

WALTER SISULU LOCAL MUNICIPALITY



WALTER SISULU
LOCAL MUNICIPALITY
Botho Humanity Ubuntu

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2023

WALTER SISULU LOCAL MUNICIPALITY

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WALTER SISULU LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Walter Sisulu Local Municipality performs the functions as set out in the Constitution. (Act no 108 of 1996).

LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998).

JURISDICTION

The Walter Sisulu Local Municipality includes the following areas:

Malestwai	Burgersdorp	Venterstad
James Calata	Steynsburg	Oviston

MEMBERS OF COUNCIL

<u>Councillor</u>	<u>Position</u>	<u>Councillor</u>	<u>Position</u>
Cllr V Davids	Mayor	Cllr W Nodwele	Ward 1 Councillor
Cllr N Mathetha	Speaker	Cllr B Hukwe	Ward 2 Councillor
Cllr Y Zweni	Chief Whip	Cllr M Nel	Ward 3 Councillor
Cllr E Pretorius	Executive Committee	Cllr V Bushakwe	Ward 4 Councillor
Cllr M Botha	Executive Committee	Cllr Z Wele	Ward 5 Councillor
Cllr E Theron	PR Councillor	Cllr W Moeti	Ward 6 Councillor
Cllr VA Schoeman	PR Councillor	Cllr K Mathunya	Ward 7 Councillor
Cllr M Jan	PR Councillor	Cllr B George	Ward 8 Councillor
Cllr S Bangisa	PR Councillor	Cllr I London	Ward 9 Councillor
Cllr K Mmembe	PR Councillor	Cllr T Matlotlo	Ward 10 Councillor
Cllr PG Tau	PR Councillor	Cllr N Moyo	Ward 11 Councillor
Cllr V Mnanana	Deceased (September 2022)		

MUNICIPAL MANAGER

K Gashi

CHIEF FINANCIAL OFFICER

Y Ngqele

REGISTERED OFFICE

1 Jan Greyling Street, Burgersdorp, 9744

AUDITORS

Office of the Auditor General (AGSA)

PRINCIPAL BANKERS

First National Bank, Aliwal North

ATTORNEYS

Mbabane Maswazi & Mkosana Inc

Tshangana Le Roux Inc.

WALTER SISULU LOCAL MUNICIPALITY

GENERAL INFORMATION

Phillip and Mabona Attorneys Inc.

Rampai Attorneys

Siyathemba Sokutu Attorneys

Horn Kumm Fouche

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Basic Conditions of Employment Act (Act no 75 of 1997)

Unemployment Insurance Act (Act no 30 of 1966)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

mSCOA Regulations

Municipal Cost Containment Regulations, 2019

Employment Equity Act (Act no 55 of 1998)

Local Government: Municipal Staff Regulations

The Constitution of the Republic of South Africa Act 108, 1996

WALTER SISULU LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2023, which are set out on pages 1 to 113 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2024 as noted in the Note on going concern the Municipality has a number of challenges however is considered to be a going concern based on the fact that there is no intention to cease operations or liquidate

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this 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 both 2021/22 and 2022/23 financial years, 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.

K Gashi
Municipal Manager

31 August 2023
Date

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

	Notes	2023 R (Actual)	2022 R (Restated)
ASSETS			
Current Assets		253,271,100	196,598,018
Cash and Cash Equivalents	2	5,372,250	24,449,261
Receivables from Exchange Transactions	3	177,644,594	115,683,134
Receivables from Non-exchange Transactions	4	54,606,822	36,818,175
VAT Receivable	5	15,142,079	19,159,791
Inventory	6	505,355	487,658
Non-current Assets		969,954,245	976,841,749
Investment Property	7	109,401,728	109,549,718
Property, Plant And Equipment	8	844,993,219	856,404,958
Biological assets	9	10,453,139	5,194,032
Intangible Assets	10	2,121,453	2,708,336
Heritage Assets	11	2,984,705	2,984,705
Total Assets		1,223,225,345	1,173,439,767
Current Liabilities		646,158,809	575,772,713
Current Portion of Long-Term Liabilities	12	328,551	1,025,913
Consumer Deposits	13	2,451,053	2,407,527
Payables from Exchange Transactions	14	623,884,693	554,501,883
Unspent Conditional Government Grants	15	3,236,000	3,802,192
Current Employee Benefits	16	16,258,511	14,035,198
Non-current Liabilities		77,410,632	79,291,561
Long-Term Liabilities	12	1,307,801	927,264
Employee Benefits	17	34,007,001	34,420,000
Non-Current Provisions	18	42,095,830	43,944,297
Total Liabilities		723,569,441	655,064,273
Net Assets		499,655,906	518,375,493
Accumulated Surplus	19	499,655,902	518,375,489
Total Net Assets		499,655,902	518,375,489

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2023

		2023 R (Actual)	2022 R (Restated)
REVENUE	Notes		
REVENUE FROM NON-EXCHANGE TRANSACTIONS		177,291,599	139,295,455
Taxation Revenue		50,353,383	48,862,327
Property Rates	20	50,353,383	48,862,327
Transfer Revenue - Government Grants and Subsidies		115,155,488	88,124,188
Government Grants and Subsidies - Capital	21	33,174,664	13,172,899
Government Grants and Subsidies - Operating	21	81,153,819	74,951,289
Contributed Asset		827,005	-
Other Revenue		11,782,729	2,308,939
Fines, Penalties and Forfeits	22	1,154,033	350,498
Actuarial Gains	23	4,469,509	133,793
Fair Value Adjustments	24	5,259,108	1,824,648
Other Income	31	900,079	-
REVENUE FROM EXCHANGE TRANSACTIONS		222,815,461	184,818,278
Operating Activities		222,815,461	184,818,278
Service Charges	25	180,364,076	150,076,625
Rental of Facilities and Equipment	26	1,916,426	2,175,063
Interest Earned - External Investments	27	1,621,380	759,459
Interest Earned - Outstanding Debtors	28	32,609,035	26,239,163
Licences and Permits	29	393,478	428,772
Agency Services	30	2,352,006	2,281,768
Other Income	31	3,559,060	2,857,428
TOTAL REVENUE		400,107,060	324,113,733
EXPENDITURE			
Employee Related Costs	32	115,465,088	105,898,089
Remuneration of Councillors	33	9,277,328	8,503,597
Debt Impairment	34	4,881,168	49,249,214
Depreciation and Amortisation	35	32,215,965	33,411,683
Impairments	36	1,884,813	388,358
Actuarial Losses	37	-	1,229,779
Finance Charges	38	45,965,885	35,869,004
Bulk Purchases	39	132,638,416	128,043,873
Other Expenditure	40	56,358,321	41,627,939
Repairs and Maintenance	41	12,909,076	11,959,743
Loss on Disposal of Assets	42	7,230,587	79,860,889
TOTAL EXPENDITURE		418,826,648	496,042,168
NET DEFICIT FOR THE YEAR		(18,719,587)	(171,928,435)

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2023

	ACCUMULATED SURPLUS R	TOTAL R
Balance on 30 June 2021 - Previously Reported	920,339,130	920,339,130
Prior Period Adjustment - Refer to note 43.12	(230,035,206)	(230,035,206)
Balance on 30 June 2021 - Restated	690,303,924	690,303,924
Net Deficit for the Year	(171,928,435)	(171,928,435)
Balance on 30 June 2022 - Restated	518,375,489	518,375,489
Net Deficit for the Year	(18,719,587)	(18,719,587)
	-	-
Balance on 30 June 2023	499,655,902	499,655,902

WALTER SISULU LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2023

	Notes	2023 R (Actual)	2022 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		57,022,908	27,729,411
Service Charges		138,146,924	117,538,793
Other Revenue		(6,229,079)	10,821,514
Government - Operating		82,064,688	74,951,289
Government - Capital		31,697,604	14,437,342
Interest		1,621,380	759,459
Payments			
Employees		(124,742,416)	(113,392,804)
Suppliers		(125,728,914)	(72,257,992)
Finance Charges		(37,545,423)	(28,857,526)
NET CASH FROM OPERATING ACTIVITIES	44	16,307,671	31,729,486
CASH FLOW FROM INVESTING ACTIVITIES			
Payments			
Purchase of Property, Plant and Equipment		(34,319,010)	(17,589,820)
Purchase of Intangible Assets		-	(218,206)
NET CASH USED INVESTING ACTIVITIES		(34,319,010)	(17,808,026)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments			
Repayment of borrowing		(316,825)	(301,400)
NET CASH USED FINANCING ACTIVITIES		(316,825)	(301,400)
NET INCREASE/(DECREASE) IN CASH HELD		(18,328,166)	13,620,057
Cash and Cash Equivalents at the beginning of the year		24,449,261	10,829,204
Cash and Cash Equivalents at the end of the year	45	5,372,250	24,449,261
NET INCREASE/(DECREASE) IN CASH HELD		(19,077,011)	13,620,057

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2023 R (Actual)	2023 R (Final Budget)	2023 R (Variance)
ASSETS			
Current Assets			
Cash	2,715,998	22,464,373	(19,748,375)
Call Investment Deposits	2,656,252	2,616,278	39,974
Consumer Debtors	230,233,689	70,068,649	160,165,040
Other Receivables	17,159,806	108,823,961	(91,664,155)
Inventory	505,355	(590,000)	1,095,355
Total Current Assets	253,271,100	203,383,261	49,887,839
Non Current Assets			
Investment Property	109,401,728	113,762,608	(4,360,880)
Property, Plant and Equipment	844,993,219	742,471,801	102,521,418
Biological Assets	10,453,139	3,450,000	7,003,139
Intangible Assets	2,121,453	3,476,705	(1,355,252)
Other Non-Current Assets	2,984,705	2,990,000	(5,295)
Total Non-Current Assets	969,954,245	866,151,114	103,803,131
TOTAL ASSETS	1,223,225,345	1,069,534,375	153,690,970
LIABILITIES			
Current Liabilities			
Borrowing	328,551	305,350	23,201
Consumer Deposits	2,451,053	2,425,373	25,680
Trade and Other Payables	627,120,693	590,003,746	37,116,947
Provisions	16,258,511	45,565,175	(29,306,664)
Total Current Liabilities	646,158,810	638,299,644	7,859,165
Non-Current Liabilities			
Borrowing	1,307,801	525,911	781,890
Provisions	76,102,831	-	76,102,831
Total Non-Current Liabilities	77,410,632	525,911	76,884,721
TOTAL LIABILITIES	723,569,442	638,825,555	84,743,886
NET ASSETS	499,655,906	430,708,820	68,947,085
COMMUNITY WEALTH			
Accumulated Surplus	499,655,902	954,912,071	(455,256,169)
TOTAL COMMUNITY WEALTH/EQUITY	499,655,902	954,912,071	(455,256,169)

Refer to note 46.2 for further details relating to material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

ADJUSTMENTS TO APPROVED BUDGET

	2023 R	2023 R	2023 R
	(Original Budget)	(Adjustments)	(Final and Approved Budget)
ASSETS			
Current assets			
Cash	(24,141,383)	46,605,756	22,464,373
Call Investment Deposits	-	2,616,278	2,616,278
Consumer Debtors	(34,108,166)	104,176,815	70,068,649
Other Receivables	57,852,525	50,971,436	108,823,961
Inventory	347,278	(937,278)	(590,000)
Total Current Assets	(49,746)	203,433,007	203,383,261
Non-Current Assets			
Investment Property	(154,995,942)	268,758,550	113,762,608
Property, Plant And Equipment	477,183,912	265,287,889	742,471,801
Biological Assets	352,075,928	(348,625,928)	3,450,000
Intangible Assets	9,643,307	(6,166,602)	3,476,705
Other Non-Current Assets	2,984,705	5,295	2,990,000
Total Non Current Assets	686,891,910	179,259,204	866,151,114
TOTAL ASSETS	686,842,164	382,692,211	1,069,534,375
LIABILITIES			
Current Liabilities			
Borrowing	-	305,350	305,350
Consumer Deposits	2,397,373	28,000	2,425,373
Trade and Other Payables	537,015,432	52,988,314	590,003,746
Provisions	-	45,565,175	45,565,175
Total Current Liabilities	539,412,805	98,886,839	638,299,644
Non Current Liabilities			
Borrowing	547,617	(21,706)	525,911
Total Non-Current Liabilities	547,617	(21,706)	525,911
TOTAL LIABILITIES	539,960,422	98,865,133	638,825,555
NET ASSETS	146,881,742	283,827,078	430,708,820
COMMUNITY WEALTH			
Accumulated Surplus	146,881,742	808,030,329	954,912,071
TOTAL COMMUNITY WEALTH/EQUITY	146,881,742	808,030,329	954,912,071

