	578,312,915
Taxes and transfers payable (non-exchange)	3,802,192	3,802,192
	584,068,284	**584,068,284**

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	91,731,151	91,731,151
Other receivables from non-exchange transactions	30,374,797	30,374,797
Cash and cash equivalents	10,829,204	10,829,204
	132,935,152	**132,935,152**

Financial liabilities

Figures in Rand	2022	2021

37. Financial instruments disclosure (continued)

	At amortised cost	Total
Other financial liabilities	3,802,192	3,802,192
Trade and other payables from exchange transactions	440,715,405	440,715,405
Taxes and transfers payable (non-exchange)	4,131,240	4,131,240
	448,648,837	**448,648,837**

38. Commitments

Authorised capital expenditure

	2022	2021
Already contracted for but not provided for		
• Property, plant and equipment	8,947,362	23,582,946
Total capital commitments		
Already contracted for but not provided for	8,947,362	23,582,946

This committed expenditure relates to property and will be financed by available bank facilities and government grants.

Notes to the Financial Statements

Figures in Rand	2022	2021

39. Contingencies

Contingent liabilities

	2022	2021
The municipality has been served with summons on 3 November 2021, per case number 307/21, by a plaintiff whose motor vehicle collided with a pothole. The matter is still pending and there have been no further developments. The municipality intends to defend the matter.	50,617	-
The municipality was served with summons on 9 July 2021, per case number 2056/21, by a plaintiff in respect of professional services rendered by the plaintiff and allegedly not paid by the municipality. The municipality is defending the matter	8,695,711	-
The municipality was served with summons on 16 February 2022 per case number 25/22 by a plaintiff whose vehicle suffered damaged as a result of a collision with another vehicle, and the plaintiff imputes the cause of the accident to potholes and general poor road maintenance by the municipality. The municipality will be defending this matter.	68,036	-
A bidder who lost a bid as a service provider has approached the High Court in Makhanda seeking to review the tender award, per case number 977/21. The municipality is defending the matter.	801,922	801,922
This is a matter in which is pending before the Supreme Court of Appeal in Mangaung. As a result of the persistent failure of the Walter Sisulu Local Municipality to diligently survive and finally pay off its account with Eskom, Eskom issued a notice to discontinue supply of electricity to the town of Maletswai. The appellant, who operates a food manufacturing business in Maletswai, approached the High Court in Makhanda, per case number 00016/2018, citing Eskom as the first responded and the municipality as the second respondent. The municipality did not enter a plea to defend the matter. The High Court ruled against the prayer of the appellant, who has now approached the SCA to review the High Court decision.	145,000,000	145,000,000
Summons were served on the municipality on 3 November 2021, per case number W345, by a plaintiff who alleges to have injured herself when she accidentally fell in a hole inside a community owned by the municipality. The municipality is defending the matter.	11,899,000	-
The plaintiff summonsed the municipality, per case number 57/2020, claiming damages for alleged injuries after a sidewalk fall. The municipality is defending the matter.	1,900,000	1,900,000
Nomagwayi Developers filed a lawsuit against the erstwhile Maletswai Local Municipality for failure to honour the tripartite agreement to avail 420 erven for low cost housing project in Aliwal North, claiming loss of income anticipated from conveyancing fees. The municipality was successful. Although the plaintiff took the matter on appeal, there have been no further developments and the matter is now considered prescribed.	-	3,000,000
	168,415,286	**150,701,922**

The municipality investigated the prior year contingent liabilities disclosed and found errors in the cases disclosed. As such the prior year was restated. Please refer to note 41 for a description of the restatement.

40. Related parties

Relationships

Accounting Officer	Refer to Accounting Officer's Responsibilities and Approval
Members of key management (Including to the Accounting Officer)	Refer to Employee Related Cost note 30
Councillors	Refer to Remuneration of councillors Note 31

Related parties are defined in the accounting policies.

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

Other related parties transactions relates to the acquisition of goods under terms and conditions applicable to open market trading on a willing buyer and seller principles. The payment terms are not favourable to other transactions (other related parties) and are not secured or encumbered. Settlement terms are in accordance with the general terms of trade with no guarantees received or given. The provision for doubtful debts is not made as the municipality is not owed by the supplier and no bad debts expense was recognised on these related parties.

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 27 and 28.

Walter Sisulu Local Municipality provides a site in Obbiebron Flats to Joe Gqabi Development Agency at no cost to the enity

41. Prior period errors

1. The long term loan from DBSA was not reconciled with the loan confirmation from DBSA resulting in differences between the confirmation and Annual Financial Statements. The municipality has reconciled the liability as at 30 June 2021 which resulted in the following corrections: Increase in Long term liabilities by R515 400, increase in finance charges by R96 574, decrease in General expenses by R203 907, decrease in Payables from Exchange transactions by R37 753 and the decrease in Opening Accumulated Surplus by R584 980.

2. There were errors on the engineer's report valuing the provision for rehabilitation of landfill sites. A new engineer was appointed in 2022 and the corrections were made retrospectively in accordance with GRAP 3. The corrections resulted in the increase in Provisions by R6 293 732, Increase in Property, plant and equipment by R911 049, increase in Depreciation for the year by R822 773, increase in Finance costs by R1 986 113, and decrease in Opening Accumulated Surplus by R2 573 797.