Refer to note 46.2 for further details relating to material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2023

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2023 R (Actual)	2023 R (Final Budget)	2023 R (Variance)
REVENUE BY SOURCE			
Property Rates	50,353,383	51,567,300	(1,213,917)
Service Charges - Electricity Revenue	149,936,978	145,975,762	3,961,216
Service Charges - Refuse Revenue	30,427,098	21,847,720	8,579,378
Rental Of Facilities and Equipment	1,916,426	2,898,760	(982,334)
Interest Earned - External Investments	1,621,380	1,765,000	(143,620)
Interest Earned - Outstanding Debtors	32,609,035	30,204,549	2,404,486
Fines, penalties and forfeits	1,154,033	386,332	767,701
Licences and Permits	393,478	7,574,400	(7,180,922)
Agency Services	2,352,006	4,594,000	(2,241,994)
Transfers and subsidies	81,153,819	82,334,072	(1,180,253)
Other Revenue	4,459,138	3,118,788	1,340,350
Gains	9,728,617	-	9,728,617
TOTAL OPERATING REVENUE	366,105,392	352,266,683	13,838,709
EXPENDITURE BY TYPE			
Employee Related Costs	115,465,088	107,824,113	7,640,975
Remuneration of Councillors	9,277,328	8,760,413	516,915
Debt Impairment	4,881,168	19,000,000	(14,118,832)
Depreciation & Asset Impairment	34,100,778	24,670,000	9,430,778
Finance Charges	45,965,885	30,098,000	15,867,885
Bulk purchases - electricity	132,638,416	141,711,240	(9,072,824)
Contracted Services	9,208,867	26,695,411	(17,486,544)
Transfers and Grants	-	450,640	(450,640)
Other Expenditure	60,058,530	21,754,546	38,303,984
TOTAL OPERATING EXPENDITURE	411,596,061	380,964,363	30,631,698
OPERATING DEFICIT FOR THE YEAR	(45,490,669)	(28,697,680)	(16,792,989)
Transfers and subsidies - Capital	34,086,059	31,697,600	2,388,459
NET SURPLUS/(DEFICIT) FOR THE YEAR	(11,404,610)	2,999,920	(14,404,530)

Refer to note 46.2 for further details relating to material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2023

ADJUSTMENTS TO APPROVED BUDGET

	2023 R	2023 R	2023 R
	(Original Budget)	(Adjustments)	(Final and Approved Budget)
REVENUE BY SOURCE			
Property Rates	59,047,091	(7,479,791)	51,567,300
Service Charges - Electricity Revenue	120,534,444	25,441,318	145,975,762
Service Charges - Refuse Revenue	15,426,630	6,421,090	21,847,720
Rental of Facilities and Equipment	3,041,820	(143,060)	2,898,760
Interest Earned - External Investments	1,427,795	337,205	1,765,000
Interest Earned - Outstanding Debtors	17,993,413	12,211,136	30,204,549
Fines, penalties and forfeits	388,610	(2,278)	386,332
Licences and Permits	6,663,444	910,956	7,574,400
Agency Services	4,704,338	(110,338)	4,594,000
Transfers and subsidies	82,334,072	-	82,334,072
Other Revenue	4,300,773	(1,181,985)	3,118,788
TOTAL OPERATING REVENUE	315,862,430	36,404,253	352,266,683
EXPENDITURE BY TYPE			
Employee Related Costs	109,925,948	(2,101,835)	107,824,113
Remuneration of Councillors	8,760,413	-	8,760,413
Debt Impairment	26,000,000	(7,000,000)	19,000,000
Depreciation & Asset Impairment	49,921,223	(25,251,223)	24,670,000
Finance Charges	11,213,600	18,884,400	30,098,000
Bulk purchases - electricity	121,000,000	20,711,240	141,711,240
Contracted Services	26,848,799	(153,388)	26,695,411
Transfers and subsidies	550,200	(99,560)	450,640
Other Expenditure	20,811,376	943,170	21,754,546
TOTAL OPERATING EXPENDITURE	375,031,559	5,932,804	380,964,363
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	(59,169,129)	30,471,449	(28,697,680)
Transfers and subsidies - Capital	31,697,600	-	31,697,600
NET SURPLUS/(DEFICIT) FOR THE YEAR	(27,471,529)	30,471,449	2,999,920

Refer to note 46.2 for further details relating to material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2023

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2023 R (Actual)	2023 R (Final Budget)	2023 R (Variance)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates	57,022,908	50,832,205	6,190,703
Service charges	138,146,924	143,649,960	(5,503,036)
Other revenue	(6,272,606)	20,046,512	(26,319,118)
Transfers and Subsidies - Operational	82,064,688	81,138,000	926,688
Transfers and Subsidies - Capital	31,697,604	32,748,000	(1,050,396)
Interest	1,621,380	1,765,000	(143,620)
Payments			
Suppliers and Employees	(250,471,330)	(275,174,108)	24,702,778
Finance Charges	(37,545,423)	(19,706,084)	(17,839,339)
NET CASH FROM OPERATING ACTIVITIES	16,264,144	35,299,485	(19,035,341)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Capital Assets	(34,319,010)	(36,934,093)	2,615,083
NET CASH USED IN INVESTING ACTIVITIES	(34,319,010)	(36,934,093)	2,615,083
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase/(Decrease) in Consumer Deposits	43,527	(44,929)	88,456
Payments			
Repayment of borrowing	(316,825)	(305,350)	(11,475)
NET CASH USED IN FINANCING ACTIVITIES	(273,298)	(350,279)	76,981
NET DECREASE IN CASH HELD	(18,328,166)	(1,984,887)	(16,343,278)
Cash/cash equivalents at the year begin:	24,449,261	24,449,261	(0)
Cash/cash equivalents at the year end:	5,372,250	22,464,374	(17,092,124)
NET DECREASE IN CASH HELD	(19,077,011)	(1,984,887)	(17,092,123)

Refer to note 46.2 for further details relating to material variances.

WALTER SISULU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2023

ADJUSTMENTS TO APPROVED BUDGET

	2023 R	2023 R	2023 R
	(Original Budget)	(Adjustments)	(Final and Approved Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates	56,094,736	(5,262,531)	50,832,205
Service charges	129,163,019	14,486,941	143,649,960
Other revenue	19,079,554	966,958	20,046,512
Transfers and Subsidies - Operational	82,334,072	(1,196,072)	81,138,000
Transfers and Subsidies - Capital	31,698,000	1,050,000	32,748,000
Interest	-	1,765,000	1,765,000
Payments			
Suppliers and Employees	(287,346,536)	12,172,428	(275,174,108)
Finance Charges	-	(19,706,084)	(19,706,084)
NET CASH FROM OPERATING ACTIVITIES	31,022,845	4,276,640	35,299,485
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Capital Assets	(31,697,600)	(5,236,493)	(36,934,093)
NET CASH USED IN INVESTING ACTIVITIES	(31,697,600)	(5,236,493)	(36,934,093)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Decrease in Consumer Deposits	(44,929)	-	(44,929)
Payments			
Repayment of borrowing	-	(305,350)	(305,350)
NET CASH USED IN FINANCING ACTIVITIES	(44,929)	(305,350)	(350,279)
NET DECREASE IN CASH HELD	(719,684)	(1,265,203)	(1,984,887)
Cash/cash equivalents at the year begin:	7,556,217	16,893,044	24,449,261
Cash/cash equivalents at the year end:	6,836,533	15,627,841	22,464,374
NET DECREASE IN CASH HELD	(719,684)	(1,265,203)	(1,984,887)

Refer to note 46.2 for further details relating to material variances.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

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

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.05 COMPARATIVE INFORMATION

1.05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

1.06 MATERIALITY

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

1.07 BUDGET INFORMATION

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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt the Improvements to the Standards of GRAP (2020) which were issued but are not yet effective. The improvements affected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 5	Borrowing Costs	1 April 2023
GRAP 13	Leases	1 April 2023
GRAP 16	Investment Property	1 April 2023
GRAP 17	Property Plant and Equipment	1 April 2023
GRAP 20	Related Party Disclosures	1 April 2023
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2023
GRAP 31	Intangible Assets	1 April 2023
GRAP 32	Service Concession Arrangements: Grantor	1 April 2023
GRAP 37	Joint Arrangements	1 April 2023
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	1 April 2023
Directive 7	The Application of Deemed Cost	1 April 2023
Guideline	Accounting for Landfill Sites	1 April 2023

The Municipality also resolved to early adopt the following Interpretation of the Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
iGRAP 21	The Effect of Past Decisions on Materiality	1 April 2023

The Municipality further resolved to early adopt the following Amendments to the Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 1 (2019)	Presentation of Financial Statements	1 April 2023

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The effect of the above-mentioned pronouncements to the Standards of GRAP which were early adopted is considered insignificant. The early adopted pronouncements mainly relate to the clarification of accounting principles.

The Municipality further resolved not to early adopt the following Standard of GRAP which was issued but is not yet effective:

1.08.1 GRAP 104 (Revised 2019) - Financial Instruments (effective 1 April 2025)

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. This Standard was revised to align it with IFRS 9 on Financial Instruments.

The impact of the revised Standard may be significant on the financial statements, due to the following key changes to the Standard:

- (a) Changes in the classification of instruments for subsequent measurement – financial assets are measured at either amortised cost or fair value based on the reason why they are held and their economic characteristics. Specific liabilities are measured at fair value, and all others are measured at amortised
- (b) The approach to impairing financial assets changed from an incurred loss to an expected loss model. As indicated in the name, expected losses estimate the expected default of financial assets over a period of time rather than only recognising an impairment loss when an event occurs.
- (c) Loan commitments and financial guarantee contracts are recognised and measured differently. They are no longer in the scope of GRAP 19 on Provisions, Contingent Liabilities and Contingent Assets. When entering into these transactions there is an economic consequence that exposes an entity to risk. Accounting for them as financial instruments best captures this risk exposure.
- (d) With the changes in the classification of instruments and impairment approach, there is new information that GRAP 104 requires entities to disclose

1.08.2 GRAP 25 (Revised 2021) - Employee Benefits (effective 1 April 2023)

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. This Standard was revised to align it with IPSAS 39 on Employee Benefits.

The impact, other than additional disclosure, of the Standards on the financial statements will be not be

1.08.3 iGRAP 7 (Revised 2021) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective 1 April 2023)

This Interpretation addresses the following:

- (a) When refunds or reductions in future contributions should be regarded as available in accordance with the definition of the asset ceiling.
- (b) How a minimum funding requirement might affect the availability of reductions in future contributions.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but is not yet effective and the Minister of Finance has not yet determined an effective date for implementation, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.08.2.1 GRAP 103 (Revised 2022) - Heritage Assets

The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.

Preliminary investigations indicate that this revised Standard may have a significant impact with regards to heritage assets which have a dual purpose. Even though some heritage assets can have cultural significance while being used in delivering services, the revised Standard will now require that all heritage assets be accounted for using GRAP 103. A consequence of this amendment is that a heritage asset will no longer be depreciated. Instead, a heritage asset should be tested for impairment when an impairment indicator has been triggered.

1.08.2.2 Amendments to GRAP 1 on Presentation of Financial Statements (2022)

The amendments to the Standard clarifies how to apply going concern assumption in the public sector and improve disclosure on related judgements and conclusions.

The impact of these amendments to the Standard on the financial statements will not be significant.

1.09 INVESTMENT PROPERTY

1.09.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.09 INVESTMENT PROPERTY (CONTINUED)

Investment property is initially measured at cost on 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 an investment property is acquired through a non-exchange transaction, its cost is measured at 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.

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.

1.09.2 Subsequent Measurement – Cost Model

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

1.09.3 Depreciation – Cost Model

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.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

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.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	25 - 30 years
Land	Indefinite

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.09 INVESTMENT PROPERTY (CONTINUED)

1.09.4 Impairment

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.

1.09.5 Derecognition

An 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 determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

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

1.10 PROPERTY, PLANT AND EQUIPMENT

1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current 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 year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised 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 the 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.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset 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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

1.10.2 Subsequent Measurement - Cost Model

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.10.3 Depreciation

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.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

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 annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	25 - 30
Motor Vehicles	5 - 15
Office Equipment	1 - 20
Infrastructure	7 - 50
Community	25

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

1.10.4 Impairment

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.

1.10.5 Derecognition

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

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

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.

1.11 BIOLOGICAL ASSETS

1.11.1 Initial Recognition

A biological asset is a living animal or plant, while agricultural produce is the harvested product of the biological asset.

A biological asset or agricultural produce is recognised when:

- (a) the Municipality controls the asset as a result of a past event;
- (b) it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- (c) and the fair value or cost of the asset can be measured reliably.

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

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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.11 BIOLOGICAL ASSETS (CONTINUED)

1.11.2 Subsequent Measurement

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

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance 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.

1.12 INTANGIBLE ASSETS

1.12.1 Initial Recognition

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

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 is measured at its fair value at the 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 intangible asset 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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.12 INTANGIBLE ASSETS (CONTINUED)

- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.12.2 Subsequent Measurement - Cost Model

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

1.12.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life 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. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in the Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	5 - 10

1.12.4 Impairment

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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.12 INTANGIBLE ASSETS (CONTINUED)

1.12.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

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.

1.13 HERITAGE ASSETS

1.13.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised 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.

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 an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset 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 a heritage asset 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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.13.2 Subsequent Measurement – Cost Model

Heritage assets are carried at its cost less any accumulated impairment losses.

1.13.3 Depreciation

Heritage assets are not depreciated.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.13 HERITAGE ASSETS (CONTINUED)

1.13.4 Impairment

Heritage 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.

1.13.5 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset.

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.

Compensation from third parties for heritage assets that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.14 IMPAIRMENT OF NON-MONETARY ASSETS

An 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.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

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

1.14.1 Recoverable amount of Cash-generating assets

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

The best evidence of 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.

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.14 IMPAIRMENT OF NON-MONETARY ASSETS

1.14.2 Recoverable amount of Non-cash-generating assets

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. 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.

1.14.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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

1.14.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.15 INVENTORIES

1.15.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

1.15.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount 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 expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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 would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is based on actual cost.

Cost of land held for sale is assigned by using specific identification of their individual costs.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.16 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality 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. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

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

1.16.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.16.1.1 *Multi-employer defined benefit plans*

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.16.1.2 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at 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 requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.16 EMPLOYEE BENEFITS (CONTINUED)

1.16.2 Long-term Benefits

1.16.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.16.3 Short-term 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; 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 municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

1.16.3.1 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 reporting date and also on the total remuneration package of the employee.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.16 EMPLOYEE BENEFITS (CONTINUED)

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.

1.16.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

1.17 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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 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 will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality 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.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.18 LEASES

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

1.18.1 Municipality as Lessee

1.18.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1.18.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1.18.2 Municipality as Lessor

1.18.2.1 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

1.19 MATERIAL LOSSES

Material losses represent electricity losses during distribution. Losses are calculated as the difference between electricity units purchased and units sold. Technical losses are measured at 7% of the total loss. The loss is calculated at the purchase price per unit.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.20 FINANCIAL INSTRUMENTS

1.2.1 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.

1.2.2 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.
- (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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.20 FINANCIAL INSTRUMENTS (CONTINUED)

1.2.3 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.

1.2.3.1 *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.

1.2.3.2 *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.

1.2.4 Derecognition of financial instruments

1.2.4.1 *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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.20 FINANCIAL INSTRUMENTS (CONTINUED)

1.2.4.2 *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.

1.2.5 **Offsetting of financial instruments**

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.

1.21 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.210.1 **Initial Recognition**

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

1.210.2 **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 subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.210.3 **Impairment and uncollectability of statutory receivables**

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.21 STATUTORY RECEIVABLES (CONTINUED)

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.210.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

1.22 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.23 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.24 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.25 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.26 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.27 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND UNSPENT PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.28 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.28.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.28 REVENUE (CONTINUED)

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.28.1.1 *Taxation Revenue*

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1.28.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1.28.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue. In cases where fines and summonses are issued by another government departments, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

1.28.1.4 *Insurance Receipts*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

1.28.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

1.28.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.28 REVENUE (CONTINUED)

1.28.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.28.1.8 Contributed Assets

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1.28.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

1.28.2.1 *Service Charges*

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. The pre-paid electricity sold, but not consumed yet at reporting date is recognised as a liability under Payables from Exchange Transactions in the Statement of Financial Position.

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.28 REVENUE (CONTINUED)

1.28.2.2 *Investment income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.28.2.3 *Rental income*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.28.2.4 *Income from Agency Services*

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

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

1.28.2.5 *Other Tariffs*

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

1.28.2.6 *Sale of goods*

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

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.28.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.29 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.30 EXPENDITURE

Expenditure is recognised on the accrual basis of accounting in the period in which they are incurred at transaction cost. Financing components are recognised as Finance costs in the Statement of Financial Performance. Expenditure is classified according to their nature, rather than their function.

1.31 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 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), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.33 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.34 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.35 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.36 EVENTS AFTER REPORTING DATE

Events after the 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:

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.37 RELATED PARTIES

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

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

Management is considered a related party and comprises 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.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

The Municipality is exempt from the disclosure requirements in relation to related party transactions if that transactions occurs within the normal supplier and/or client/recipient relationship 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 the terms and conditions are within the normal operating parameters established by Municipality's legal mandate.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

Where the Municipality is exempt from the disclosures in accordance with the above-mentioned paragraph, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable to users of the financial statements to understand the effect of related party transactions.

1.37 RELATED PARTIES (CONTINUED)

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

1.38 ACCOUNTING BY PRINCIPALS AND AGENTS

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

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

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

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.38 ACCOUNTING BY PRINCIPALS AND AGENTS (CONTINUED)

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

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

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

Where the Municipality acts as a principal, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

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

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

1.39 LIVING AND NON-LIVING RESOURCES

Living resources are those resources that undergo biological transformation which comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, is not recognised. The Standard only requires disclosure of the relevant resources.

The Municipality has assessed that it does not control any living resources.

1.40 SEGMENT REPORTINGS

A segment is an activity of the Municipality:

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.40 SEGMENT REPORTINGS (CONTINUED)

Management comprises 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.

Financial information relating to the reporting segments are aligned to the financial information distributed to management on a regular basis (similar basis of preparation). This information is utilised to measure performance of the relevant services provided by the municipality and also to ensure that resources are appropriately allocated to various departments/segments to provide high quality services to the community.

Adjustments and eliminations made in preparing the Municipality's financial statements, which includes the allocation basis of revenues and expenses, are prepared on a similar basis as the information distributed to management on a regular basis.

Financial information distributed to management does not include a segment/department analysis of assets and liabilities associated with each segment/department. In line with this principle utilised during the financial year, the segment reporting included in the financial statements are prepared on a similar basis which excludes such an analysis. Assets and liabilities are reported on for the municipality as a whole.

Management reviews capital expenditure/performance on a regular basis and accordingly the relevant information is reported on per segment.

1.41 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.41.1 Application of Directive 7

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.41 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

1.41.2 Impairment of Receivables

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

1.41.3 Useful lives and residual values

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

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

1.41.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

1.41.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical obligations and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.41 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.41.6 Provisions and Contingent Liabilities

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

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

1.41.7 Distinguishing between Financial Instruments and Statutory Receivables

The Municipality analyses the terms and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgement is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

1.41.8 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.41.9 Revenue Recognition

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

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

In considering the revenue to which the Municipality is entitled, the Municipality considers other factors that may impact the inflow of future economic benefits or service potential on initial recognition of revenue. Such factors include fines issued which will be reduced or withdrawn after reporting date. The Municipality applies judgement based on past experience and current facts and circumstances in order to adjust the traffic fine revenue accordingly.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

1.39 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.41.10 Recognition and Derecognition of Land

In order for land to meet the definition of an asset, the Municipality must be able to prove that control is being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substantive right for an unlimited period through a binding arrangement.

The above-mentioned assessment is subject to management's judgements and assumptions are applied to conclude that the Municipality controls land.

1.41.11 Applying materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality's circumstances. The assessment of materiality therefore requires management to apply judgement about:

- (a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.
- (b) How the nature or size or both, of the information could reasonably be expected to influence users' decisions.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
2 CASH AND CASH EQUIVALENTS		
Bank Balances	2,715,998	8,684,706
Short-term Deposits	2,656,252	15,764,555
Cash on Hand	-	-
Total	5,372,250	24,449,261
Due to the short term nature of cash deposits, all balances included above is in line with their fair value		
Cash and Cash Equivalents are held to support the following commitments:		
Unspent Conditional Grants	3,236,000	3,802,192
Working Capital Requirements	2,136,250	20,647,069
Total	5,372,250	24,449,261
Primary Bank Account		
First National Bank - Main Account - 6247 6326 965		
Bank Statement Balance - Opening Balance	8,588,635	7,255,948
Bank Statement Balance - Closing Balance	2,668,081	8,588,635
Cashbook Balance - Opening Balance	8,674,281	7,255,948
Cashbook Balance - Closing Balance	2,715,700	8,674,281
Other Bank Accounts		
ABSA Bank - Aliwal North Branch - 1750 14 1125		
Bank Statement Balance - Opening Balance	6,197	9,727
Bank Statement Balance - Closing Balance	298	6,197
Cashbook Balance - Opening Balance	6,197	9,727
Cashbook Balance - Closing Balance	298	6,197
Call and Notice Deposits		
Call and Notice Deposits consist out of the following accounts:		
ABSA 32 Day Notice - Acc 92 7883 5880	1,097,929	1,039,146
ABSA 32 Day Notice - Acc 90 6448 9631	7,958	7,744
ABSA 32 Day Notice - Acc 50 6434 4937	2,406	2,348
ABSA Call Account - Acc 92 7435 2868	442,931	417,300
First National Bank Call Account - Acc 62 4822 13247	1,105,028	14,298,017
Total	2,656,252	15,764,555

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2023

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	323,686,573	146,041,979	177,644,594
Electricity	111,796,205	23,808,867	87,987,337
Refuse	116,155,989	76,573,674	39,582,315
Other Arrears	95,734,380	45,659,438	50,074,941
Total	323,686,573	146,041,979	177,644,594

30 JUNE 2022

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	299,222,662	183,539,528	115,683,134
Electricity	129,110,205	35,755,812	93,354,393
Refuse	108,086,040	103,301,922	4,784,119
Other Arrears	62,026,416	44,481,795	17,544,622
Total	299,222,662	183,539,528	115,683,134
Balance Previously Reported	315,079,652	157,759,326	157,320,326
Prior Period Adjustment - Refer to note 43.01	(16,610,314)	25,780,202	(42,390,516)
Restated Balance on 30 June 2022	298,469,338	183,539,528	114,929,810

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

	2023 R	2022 R
Ageing of service receivables:		
Electricity Ageing		
Current (0 - 30 days)	26,641,073	391,139
Past Due (31 - 60 Days)	3,367,446	3,155,339
Past Due (61 - 90 Days)	4,081,608	5,003,911
Past Due (90 Days +)	77,737,691	119,806,492
Total	111,827,818	128,356,881