3. The municipality investigated the prior year contingent liabilities disclosed and found errors in the cases disclosed. As such the prior year was restated. The correction resulted in the decrease in Contingent liabilities by R378 078.

4. The municipality investigated the entire 2021 expenditure population for possible irregular expenditure. Various irregular expenditure that was not previously disclosed were identified. The correction resulted in the increase in irregular expenditure by R9 556 012.

5. The Fixed asset register was recompiled due to material errors on the previous asset register. The correction results in the increase in Investment Property by R104 625 543, increase in Property, plant and equipment by R465 683 015, increase in heritage assets by R42 567 855, and the decrease in depreciation by R25 676 282.

6. A difference of R3 272 986 was identified between the bank statement and general ledger due to an incorrect journal processed to bank and cash. The correction results in the increase in cash and cash equivalents and trade payables by R3 272 986.

7. The receivables balance was reconciled with the debtors age analysis and differences were corrected. The correction results in the increase in receivables from exchange transactions by R39 107 188, increase by R6 093 094, increase in service charges by R1 913 101 and the decrease in debt impairment by R30 061 246.

The correction of the error(s) are disclosed in note 42.

Notes to the Financial Statements

Figures in Rand	2022	2021

42. Prior-year adjustments

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

Statement of financial position

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Other financial liabilities		(1,739,177)	(477,647)	(37,753)	(2,254,577)
		-	-	37,753	37,753
Provisions		(33,970,852)	(6,293,732)	-	(40,264,584)
Investment Property		150,995,942	104,625,543	-	255,621,485
Property, plant and equipment		535,732,214	465,683,015	-	1,001,415,229
Receivables from exchange transactions		52,623,963	39,107,188	-	91,731,151
Receivables from non-exchange transactions		24,281,703	6,093,094	-	30,374,797
VAT receivable		50,306,544	25,211	-	50,331,755
Cash and cash equivalents		7,556,217	3,272,987	-	10,829,204
Heritage assets		2,984,705	42,567,855	-	45,552,560
Payables from exchange transactions		(411,884,177)	(28,831,228)	-	(440,715,405)
Consumer deposits		(2,373,873)	210,291	-	(2,163,582)
		374,513,209	**625,982,577**	**-**	**1,000,495,786**

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Finance costs		12,203,368	2,082,687	14,286,055
General Expenses		46,512,898	(37,882)	46,475,016
Depreciation and amortisation		47,548,179	(25,676,282)	21,871,897
Service charges		(145,153,760)	(1,913,101)	(147,066,861)
Debt Impairment		48,050,690	(30,061,246)	17,989,444
Surplus for the year		**9,161,375**	**(55,605,824)**	**(46,444,449)**

43. Risk management

Financial risk management

The municipality is potentially exposed to the following risks:

Figures in Rand	2022	2021

43. 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.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2022	Within 1 Year	Two to five years	After five years
Annuity Loans	405,559	1,547,618	-
Payables from exchange transactions	541,051,083	-	-
	541,456,642	**1,547,618**	**-**

2021	Within 1 Year	Two to five years	After five years
Annuity Loans	405,559	1,622,236	608,339
Payables from exchange transactions	413,563,244	-	-
	413,968,803	**1,622,236**	**608,339**

Market risk

Interest rate risk

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.

The following balances are exposed to interest rate fluctuations:

Heading		
Cash and Cash Equivalents (Excluding Cash on Hand)	24,774,166	10,829,204

The long term liability from DBSA is not included in above table as it has a fixed interest rate.

The 2021 balances have been restated to remove the long term liability and include trade payables.

Potential effect of changes in interest rates on surplus and deficit for the year/period:

0.5% increase in interest rates is R216 334 (2021: R 216 334)
1% decrease in interest rates is R 432 662 (2021: R 432 662)

Currency risk

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

The financial instruments of the municipality is not directly exposed to any currency risk.

Figures in Rand	2022	2021

43. Risk management (continued)

Price risk

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

The Municipality is not exposed to other price risk.

44. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus (deficit) of R 909,617,403 and that the municipality's total liabilities exceed its assets by R 909,617,403.

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

The Municipality currently oprates in a very severe fiscal environment requiring a number of austeritiy and cost containment measures to be implemented as it currently cannot service it short term debt and financial committments from its current available cash resources and allocated Government Grants.

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

Although the Financial Statements have been prepared on a going concern basis it should be noted that there is uncertainty over the municipality ability to continue as a going concern due to its current liabilities exceeding current assets. The municipality may not be able to meet its short term obligations.

45. Events after the reporting date

No events after the reporting requiring adjustment or disclosure.