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)		
Refuse Ageing		
Current (0 - 30 days)	5,623,559	1,398,660
Past Due (31 - 60 Days)	2,437,513	1,429,046
Past Due (61 - 90 Days)	2,376,894	1,375,044
Past Due (90 Days +)	105,718,023	103,883,290
Total	116,155,989	108,086,040
Other Arrears		
Current (0 - 30 days)	14,719,909	1,957,751
Past Due (31 - 60 Days)	3,199,129	4,671,886
Past Due (61 - 90 Days)	6,605,407	3,921,331
Past Due (90 Days +)	68,820,436	50,937,401
Total	93,344,881	61,488,369
Total Service Receivables Ageing		
Current (0 - 30 days)	46,984,541	3,747,550
Past Due (31 - 60 Days)	9,004,089	9,256,271
Past Due (61 - 90 Days)	13,063,909	10,300,286
Past Due (90 Days +)	252,276,150	274,627,184
Total	321,328,688	297,931,291
Reconciliation of Allowance for impairment		
Balance at the beginning of the year	183,539,528	146,152,872
Contribution to the provision	28,443,761	37,386,657
Electricity	(7,406,131)	7,741,916
Refuse	20,192,143	14,011,514
Other Arrears	15,657,750	15,633,227
Bad Debts Written off	(65,941,310)	-
Electricity	(4,540,813)	-
Refuse	(46,920,391)	-
Other Arrears	(14,480,106)	-
Balance at the end of the year	146,041,979	183,539,528

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2023

	Gross Balance	Allowance for impairment	Net Receivable
	R	R	R
Service Receivables	79,343,144	26,754,048	52,589,096
Rates	79,343,144	26,754,048	52,589,096
Other Receivables	2,017,726	-	2,017,726
Traffic Fines	2,528,634	-	2,528,634
Other Debtors	(510,907)	-	(510,907)
Total	81,360,871	26,754,048	54,606,822

30 JUNE 2022

	Gross Balance	Allowance for impairment	Net Receivable
	R	R	R
Service Receivables	89,663,887	53,967,859	35,696,028
Rates	89,663,887	53,967,859	35,696,028
Other Receivables	1,122,147	-	1,122,147
Traffic Fines	1,678,635	-	1,678,635
Other Debtors	(556,488)	-	(556,488)
Total	90,786,034	53,967,859	36,818,175
Balance Previously Reported	82,276,595	36,320,266	45,956,329
Prior Period Adjustment - Refer to note 43.02	6,873,264	17,581,019	(10,707,755)
Restated Balance on 30 June 2022	89,149,859	53,901,284	35,248,575

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

Receivables relating to Rates and Traffic Fines in addition to being receivables from Non-exchange transactions are Statutory receivables as defined by GRAP 108 - refer to Note 52 for further details

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023	2022
	R	R
Ageing of service receivables:		
Rates Ageing		
Current (0 - 30 days)	6,735,216	2,590,067
Past Due (31 - 60 Days)	1,182,686	2,207,599
Past Due (61 - 90 Days)	1,873,155	1,972,398
Past Due (90 Days +)	69,552,088	82,893,823
Total	79,343,144	89,663,887

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

Reconciliation of Allowance for impairment

Balance at the beginning of the year	53,901,284	42,038,727
Contribution to the provision	(23,562,593)	11,862,557
Rates	(23,562,593)	11,862,557
Bad Debts Written off	(3,651,218)	-
Rates	(3,651,218)	-
Balance at the end of the year	26,687,473	53,901,284

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
5 VAT RECEIVABLE		
Vat Receivable	15,142,079	19,159,791
Balance Previously Reported		21,885,019
Prior Period Adjustment - Refer to note 43.03		(2,725,228)
Total	15,142,079	19,159,791

The VAT Receivable Balance is made up as follows:

VAT Output in Suspense	(54,665,800)	(36,053,905)
VAT Input in Suspense	69,329,601	52,547,859
VAT Payable to/(Refundable from) SARS	478,278	2,665,837
Total	15,142,079	19,159,791

VAT is accounted for on the payment basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

Refer to Note 52 - Statutory receivables

6 INVENTORY

Consumable Stores	505,355	487,658
Total	505,355	487,658

Inventory are disclosed at the lower of cost or net realisable value.

No inventory were pledged as security for liabilities.

No Inventory losses or surpluses were identified during the annual stores counts.

Inventory recognised as an expense during the year.	2,692,688	1,640,460

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
7 INVESTMENT PROPERTY		
Investment Property - Carrying Value	109,401,728	109,549,718
Balance Previously Reported		263,169,096
Prior Period Adjustment - Refer to note 43.04		(153,619,378)
The movement in investment properties is reconciled as follows:		
Opening Carrying Value	109,549,718	172,845,908
Cost	111,885,034	181,456,035
Accumulated Depreciation	(2,335,316)	(8,610,128)
Depreciation for the year	(147,990)	(664,266)
Disposals	-	(62,631,924)
Cost	-	(69,571,002)
Accumulated Depreciation	-	6,939,078
Closing Carrying Value	109,401,728	109,549,718
Cost	111,885,034	111,885,034
Accumulated Depreciation	(2,483,305)	(2,335,316)

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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

8 PROPERTY PLANT AND EQUIPMENT

30 June 2023	Cost						Accumulated Depreciation and Impairment				Carrying Value R
	Opening Balance R	Additions R	Disposals R	IGRAP 2 adjustment	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Land	320,297,576	-	-	-	-	320,297,576	-	-	-	-	320,297,576
Buildings	112,341,165	-	-	-	-	112,341,165	63,866,243	5,597,613	-	69,463,856	42,877,308
Capitalised Restoration Cost	26,013,309	-	-	(5,261,850)	-	20,751,459	17,095,105	609,392	-	17,704,497	3,046,962
Infrastructure	631,303,569	-	(10,857,343)	-	8,789,431	629,235,657	255,662,362	18,940,655	(3,757,107)	270,845,910	358,389,747
Community Assets	83,426,821	814,505	-	-	-	84,241,326	38,566,066	5,213,089	-	43,779,155	40,462,171
Motor Vehicles	26,634,235	162,232	-	-	-	26,796,466	10,859,395	1,429,220	-	12,288,615	14,507,851
Other Assets	15,340,199	513,984	(7,500)	-	-	15,846,683	10,404,023	1,575,935	(4,743)	11,975,215	3,871,468
Work in Progress	37,501,279	32,828,289	-	-	(8,789,431)	61,540,137	-	-	-	-	61,540,137
- Infrastructure	6,263,214	24,798,038	-	-	(8,789,431)	22,271,821	-	-	-	-	22,271,821
- Community Assets	31,238,064	8,030,252	-	-	-	39,268,316	-	-	-	-	39,268,316
Total	1,252,858,152	34,319,010	(10,864,843)	(5,261,850)	-	1,271,050,469	396,453,194	33,365,905	(3,761,850)	426,057,249	844,993,219

30 JUNE 2022	Cost						Accumulated Depreciation and Impairment				Carrying Value R
	Opening Balance R	Additions R	Disposals R	IGRAP 2 adjustment	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Land	324,673,151	-	(4,375,574)	-	-	320,297,576	-	-	-	-	320,297,576
Buildings	130,199,745	-	(17,858,580)	-	-	112,341,165	64,220,428	5,860,839	(6,215,025)	63,866,243	48,474,921
Capitalised Restoration Cost	26,013,309	-	-	-	-	26,013,309	15,599,061	1,496,043	-	17,095,105	8,918,204
Infrastructure	614,071,275	82,144	(157,861)	-	17,308,010	631,303,569	238,685,458	17,129,892	(152,989)	255,662,362	375,641,207
Community Assets	84,664,025	-	(1,237,203)	-	-	83,426,821	33,571,579	5,172,202	(177,715)	38,566,066	44,860,755
Motor Vehicles	17,397,358	9,236,877	-	-	-	26,634,235	9,776,644	1,082,751	-	10,859,395	15,774,840
Other Assets	14,528,527	957,343	(145,671)	-	-	15,340,199	8,755,889	1,648,331	(196)	10,404,023	4,936,175
Work in Progress	47,495,834	7,313,455	-	-	(17,308,010)	37,501,279	-	-	-	-	37,501,279
- Infrastructure	16,257,770	7,313,455	-	-	(17,308,010)	6,263,214	-	-	-	-	6,263,214
- Community Assets	31,238,064	-	-	-	-	31,238,064	-	-	-	-	31,238,064
Total	1,259,043,223	17,589,820	(23,774,890)	-	-	1,252,858,152	370,609,060	32,390,060	(6,545,925)	396,453,194	856,404,958
Balance Previously Reported	1,159,383,622	16,427,821	-	-	-	1,175,811,443	134,394,406	23,305,502	-	157,699,908	1,018,111,535
Restated - Refer to note 43.05	99,659,601	1,161,999	(23,774,890)	-	-	77,046,710	236,214,654	9,084,558	(6,545,925)	238,753,287	(161,706,578)
Restated on 30 June 2022	1,259,043,223	17,589,820	(23,774,890)	-	-	1,252,858,153	370,609,060	32,390,060	(6,545,925)	396,453,194	856,404,958

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)		
The following work in progress balances (Cost) are included in PPE. No Depreciation charge is recognised against these amounts.		
Infrastructure - Roads and Storm water	8,897,302	6,263,213
Infrastructure - Electricity Network	13,325,133	-
Community Assets	39,317,700	31,238,064
Total Work in Progress (WIP)	61,540,136	37,501,278

Other than the following, there were no delays that are considered to be "significant" that warrants any further disclosure of individual projects as required by GRAP 17 paragraph 87 (b):

Electrification of 296 Stands in Joe Gqabi	-	-
Electrification of 392 stands in Aliwal North	-	-
Total	-	-

No such delayed projects were noted

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	397,800	397,800
Sarah Morosi - Sportsfield 14	17,728,058	14,048,891
Total	18,125,858	14,446,691

These projects have been delayed due to operational issues with the contractor

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Walter Sisulu Local Municipality.

Refer to note 18 for more detail relating to this asset financed by way of a provision

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
Expenditure incurred to repair and maintain property included in Statement of Financial Performance:		
General Expenses	12,909,076	11,959,743
Total	12,909,076	11,959,743

9 BIOLOGICAL ASSETS

Biological Assets - Fair Value	10,453,139	5,194,032
Balance Previously Reported		3,073,511
Prior Period Adjustment - Refer to note 43.06		2,120,521
The movement in biological assets is reconciled as follows:		
Opening Fair Value	5,194,032	3,369,384
Fair value adjustments	5,259,108	1,824,648
Closing Fair Value	10,453,139	5,194,032

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

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.
- Regular monitoring of game quantities by municipal staff.

Biological Assets consist out of the following at year-end:

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

Asset	2023 Quantity	2022 Quantity
Springbuck	600	220
Blesbuck	320	130
Black Wildebeest	136	67
Gemsbuck	9	21
Redhartebeest	99	70
Eland	8	6
Zebra	35	36
Ostrich	6	5
Buffalo	27	26
Mountain Reedbuck	14	8
Total	1,254	589

9 BIOLOGICAL ASSETS (CONTINUED)

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

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.

	2023 R	2022 R
10 INTANGIBLE ASSETS		
Intangible Assets - Carrying Value	2,121,453	2,708,336
Balance Previously Reported		3,019,706
Prior Period Adjustment - Refer to note 43.07		(311,370)
The movement in intangible assets is reconciled as follows:		
Opening Carrying Value	2,708,336	3,235,845
Cost	6,893,582	6,675,376
Accumulated Amortisation	(4,185,246)	(3,439,531)
Additions	-	218,206
Amortisation for the year	(586,883)	(745,715)
Closing Carrying Value	2,121,453	2,708,336
Cost	6,893,582	6,893,582
Accumulated Amortisation	(4,772,129)	(4,185,246)
Work in Progress	-	-

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

Intangible Assets consist only out of software.