46. Unauthorised expenditure

	2022	2021
Opening balance as previously reported	130,880,648	374,814,374
Add: Unauthorised expenditure - current	25,838,281	116,305,926
Less: Amount recovered - current	-	(360,239,652)
Closing balance	**156,718,929**	**130,880,648**

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

	2022	2021
Non-cash	25,838,281	60,553,032
Cash	-	50,007,511
	25,838,281	**110,560,543**

Analysed as follows: non-cash

	2022	2021
Depreciation and amortisation	25,838,281	31,710,894
Provision of impairment	-	28,842,138
	25,838,281	**60,553,032**

Notes to the Financial Statements

Figures in Rand	2022	2021

46. Unauthorised expenditure (continued)

Analysed as follows: cash

Bulk purchases	-	40,041,552
General expenditure	-	3,419,496
Employee related costs	-	(4,995,063)
Finance charges	-	11,541,526
	-	**50,007,511**

Unauthorised expenditure: Budget overspending – per municipal department:

Executive and Council	-	(601,613)
Office of the Municipal Manager	-	(3,375,219)
Budget and Treasury Office	25,517,015	54,162,119
Technical Services	-	40,684,483
Corporate Services	-	4,693,181
Community Services	-	16,766,143
Planning & Development	321,267	(1,768,551)
	25,838,282	**110,560,543**

Recoverability steps taken/criminal proceedings

The unauthorised expenditure is being investigated.

Disciplinary steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

47. Fruitless and wasteful expenditure

Opening balance as previously reported	214,957,462	107,358,265
Add: Fruitless and wasteful expenditure identified - current	33,904,601	240,932
Less: Amount written off - current	-	107,358,265
Closing balance	**248,862,063**	**214,957,462**

Fruitless and wasteful expenditure is disclosed inclusive of VAT

Notes to the Financial Statements

Figures in Rand		2022	2021

47. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2022	2021
Late payment interest	Under investigation	33,904,601	240,932

48. Irregular expenditure

	2022	2021
Opening balance as previously reported	75,116,999	122,566,109
Add: Irregular expenditure - current	8,712,298	29,257,355
Less: Amount written off - current	-	(76,706,465)
Closing balance	**83,829,297**	**75,116,999**

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

	Disciplinary steps taken/criminal proceedings		
SCM Procedures not followed on i.e Insufficient quotes	None at this stage	90	5,573,240
Suppliers whose tax affairs are not in order	None at this stage	4	185,575
Deviation not valid	None at this stage	5	95,242
MBD4 Decleration not provided	None at this stage	32	2,858,241
		131	**8,712,298**

Notes to the Financial Statements

Figures in Rand	2022	2021

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	8,201,801

Audit fees

Opening balance	3,901,415	6,438,830
Current year subscription / fee	7,851,210	5,177,170
Credit Note	-	(304,668)
Amount paid - current year	(5,861,487)	(5,216,017)
Interest on Outstanding Audit Fees	235,710	302,990
Interest waived by Audit General	-	(334,034)
National Treasury Rebates Received	(4,007,009)	(2,162,856)
	2,119,839	**3,901,415**

PAYE and UIF

Current year subscription / fee	13,720,452	13,518,220
Amount paid - current year	(13,724,628)	(13,518,220)
	(4,176)	**-**

Pension and Medical Aid Deductions

Opening balance	2,172,267	-
Current year subscription / fee	57,480,648	23,644,002
Amount paid - current year	(24,349,853)	(21,471,735)
Amount paid - previous years	(2,172,267)	-
	33,130,795	**2,172,267**

VAT

VAT receivable	21,885,019	22,247,891

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2022:

June 30, 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr V Busakwe	778	15	793
Cllr B Hukwe	77	1	78
Cllr M Jan	7,236	1,264	8,500
Cllr M Jan	2,283	1,728	4,011
Cllr I London	6,125	350	6,475
Cllr I London	9,210	191	9,401
Cllr WM Moeti	22,589	1,574	24,163
Cllr TD Matlotlo	728	1,124	1,852
Cllr V Mnana	1,903	304	2,207
Cllr V Mnana	17,065	1,461	18,526
Cllr WC Nodwele	60,915	1,825	62,740
Cllr WC Nodwele	1,654	264	1,918
Cllr VD Davids	131,353	4,082	135,435
Cllr Y Zweni	3,537	656	4,193
	265,453	**14,839**	**280,292**

June 30, 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr N Ngubo	-	359	359
Cllr Y Zweni	-	599	599
Cllr M Solani	-	419	419
Cllr L Nkunzi	-	250	250
Cllr DM Jam	2,592	59	2,651
Cllr MNE Jordaan	83,622	646	84,268
Cllr DF Hartkopf	-	2,335	2,335
Cllr DU Plessis	-	230	230
Cllr MW Mokhoabane	1,256	1,834	3,090
	87,470	**6,731**	**94,201**

Supply chain management regulations

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

Notes to the Financial Statements

Figures in Rand	2022	2021

50. 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 municipal council and includes a note to the financial statements.

Walter Sisulu LM have incurred expenditure by not following the Supply Chain Management policy during the year. Three quotations were not obtained as per the SCM policy for various services.
These procurement resulted to Deviations shown below.

Deviation	2022	2021
Impractical to follow SCM process	460,745	974,080
Emergency	3,021,093	1,276,592
Single provider	1,742,290	713,550
	5,224,128	**2,964,222**