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

	2023	2022
	R	R
11 HERITAGE ASSETS		
Heritage Assets - Carrying Value	2,984,705	2,984,705
Balance Previously Reported		45,552,560
Prior Period Adjustment - Refer to note 43.08		(42,567,855)

The municipality holds heritage assets, but was unable to obtain fair values of such assets, as there are no active market for these assets. These assets are disclosed herein in terms of GRAP 103.17 which states that if an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

	2023	2022
	R	R
The following Heritage Assets were identified:		
Block House	326,500	326,500
Jubilee Fountain	114,212	114,212
Taal Monument	222,450	222,450
Voortrekkerdrif	1	1
Light of Century	1	1
Concentrion Camp Kerkhof	1	1
Durban Street Cemetery	150,000	150,000
Old Cemetery by the river	149,000	149,000
Fort at Nature Reserve	1	1
Fort on Bronepad	10,000	10,000
Fort behind the hospital	1	1
SA War Memorial Site	90,000	90,000
Freedom Square	1	1
Kerkplein Museum	1,459,500	1,459,500
Joe Gqabi Statue	58,536	58,536
Museum -Old library	343,000	343,000
Frere Bridge	1	1
Jamestown Museum	61,500	61,500
Total	2,984,705	2,984,705

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

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

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

The Municipality has recorded certain Heritage Assets noted above at R1 values due to the inability to determine accurate fair value information due to the nature of the item. The nature of the items is disclosed above

	2023 R	2022 R
12 LONG-TERM LIABILITIES		
Annuity Loans	1,636,352	1,953,177
Sub-Total	1,636,352	1,953,177
Less: Current portion of Long-term Liabilities	328,551	1,025,913
Annuity Loans	328,551	1,025,913
Total	1,307,801	927,264
Long Term Liabilities were fully utilised to purchase property plant and equipment. No cash were set aside to finance future instalments and no loans were unspent at year end.		
Annuity Loans, disclosed at amortised cost, consist out of the following agreement:		
Development Bank of South Africa (DBSA) (Maletswai Local Municipality)	1,636,352	1,953,177
Interest is calculated at 5.00% interest rate and the loan will be fully redeemed on 30 September 2027.		
Total	1,636,352	1,953,177
Further detail relating to Annuity Loans is included in Appendix A.		
Annuity loans are payable as follows:		
Payable within one year	405,559	405,559
Payable within two to five years	1,419,457	1,622,236
Payable after five years	-	202,780
Total amount payable	1,825,016	2,230,575
Less: Outstanding Future Finance Charges	(188,664)	(277,398)
Present value of annuity loans	1,636,352	1,953,177

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
13 CONSUMER DEPOSITS		
Electricity	2,451,053	2,407,527
Balance Previously Reported		2,404,472
Prior Period Adjustment - Refer to note 43.09		3,055
Total	2,451,053	2,407,527
Guarantees held in lieu of Electricity Deposits	-	-
The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.		
14 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	592,712,238	507,943,234
Balance Previously Reported		527,766,753
Prior Period Adjustment - Refer to note 43.1		(26,051,608)
Payments Received in Advance	9,238,780	15,510,416
Balance Previously Reported		15,510,338
Prior Period Adjustment - Refer to note 43.1		78
Retentions	5,762,226	3,245,558
Joe Gqabi District Municipality (Water and Sanitation)	14,678,375	14,678,375
Deposits Received	350,590	180,500
Unallocated Deposits	534,145	12,249,678
Prepaid Electricity	594,004	679,787
Interest Accrued	14,335	14,335
Total	623,884,693	554,501,883

Payables are being recognised net of any discounts received

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.

Payables are not secured.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
15 UNSPENT CONDITIONAL GOVERNMENT GRANTS		
National Government	-	1,477,060
Balance Previously Reported		-
Prior Period Adjustment - Refer to note 43.11		1,477,060
Provincial Government	1,746,114	835,246
District Municipality	1,489,886	1,489,886
Total	3,236,000	3,802,192

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.

Detail reconciliations of all grants received and grant conditions met are included in note 21. Unspent grant balances are recognised to the extent that conditions are not yet met.

Also refer to Appendix B for further detail relating to grants.

No grants were withheld in the current year.

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

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

16 CURRENT EMPLOYEE BENEFITS

Post Retirement Medical Benefits	1,043,001	1,065,000
Long Service Awards	1,053,000	550,000
Bonuses	3,106,982	2,595,951
Staff Leave	11,055,529	9,824,247
Total	16,258,511	14,035,198

The movement in current employee benefits are reconciled as follows:

Bonuses

Opening Balance	2,595,951	2,482,604
Contribution during the year	6,054,975	5,355,254
Payments made	(5,543,944)	(5,241,908)
Closing Balance	3,106,982	2,595,951

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023	2022
	R	R
<u>Staff Leave</u>		
Opening Balance	9,824,247	9,080,266
Contribution/(Reduction) during the year	1,899,276	2,110,317
Payments made	(667,993)	(1,366,336)
Closing Balance	11,055,529	9,824,247

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
17 EMPLOYEE BENEFITS		
Post Retirement Medical Benefits	28,931,002	29,598,000
Long Service Awards	7,172,000	6,437,000
Sub-Total	36,103,002	36,035,000
Less: Current portion of Employee Benefits	2,096,001	1,615,000
Post Retirement Medical Benefits	1,043,001	1,065,000
Long Service Awards	1,053,000	550,000
Total	34,007,001	34,420,000

17.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

Opening Balance	29,598,000	25,600,622
Contribution during the year	4,665,000	4,114,577
Current Service Cost	1,225,000	1,243,982
Interest Cost	3,440,000	2,870,595
Payments made	(1,219,029)	(1,346,978)
Actuarial Loss/(Gain)	(4,112,971)	1,229,779
Total balance at year-end	28,931,000	29,598,000
Less Current Portion	1,043,001	1,065,000
Total	27,888,000	28,533,000

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

	2023	2022
In-service members	140	139
In-service non-members	200	192
Continuation members	18	22
Total	358	353

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

	2023 R	2022 R
In-service members	18,191,000	18,162,000
Continuation members	10,740,000	11,436,000
Total Unfunded Liability	28,931,000	29,598,000

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

17 EMPLOYEE BENEFITS (CONTINUED)

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2021 R	2020 R	2019 R
Total Unfunded Liability	25,601,000	22,658,000	25,893,644

Experience adjustments were calculated as follows:

	2023 R m	2022 R m
Liabilities: (Gain)/Loss	(0.559)	0.122
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2021 R m	2020 R m	2019 R m
Liabilities: (Gain)/Loss	-	-	0.976
Assets: Gain/(Loss)	-	-	-

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas	Sizwe-Hosmed	Keyhealth
LA Health	Samwumed	

Key Actuarial Assumptions used are as follows:

	2023	2022
Interest Rates		
Discount rate	12.62%	11.83%
Health Care Cost Inflation Rate	8.34%	8.44%
Net discount rate	3.95%	3.13%

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

Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries with a 1% mortality improvement per annum from 2010.

Normal Retirement Age

It has been assumed that in-service members will retire at age 62 (2022 - 62), which then implicitly allows for expected rates of early and ill-health retirement.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

17 EMPLOYEE BENEFITS (CONTINUED)

Other Assumptions

The proportion with a spouse dependant at retirement is estimated at 60% (2022 - 60%) while the continuation of membership at retirement is estimated at 75% (2022 - 75%). The proportion of eligible in-service non-members joining a scheme by retirement and continuing with the subsidy at and after retirement is estimated at 15% (2022 - 15%).

Last Valuation

The last valuation was performed on 30 June 2023.

Actuarial Valuation Method

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

	2023 R	2022 R
The amounts recognised in the Statement of Financial Performance are:		
Employee Related Cost - Current Service Cost	1,225,000	1,243,982
Finance Charges - Interest Cost	3,440,000	2,870,595
Actuarial Loss/(Gain)	(4,112,971)	1,229,779
Net amount charged to Statement of Financial Performance	552,029	5,344,356

Sensitivity Analysis - Liability at year-end

Assumption	In-service members R m	Continuation members R m	Total liability R m	% change
Liability	18.191	10.740	28.931	
Health care inflation				
+ 1%	21.600	11.673	33.273	15%
- 1%	15.453	9.921	25.374	-12%
Discount rate				
+ 1%	15.568	9.957	25.525	-12%
- 1%	21.489	11.644	33.133	15%
Post-retirement mortality				
+ 1 year	17.730	10.377	28.107	-3%
- 1 year	18.646	11.104	29.750	3%
Average retirement age				
- 1 year	19.824	10.740	30.564	6%
Continuation of membership at retirement				
- 10%	15.836	10.740	26.576	-8%

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

17 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service	Interest Cost R m	Total Cost R m	% change
	Cost R m			
Future Cost	1.188	3.587	4.775	
Health care inflation				
+ 1%	1.453	4.135	5.588	17%
- 1%	0.978	3.139	4.117	-14%
Discount rate				
+ 1%	0.997	3.408	4.405	-8%
- 1%	1.431	3.791	5.222	9%
Post-retirement mortality				
+ 1 year	1.159	3.483	4.642	-3%
- 1 year	1.216	3.690	4.906	3%
Average retirement age				
- 1 year	1.266	3.793	5.059	6%
Continuation of membership at retirement				
- 10%	1.036	3.290	4.326	-9%
			2023	2022
			R	R

17.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

Opening Balance	6,437,000	5,855,073
Contribution during the year	1,298,000	1,009,695
Current Service Cost	631,000	548,525
Interest Cost	667,000	461,170
Payments made	(206,462)	(293,975)
Actuarial Gain	(356,538)	(133,793)
Total balance at year-end	7,172,000	6,437,000
Less Current Portion	1,053,000	550,000
Total	6,119,000	5,887,000

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

17 EMPLOYEE BENEFITS (CONTINUED)

The following members are eligible for long service bonuses:

	2023	2022
In-service members	340	331

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

	2023 R	2022 R
In-service members	7,172,000	6,437,000
Total Unfunded Liability	7,172,000	6,437,000

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2021 R	2020 R	2019 R
Total Unfunded Liability	5,855,073	5,024,579	5,648,389

	2023 Rm	2022 Rm
--	------------	------------

Experience adjustments were calculated as follows:

Liabilities: (Gain)/Loss	0.318	0.429
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2021 Rm	2020 Rm	2019 Rm
Liabilities: (Gain)/Loss	-	-	0.405
Assets: Gain/(Loss)	-	-	-

Key Actuarial Assumptions used are as follows:

Interest Rates

	2023	2022
Discount rate	11.10%	10.81%
General earnings Inflation rate (long-term)	6.68%	7.33%
Net discount rate	4.14%	3.24%

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

17 EMPLOYEE BENEFITS (CONTINUED)

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

Normal Retirement Age

It has been assumed that in-service members will retire at age 62 (2022 - 62), which then implicitly allows for expected rates of early and ill-health retirement.

Last Valuation

The last valuation was performed on 30 June 2023.

Actuarial Valuation Method

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

	2023 R	2022 R
The amounts recognised in the Statement of Financial Performance are:		
Employee Related Cost - Current Service Cost	631,000	548,525
Finance Charges - Interest Cost	667,000	461,170
Actuarial Gain	(356,538)	(133,793)
Net amount charged to Statement of Financial Performance	941,462	875,902

Sensitivity Analysis - Liability at year-end

Assumption	Total liability R m	% change
Liability	7.172	
General earnings inflation rate		
+ 1%	7.521	5%
- 1%	6.852	-4%
Discount rate		
+ 1%	6.844	-5%
- 1%	7.535	5%
Average retirement age		
+ 2 years	7.758	8%
- 2 years	6.594	-8%
Withdrawal rates		
x 200 %	6.020	-16%
x 50 %	7.914	10%

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

17 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service	Interest Cost	Total Cost	% change
	Cost			
	R	R	R	
Future Cost	0.707	0.739	1.446	
General earnings inflation rate				
+ 1%	0.749	0.778	1.527	6%
- 1%	0.669	0.704	1.373	-5%
Discount rate				
+ 1%	0.674	0.766	1.440	0%
- 1%	0.744	0.709	1.453	0%
Average retirement age				
+ 2 years	0.756	0.804	1.560	8%
- 2 years	0.658	0.676	1.334	-8%
Withdrawal rates				
x 200 %	0.559	0.611	1.170	-19%
x 50 %	0.808	0.821	1.629	13%

18 NON-CURRENT PROVISIONS

Rehabilitation Provision - Landfill Sites

2023
R

2022
R

42,095,830

43,944,297

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

Opening Balance

43,944,297

40,264,584

Contribution during the year

(1,848,467)

3,679,713

Decrease in estimate

(6,161,929)

-

Interest Cost

4,313,462

3,679,713

Total balance at year-end

42,095,830

43,944,297

Less Current Portion

-

-

Total

42,095,830

43,944,297

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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

18 NON-CURRENT PROVISIONS (CONTINUED)

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 (Undiscounted):

Site	Expected Rehabilitation date	2023 R	2022 R
Aliwal North	2028	28,597,003	27,601,779
Burgersdorp	Closure License Issued	8,589,149	7,702,739
Jamestown	2036	19,289,074	19,006,712
Steynsburg	2036	14,825,988	10,456,993
Venterstad	Closure License Issued	5,741,336	4,899,350
Total		77,042,550	69,667,573

19 RESERVES

Accumulated Surplus	499,655,902	518,375,489
Total	499,655,902	518,375,489

20 PROPERTY RATES

Total Property Rates	50,353,383	48,862,327
Total	50,353,383	48,862,327

Property rate levied are based on the following rateable valuations:

Albert RD	3,061,709,906	3,062,329,906
Aliwal North	2,769,307,547	2,749,261,470
Aliwal North RD	2,506,337,290	2,511,542,814
Burgersdorp	976,487,205	974,453,914
Colesburg RD	286,513,800	286,513,800
Dukathole	424,285,601	424,285,601

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
20 PROPERTY RATES (CONTINUED)		
Jamestown	199,353,431	199,002,826
Khayamnandi	102,081,600	102,081,600
Middleburg RD	600,000	600,000
Molteno RD	11,500,000	11,500,000
Mzamomhle	264,158,301	264,158,301
Odendaalstroom	456,900	456,900
Oviston	100,685,848	100,674,008
Philippolis RD	1,050,000	1,050,000
Steynsburg RD	1,192,059,424	1,192,059,424
Venterstad	251,039,166	250,971,263
Wodehouse RD	1,687,091,830	1,687,091,830
Steynsburg	244,949,228	245,626,228
Total Valuation	14,079,667,077	14,063,659,885

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.

	2023	2022
The following rates are applicable to the valuations above:		
Residential properties	1.0291049 c/R	0.98197 c/R
Residential properties mixed use	1.9565582 c/R	1.866945 c/R
Commercial/Business properties	1.2060531 c/R	1.150814 c/R
Industrial properties	1.2060531 c/R	1.150814 c/R
Public Service Infrastructure properties (25% of Residential properties)	0.2572765 c/R	0.245493 c/R
Agricultural properties used for agricultural purposes	0.1467538 c/R	0.140032 c/R
Agricultural properties used for commercial/industrial purposes/wind farm/solar	0.1467538 c/R	0.140032 c/R
Agricultural properties used for eco-tourism, conservation	0.1467538 c/R	0.140032 c/R
Agriculture trading in or hunting of game	0.5583583 c/R	0.532785 c/R
Agricultural properties not used for any purpose/purpose	2.3032038 c/R	2.197714 c/R
Public Service Purpose Properties	2.3032038 c/R	2.197714 c/R
Unknown to the municipality	2.3032038 c/R	2.197714 c/R

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

20 PROPERTY RATES (CONTINUED)

	2023	2022
State-owned properties	2.3032038 c/R	2.197714 c/R
State-owned properties that provide regional or district wide services	2.3032038 c/R	2.197714 c/R
State-owned properties that provide provincial or national services	2.3032038 c/R	2.197714 c/R
Vacant properties	2.6088883 c/R	2.489397 c/R
Communal Land	1.251262 c/R	-

21 GOVERNMENT GRANTS AND SUBSIDIES

	2023 R	2022 R
Unconditional Grants - National Government	70,586,000	64,368,000
Equitable Share	70,586,000	64,368,000
Conditional Grants - National Government	38,500,351	21,756,188
Financial Management Grant (FMG)	2,200,000	2,100,000
Municipal Infrastructure Grant (MIG)	21,008,000	14,042,616
Skills Development Fund	149,561	162,130
Intergated National Electrification Programme (INEP)	13,217,060	116,433
Expanded Public Works Program (EPWP)	1,352,000	1,328,000
National Treasury Audit Fees Grant -1%	573,731	4,007,009
Conditional Grants - Provincial Government	5,242,132	2,000,000
Library Grant	2,000,000	2,000,000
Waste Management Project Grant	3,242,132	-
Total	114,328,483	88,124,188
Disclosed as:		
Government Grants and Subsidies - Capital	33,174,664	13,172,899
Government Grants and Subsidies - Operating	81,153,819	74,951,289
Total	114,328,483	88,124,188
Grants per Vote (MFMA Sec 123 (c)):		
Equitable share	70,586,000	64,368,000
Executive & Council	573,731	4,007,009
Budget and Treasury	2,200,000	2,100,000
Corporate Service	149,561	162,130
Technical Service	35,577,060	15,487,049
Community Service	5,242,132	2,000,000
Total	114,328,483	88,124,188

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
21 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
The movements per grant can be summarised as follows:		
21.01 Equitable Share		
Grants Received	70,586,000	64,368,000
Transferred to Revenue - Operating	(70,586,000)	(64,368,000)
Closing Unspent Balance	<u>-</u>	<u>-</u>
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.		
21.02 Financial Management Grant (FMG)		
Grants Received	2,200,000	2,100,000
Transferred to Revenue - Operating	(2,200,000)	(2,100,000)
Closing Unspent Balance	<u>-</u>	<u>-</u>
The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.		
21.03 Municipal Infrastructure Grant (MIG)		
Opening Unspent Balance	-	212,616
Grants Received	21,008,000	13,830,000
Transferred to Revenue - Capital	(19,957,604)	(13,056,466)
Transferred to Revenue - Operating	(1,050,396)	(986,150)
Closing Unspent Balance	<u>-</u>	<u>-</u>
The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.		
21.04 Skills Development Fund		
Grants Received	149,561	162,130
Transferred to Revenue - Operating	(149,561)	(162,130)
Closing Unspent Balance	<u>-</u>	<u>-</u>
The Skills Development fund (including SETA allocations) is utilised to cover expenditure relating to training, development of scarce skills and bursary beneficiaries defined.		

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
21 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
21.05 Intergated National Electrification Programme (INEP)		
Opening Unspent Balance	1,477,060	-
Grants Received	11,740,000	1,593,492
Transferred to Revenue - Capital	(13,217,060)	(116,433)
Closing Unspent Balance	-	1,477,060
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.		
21.06 Expanded Public Works Program (EPWP)		
Grants Received	1,352,000	1,328,000
Transferred to Revenue - Operating	(1,352,000)	(1,328,000)
Closing Unspent Balance	-	-
The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.		
21.07 National Treasury Audit Fees Grant -1%		
Grants Received	573,731	4,007,009
Transferred to Revenue - Operating	(573,731)	(4,007,009)
Closing Unspent Balance	-	-
This grant is received from National Treasury to assist municipalities with their outstanding audit fees payable to the Auditor General of South Africa.		
21.07 Library Grant		
Grants Received	2,000,000	2,000,000
Transferred to Revenue - Operating	(2,000,000)	(2,000,000)
Closing Unspent Balance	-	-
The library grants is utilised to fund the cost of providing library services within the municipal area.		

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
21 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
21.08 Waste Management Project Grant		
Grants Received	4,153,000	-
Transferred to Revenue - Operating	(3,242,132)	-
Closing Unspent Balance	910,868	-
The grant was allocated to the municipality from the Department of Economic Development, Environmental Affairs & Tourism towards waste disposal initiatives in the municipal area.		
21.08 Joe Gqabi District Municipality Grant		
Opening Unspent Balance	1,489,886	1,489,886
Closing Unspent Balance	1,489,886	1,489,886
The grant is allocated for the following purposes:		
- Street refurbishment Aliwal North		
- Fencing of Community Hall		
- Sports track upgrading		
21.09 Other Provincial Allocations		
Opening Unspent Balance	835,246	835,246
Closing Unspent Balance	835,246	835,246
Other Provincial Allocations includes the following grants:		
- Spatial Development Plan		
- Land Survey Management		
- Housing Grants		
21.09 Total Grants		
Opening Unspent Balance	3,802,192	2,537,748
Grants Received	113,762,292	89,388,631
Transferred to Revenue - Capital	(33,174,664)	(13,172,899)
Transferred to Revenue - Operating	(81,153,819)	(74,951,289)
Closing Unspent Balance	3,236,000	3,802,192
22 FINES, PENALTIES AND FORFEITS		
Meter Tempering	75,883	49,345
Overdue Books Fines	-	399
Traffic Fines	1,078,150	300,755
Total	1,154,033	350,498

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
23 ACTUARIAL GAINS		
Post Retirement Medical Benefits	4,112,971	-
Long Service Awards	356,538	133,793
Total	4,469,509	133,793
24 FAIR VALUE ADJUSTMENTS		
Biological Assets	5,259,108	1,824,648
Total	5,259,108	1,824,648
25 SERVICE CHARGES		
Electricity Revenue	149,936,978	130,599,371
Refuse Removal Revenue	30,427,098	19,477,253
Total	180,364,076	150,076,625
26 RENTAL OF FACILITIES AND EQUIPMENT		
Premises	1,712,917	2,018,308
Hall Hire	203,509	128,080
Rental of Facilities	-	28,675
Total	1,916,426	2,175,063
27 INTEREST EARNED - EXTERNAL INVESTMENTS		
Banks and Short Term Deposits	1,621,380	759,459
Total	1,621,380	759,459
28 INTEREST EARNED - OUTSTANDING DEBTORS		
Interest Earned - Service Debtors	23,962,047	18,446,457
Interest Earned - Penalty Interest on Property Rates	8,646,988	7,792,706
Total	32,609,035	26,239,163
29 LICENCES AND PERMITS		
Licence and permit Fees	393,478	428,772
Total	393,478	428,772
30 AGENCY SERVICES		
Management Fees	2,352,006	2,281,768
Total	2,352,006	2,281,768

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
30 AGENCY SERVICES (CONTINUED)		
<p>The Municipality acts as an agent for the Department of Transport and Public Works and manages the issuing of vehicle registrations and licencing, Temporary and Special Licences and the issuing of Duplicate Vehicle Licences. The municipality earns an agency fee (12% on Vehicle Licences and 100% on all other collections) in this regard. The following transactions occurred during the period under review:</p>		
Revenue collected from third parties	14,478,372	13,810,703
Agency Fee Earned	(2,220,783)	(2,281,768)
VAT on Agency Fee Earned	(333,117)	(342,265)
Collections paid over to The Department	(11,924,471)	(11,186,670)
31 OTHER INCOME		
Sundry Income	3,559,060	2,857,428
Reduction in Rehabilitation Provision	900,079	-
Total	4,459,138	2,857,428
Disclosed as		
Revenue From Non-Exchange Transactions	900,079	-
Revenue From Exchange Transactions	3,559,060	2,857,428
Total	4,459,138	2,857,428
32 EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	78,073,628	71,837,556
Bonus	6,054,975	5,355,254
Medical Aid Contributions	4,193,763	4,140,659
Pension and UIF Contributions	13,263,975	12,341,875
Skills Development Levy	918,335	866,858
Other benefits and allowances	399,308	342,679
Payments in lieu of leave	1,899,276	2,110,317
Travel, motor car, accommodation, subsistence and other benefits and allowances	3,507,768	3,733,976
Overtime	3,997,211	2,521,683
Long service awards	631,000	548,525
Acting Allowances	379,013	287,789
Housing Benefits and Allowances	252,385	301,933
Cellphone Allowance	180,808	(141,086)
Standby Allowances	488,643	406,088
Post Retirement Medical Benefits (Long Term Benefits)	1,225,000	1,243,982
Total	115,465,088	105,898,089

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
32 EMPLOYEE RELATED COSTS (CONTINUED)		
Remuneration of Key Personnel		
Remuneration of Municipal Manager - K Gashi (Appointed 1 April 2022)		
Annual Salary (Basic, Backpay & Bonus)	1,029,421	222,644
Travel , Other Allowances , UIF & SDL	282,797	79,938
Pension Fund	131,299	30,000
Total	1,443,516	332,582
Remuneration of municipal manager - F.K.P Ntlemeza		
Annual Salary (Basic, Backpay & Bonus)	9,665	187,598
Travel , Other Allowances , UIF & SDL	-	81,953
Leave Pay	-	195,425
Pension Fund		22,223
Total	9,665	487,199
Remuneration of Chief Finance Officer - Y Ngqele		
Annual Salary (Basic, Backpay & Bonus)	689,436	640,334
Travel , Other Allowances , UIF & SDL	305,727	301,654
Pension Fund	113,373	113,373
Total	1,108,537	1,055,361
Remuneration the Director of Community Servives - Z E Phungwani		
Annual Salary (Basic, Backpay & Bonus)	802,810	682,706
Travel , Other Allowances , UIF & SDL	329,362	407,373
Total	1,132,171	1,090,079
Remuneration of the Director Technical Services - TP Mosompa		
Annual Salary (Basic, Backpay & Bonus)	822,877	610,823
Travel , Other Allowances , UIF & SDL	218,168	332,912
Total	1,041,045	943,735
Remuneration of the Director of Corporate Services - R Godsson		
Annual Salary (Basic & Bonus)	727,812	595,567
Travel , Other Allowances , UIF & SDL	283,958	461,739
Pension Fund	98,269	-
Total	1,110,038	1,057,306
Remuneration of the Director of IPED Services - VE Barnes		
Annual Salary (Basic & Bonus)	820,050	559,921
Travel , Other Allowances ,UIF & SDL	167,515	304,696
Total	987,565	864,617

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
33 REMUNERATION OF COUNCILLORS		
Councillor Allowance	7,151,638	6,755,522
Travelling Allowance	1,097,207	797,600
Telephone Allowance	1,028,483	950,475
Total	9,277,328	8,503,597
In-kind Benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and one mayoral committee member are full-time. They are provided with secretarial support and an office each at the cost of the Council.		
Remuneration of Mayor - VD Davids (Appointed as Mayor 9 November 2021)		
Councillor Allowance	690,222	492,404
Travelling Allowance	230,535	165,923
Telephone Allowance	48,000	44,400
Total	968,756	702,727
Remuneration of Mayor - B Khweyiya (Terminated 8 November 2021)		
Councillor Allowance	-	306,083
Telephone Allowance	-	15,787
Total	-	321,870
Remuneration of Speaker - NS Mathetha		
Councillor Allowance	556,283	505,242
Travelling Allowance	179,398	169,458
Telephone Allowance	48,000	44,400
Total	783,681	719,100
Remuneration of Chief Whip - N Ngubo (Terminated 8 November 2021)		
Councillor Allowance	-	95,451
Travelling Allowance	-	37,315
Telephone Allowance	-	15,787
Total	-	148,553
Remuneration of Chief Whip - Y Zweni (Appointed as Chief Whip 9 November 2021)		
Councillor Allowance	382,474	352,776
Travelling Allowance	45,454	28,010
Telephone Allowance	48,000	44,400
Total	475,928	425,186

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
33		
REMUNERATION OF COUNCILLORS (CONTINUED)		
Remuneration of Mayoral Committee		
Councillor Allowance	762,688	906,777
Travelling Allowance	56,366	206,773
Telephone Allowance	50,866	75,973
Total	869,921	1,189,523
Remuneration of Other Councillors		
Councillor Allowance	4,938,932	4,096,789
Travelling Allowance	585,453	190,121
Telephone Allowance	823,579	709,728
Total	6,347,965	4,996,638
34		
DEBT IMPAIRMENT		
Receivables from exchange transactions	28,443,761	37,386,657
Receivables from non-exchange transactions	(23,562,593)	11,862,557
Total	4,881,168	49,249,214
35		
DEPRECIATION AND AMORTISATION		
Investment Property	147,990	664,266
Property, Plant and Equipment	31,481,092	32,001,702
Intangible Assets	586,883	745,715
Total	32,215,965	33,411,683
36		
IMPAIRMENTS		
Property, Plant and Equipment	1,884,813	388,358
Total	1,884,813	388,358

An impairment assessment was performed based on the physical condition of the assets. Consequently the assets' recoverable service amount were determined and an impairment loss was recognised where the assets' carrying amount exceeded their recoverable service amount.

The main classes of assets affected by impairment losses are:

Infrastructure	1,884,813	372,476
Other Assets	-	15,882
Total	1,884,813	388,358

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
37 ACTUARIAL LOSSES		
Post Retirement Medical Benefits	-	1,229,779
Total	-	1,229,779
38 FINANCE CHARGES		
Finance Charges - Cash	37,545,423	28,857,526
Annuity Loans	89,124	105,370
Trade and Other Payables	37,456,299	28,752,157
Finance Charges - Non-Cash	8,420,462	7,011,478
Rehabilitation Provision - Landfill Sites	4,313,462	3,679,713
Post Retirement Medical Benefits	3,440,000	2,870,595
Long Service Awards	667,000	461,170
Total	45,965,885	35,869,004
39 BULK PURCHASES		
Electricity	132,638,416	128,043,873
Total	132,638,416	128,043,873
40 OTHER EXPENDITURE		
Advertising	42,962	286,265
Auditors remuneration	5,588,151	6,827,139
Bank charges	907,105	336,204
Cleaning	4,602,570	2,609,859
Commission paid	1,148,327	1,227,653
Consulting and professional fees	5,938,340	2,508,844
Consumables	-	(108,633)
Electricity	54,371	198,733
Fuel and oil	3,863,327	1,732,585
General Expenditure	19,521,226	11,996,613
Hire	-	39,250
Insurance	2,106,503	2,565,065
License fees	272,033	917,075
Magazines, books and periodicals	-	1,240
Printing and stationery	37,885	54,537
Protective clothing	1,111,396	33,087
Audit Committee Fees	811,669	76,017
Subscriptions and membership fees	-	609,701
Telephone and fax	3,040,266	3,445,247
Training	1,487,870	498,800
Travel - local	2,553,792	4,020,691
Valuation Costs	1,482,365	171,483
Operating Grant Expenditure	1,788,162	1,580,485
Total	56,358,321	41,627,939

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
41 REPAIRS AND MAINTENANCE		
Repairs and maintenance	12,909,076	11,959,743
Total	12,909,076	11,959,743
42 LOSS ON DISPOSAL OF ASSETS		
Property, Plant and Equipment	7,230,587	17,228,965
Investment Property	-	62,631,924
Total	7,230,587	79,860,889
43 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3		
43.01 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Balance previously reported		157,320,326
Correction of Allocation error identified between Receivables (Exchange and Non-Exchange) and Payables.		(7,254,865)
Effect on Electricity		1,391,460
Effect on Refuse		2,231,783
Effect on Other Arrears		(10,878,108)
Joe Gqabi Debtor incorrectly included accounted for as part of outstanding receivables - Refer to note 43.12		(10,295,640)
Correction of Provision for impairment on 30 June 2021 - Refer to note 43.12		25,843,197
Effect on Electricity		1,293,507
Effect on Refuse		(58,583,057)
Effect on Other Arrears		83,132,747
Correction of Provision for impairment during 2021/2022 - Refer to note 43.13		(51,623,399)
Effect on Electricity		(12,358,167)
Effect on Refuse		40,289,198
Effect on Other Arrears		(79,554,430)
Correction of Interest up to 30 June 2022		753,324
Effect on Electricity		753,324
Effect on other arrears		-
Effect on Refuse		-
Correction of Billing up to 30 June 2022		940,191
Effect on Electricity		401,951
Effect on other arrears		538,047
Effect on Refuse		192
Restated Balance on 30 June 2022		115,683,134

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

43 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)

	2022 R
43.02 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	
Balance previously reported	45,956,329
Correction of Allocation error identified between Receivables (Exchange and Non-Exchange) and Payables.	7,254,942
Effect on Rates	7,265,159
Effect on Traffic Fines	(10,217)
Correction of Provision for impairment on 30 June 2021 - Refer to note 43.12	(20,548,210)
Effect on Property Rates	(20,548,210)
Correction of Provision for impairment during 2021/2022 - Refer to note 43.13	2,967,192
Effect on Property Rates	2,967,192
Correction of interest	1,636,175
Effect on Rates	1,636,175
Reversal of duplicated journal - Refer to note 43.13	(381,678)
Effect on Rates	(381,978)
Effect on Traffic Fines	300
Correction of property rates recorded against accumulated surplus - Refer to note 43.12	(66,575)
Restated Balance on 30 June 2022	36,818,175
43.03 VAT RECEIVABLE	
Balance previously reported	21,885,019
Correction of Billing up to 30 June 2022 - Refer to note 43.01	(2,143,207)
Correction of AGSA Payable on 30 June 2021 - Refer to note 43.1	3,772
Reversal of duplicated WIP journal - Refer to note	2,107
Reversal of Employee Related Cost Restatements on 30 June 2021 - Refer to note 43.1	460,688
Correction of VAT on Audit Fee Grant (30 June 2021) - Refer to note 43.12	(282,112)
Correction of VAT on Audit Fee Grant (30 June 2022) - Refer to note 43.13	(601,051)
Correction of VAT made subsequent VAT reconciliation performed - Refer to note 43.12	(165,425)
Restated Balance on 30 June 2022	19,159,791
43.04 INVESTMENT PROPERTY	
Balance previously reported	263,169,096
Correction of Investment Property on 30 June 2021 - Refer to note 43.12	(90,641,431)
Effect on Cost	(83,622,515)
Effect on Accumulated Depreciation	(7,018,916)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

43 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)

	2022 R
Correction of Investment Property disposals recognised during 2021/2022 - Refer to note 43.13	(62,631,924)
Effect on Cost	(69,571,002)
Effect on Accumulated Depreciation	6,939,078
Correction of depreciation on Investment Property recognised during 2021/2022 - Refer to note 43.13	(346,024)
Restated Balance on 30 June 2022	109,549,718

43.05 PROPERTY PLANT AND EQUIPMENT

Balance previously reported	1,018,111,534
Reversal of duplicated WIP journal - Refer to note 43.1	21,878
Correction of Cost on 30 June 2021 - Refer to note 43.12	100,482,407
Effect on Land	(27,959,934)
Effect on Buildings	60,472,718
Effect on Infrastructure	57,754,745
Effect on Community Assets	19,571,114
Effect on Motor Vehicles	6,381,142
Effect on Other Assets	6,338,036
Effect on Work in Progress	(22,075,414)
Correction of Depreciation on 30 June 2021 - Refer to note 43.12	(231,320,537)
Effect on Buildings	(47,634,649)
Effect on Infrastructure	(146,423,377)
Effect on Community Assets	(24,860,137)
Effect on Motor Vehicles	(7,148,750)
Effect on Other Assets	(5,253,624)
Correction of Impairment on 30 June 2021 - Refer to note 43.12	(5,716,923)
Effect on Buildings	(4,537,499)
Effect on Infrastructure	(120,939)
Effect on Community Assets	(1,058,486)
Correction of Disposals during 2021/2022 - Refer to note 43.13	(17,228,965)
Effect on Land (Cost)	(4,375,574)
Effect on Buildings (Cost)	(17,858,580)
Effect on Infrastructure (Cost)	(157,861)
Effect on Community Assets (Cost)	(1,237,203)
Effect on Other Assets (Cost)	(145,671)
Effect on Buildings (Accumulated Depreciation)	6,215,025
Effect on Infrastructure (Accumulated Depreciation)	152,989
Effect on Community Assets (Accumulated Depreciation)	177,715
Effect on Other Assets (Accumulated Depreciation)	196

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

43 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)

	2022
	R
Correction of Depreciation during 2021/2022 - Refer to note 43.13	(6,237,314)
Effect on Buildings	(3,451,183)
Effect on Infrastructure	1,862,983
Effect on Community Assets	(3,605,754)
Effect on Motor Vehicles	(270,930)
Effect on Other Assets	(772,429)
Correction of Impairments during 2021/2022 - Refer to note 43.13	(388,358)
Effect on Infrastructure	(372,476)
Effect on Other Assets	(15,882)
Correction of duplicated retention - Refer to note 43.1	(833,146)
Correction of allocation between additions and depreciation during 2021/2022	-
Effect on Motor Vehicles (Additions Cost)	561,058
Effect on Other Assets (Additions Cost)	1,897,827
Effect on Motor Vehicles (Depreciation)	(561,058)
Effect on Other Assets (Depreciation)	(1,897,827)
Allocation error identified on Capitalised Restoration Cost - 30 June 2021	-
Effect on Capitalised Restoration Cost (Cost)	(822,806)
Effect on Capitalised Restoration Cost (Accumulated Depreciation)	822,806
Correction of depreciation raised directly againsts cost and accumulated surplus - refer to note 43.12	(561,059)
Effect on Motor Vehicles (Cost)	(561,059)
Depreciation relating to other assets incorrectly allocated to additions - refer to note 43.13	(860,019)
Wages capitalised at incorrect amount - Refer to note 43.13	967,207
Consumables incorrectly capitalised - Refer to note 43.13	(31,747)
Restated Balance on 30 June 2022	856,404,958
43.06 BIOLOGICAL ASSETS	
Balance previously reported	3,073,511
Account for fair value adjustment on 30 June 2022 - Refer to note 43.13	2,120,521
Restated Balance on 30 June 2022	5,194,032

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

43 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)

	2022 R
43.07 INTANGIBLE ASSETS	
Balance previously reported	3,019,706
Amortisation of Intangible Assets incorrectly classified - Refer to note 43.13	(304,500)
Correction of amortisation on intangible assets during 2021/2022 - Refer to note 43.13	169
Correction of intangible asset incorrectly capitalised during 2021/2022 - Refer to note 43.	(7,039)
Restated Balance on 30 June 2022	2,708,336
43.08 HERITAGE ASSETS	
Balance previously reported	45,552,560
Correction of Heritage Assets on 30 June 2021 - Refer to note 43.12	(42,567,855)
Restated Balance on 30 June 2022	2,984,705
43.09 CONSUMER DEPOSITS	
Balance previously reported	2,404,472
Correction of Consumer Deposits recorded against accumulated surplus - Refer to note 43.12	3,055
Restated Balance on 30 June 2022	2,407,527
43.10 PAYABLES FROM EXCHANGE TRANSACTIONS	
Balance previously reported	574,325,320
Correction of Allocation error identified between Receivables (Exchange and Non-Exchange) and Payables.	78
Effect on Payments Received in Advance	78
Correction of Trade Payables recorded against accumulated surplus - Refer to note 43.12	933,685
Correction of AGSA Payable on 30 June 2021 - Refer to note 43.12	(2,427,739)
Reversal of duplicated WIP journal - Refer to note 43.05	16,156
Reversal of Employee Related Cost Restatements on 30 June 2021 - Refer to note 43.12	5,780,375
Reversal of duplicated JGDM journal - Refer to note 43.12	(29,350,750)
Payable/Bank journal incorrectly allocated - Refer to note 43.12	(170,190)
Allocation of unallocated deposits	6,228,094
Correction of duplicated retention - Refer to note 43.05	(833,146)
Restated Balance on 30 June 2022	554,501,883
43.11 UNSPENT CONDITIONAL GOVERNMENT GRANTS	
Balance previously reported	2,325,132
Correction of Unspent INEP grant incorrectly written off - refer to note 43.12	1,477,060
Restated Balance on 30 June 2022	3,802,192

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

43 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)

	2022 R
43.12 ACCUMULATED SURPLUS	
Balance previously reported	909,617,401
Corrections relating to 2021/2022 - Refer to note 43.13	(122,389,415)
Corrections incorrectly accounted for directly against Accumulated Surplus during 2021/2022	(38,817,290)
Corrections up to 30 June 2021	(230,035,206)
Corrections incorrectly accounted for directly against Accumulated Surplus during 2021/2022 instead of restating it on the comparative year	38,817,290
Joe Gqabi Debtor incorrectly included accounted for as part of outstanding receivables - Refer to note 43.01	(10,295,640)
Correction of Provision for impairment on 30 June 2021	5,294,987
Effect on Receivables from Exchange Transactions - Refer to note 43.01	25,843,197
Effect on Receivables from Non-Exchange Transactions - Refer to note 43.02	(20,548,210)
Correction of Billing up to 30 June 2022 - Refer to note 43.01	(1,573)
Correction of AGSA Payable on 30 June 2021 - Refer to note 43.1	2,431,511
Allocation of unallocated deposits	(6,228,094)
Reversal of Employee Related Cost Restatements on 30 June 2021 - Refer to note 43.1	(5,319,687)
Correction of VAT on Audit Fee Grant (30 June 2021) - Refer to note 43.03	(282,112)
Correction of VAT made subsequent VAT reconciliation performed - Refer to note 43.03	(165,425)
Reversal of duplicated JGDM journal - Refer to note 43.1	29,350,750
Correction of Heritage Assets on 30 June 2021 - Refer to note 43.08	(42,567,855)
Correction of Investment Property on 30 June 2021 - Refer to note 43.04	(90,641,431)
Correction of Property, Plant and Equipment (Cost) on 30 June 2021 - Refer to note 43.05	100,482,407
Correction of Property, Plant and Equipment (Depreciation) on 30 June 2021 - Refer to note 43.05	(231,320,537)
Correction of Property, Plant and Equipment (Impairment) on 30 June 2021 - Refer to note 43.05	(5,716,923)
Correction of Unspent INEP grant incorrectly written off - refer to note 43.11	(1,477,060)
Correction of Provision for impairment on 30 June 2021- Refer to note 43.13	(9,387,458)
Correction of property rates recorded against accumulated surplus - Refer to note 43.02	(66,575)
Correction of Consumer Deposits recorded against accumulated surplus - Refer to note 43.09	(3,055)
Correction of Trade Payables recorded against accumulated surplus - Refer to note 43.1	(933,685)
Correction of depreciation raised directly against accumulated surplus - refer to note 43.05	(561,059)
Correction of Billing up to 30 June 2022 - Refer to note 43.01	(1,614,170)
Payable/Bank journal incorrectly allocated - Refer to note 43.1	170,190
Restated Balance on 30 June 2022	518,375,490

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

43 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)

	2022 R
43.13 STATEMENT OF FINANCIAL PERFORMANCE	
Deficit previously reported	(49,539,019)
Transfer Revenue - Government Grants and Subsidies	(601,051)
Correction of VAT on Audit Fee Grant (30 June 2022) - Refer to note 43.03	(601,051)
Fines, Penalties and Forfeits	300
Reversal of duplicated journal - Refer to note 43.02	300
Actuarial Gains	133,793
Actuarial Gains on Long Service Awards incorrectly netted against losses	133,793
Fair Value Adjustments (Revenue)	1,824,649
Account for fair value adjustment on 30 June 2022 - Refer to note 43.06	1,824,649
Interest Received (Trading)	(24,609,123)
Allocate interest to Interest Earned - External Investments and Interest Earned - Outstanding Debtors	(24,609,123)
Interest Earned - External Investments	759,459
Allocate interest from Interest Received (Trading)	759,459
Interest Earned - Outstanding Debtors	26,239,163
Allocate interest from Interest Received (Trading)	23,849,664
Interest billing correction	2,389,499
Service Charges	351,268
Correction of Billing up to 30 June 2022 - Refer to note 43.01	351,268
Licences and Permits	(2,001,931)
Reverse duplicated journal - Refer to Agency Fees	(2,001,931)
Agency Services	2,001,931
Reverse duplicated journal - Refer to Licence Fees	2,001,931
Employee Related Costs	630,557
Wages capitalised at incorrect amount - Refer to note 43.05	967,207
Allocation error - non-payroll transactions	(336,650)
Debt Impairment	(39,268,749)
Correction of Provision for impairment during 2021/2022 (Exchange) - Refer to note 43.01	(51,623,399)
Correction of Provision for impairment during 2021/2022 (Non-Exchange) - Refer to note 43.02	2,967,192
Correction of Provision for impairment on 30 June 2021- Refer to note 43.12	9,387,458

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2022 R
Rental Income	
Correction of Billing	61,458
Depreciation and Amortisation	(7,747,688)
Amortisation of Intangible Assets incorrectly classified - Refer to note 43.07	(304,500)
Correction of Depreciation on Property Plant and Equipment during 2021/2022 - Refer to note 43.05	(6,237,314)
Correction of depreciation on Investment Property recognised during 2021/2022 - Refer to note 43.04	(346,024)
Depreciation relating to other assets incorrectly allocated to additions - refer to note 43.05	(860,019)
Correction of amortisation on intangible assets during 2021/2022 - Refer to note 43.07	169
Impairments	(388,358)
Correction of Impairments on Property Plant and Equipment during 2021/2022 - Refer to note 43.05	(388,358)
Actuarial Losses	(133,793)
Actuarial Gains on Long Service Awards incorrectly netted against losses	(133,793)
Bulk Purchases	336,650
Allocation error - non-payroll transactions	336,650
Other Expenditure	(2,072,249)
Reversal of duplicated journal - Refer to note 43.02	(381,978)
Reversal of duplicated WIP journal - Refer to note 43.05	7,830
Consumables incorrectly capitalised - Refer to note 43.05	(31,747)
Correction of immaterial difference between other expenditure and repairs and maintenance	5,067
Operating grant expenditure incorrectly disclosed on the face of the statement of financial performance	(1,664,382)
Correction of intangible asset incorrectly capitalised during 2021/2022 - Refer to note 43.07	(7,039)
Operating Grant Expenditure	1,664,382
Operating grant expenditure incorrectly disclosed on the face of the statement of financial performance	1,664,382
Repairs and Maintenance	(5,067)
Correction of immaterial difference between other expenditure and repairs and maintenance	(5,067)
Fair Value Adjustments (Expense)	295,873
Account for fair value adjustment on 30 June 2022 - Refer to note 43.06	295,873

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

43 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)

	2022 R
Loss on disposal of Assets	(79,860,888)
Correction of Investment Property disposals recognised during ne 2021/2022 - Refer to note 43.04	(62,631,924)
Correction of Property, Plant and Equipment disposals during 2021/2022 - Refer to note 43.05	(17,228,965)
Restated Deficit on 30 June 2022	<u>(171,928,435)</u>

43.14 CASH FLOW STATEMENT

The Cash Flow Statement was reperfomed, also taking into account correction of error. The restatements are as follows:

	2022 R (Previously Reported)	2022 R (Correction)	2022 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	54,039,564	(26,310,153)	27,729,411
Service Charges	105,370,942	12,167,851	117,538,793
Other Revenue	14,059,431	(3,237,917)	10,821,514
Government	88,396,190	(88,396,190)	-
Government - Operating	-	74,951,289	74,951,289
Government - Capital	-	14,437,342	14,437,342
Interest	-	759,459	759,459
Payments			
Employees	(105,679,770)	(7,713,034)	(113,392,804)
Suppliers	(92,904,745)	20,646,753	(72,257,992)
Finance Charges	(32,083,922)	3,226,396	(28,857,526)
NET CASH FROM OPERATING ACTIVITIES	<u>31,197,690</u>	<u>531,796</u>	<u>31,729,486</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments			
Purchase of Property, Plant and Equipment	(17,276,232)	(313,588)	(17,589,820)
Purchase of Intangible Assets	-	(218,206)	(218,206)
NET CASH USED INVESTING ACTIVITIES	<u>(17,276,232)</u>	<u>(531,794)</u>	<u>(17,808,026)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payments			
Repayment of borrowing	(301,401)	1	(301,400)
NET CASH USED FINANCING ACTIVITIES	<u>(301,401)</u>	<u>1</u>	<u>(301,400)</u>

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

44	NET CASH FROM OPERATING ACTIVITIES	2023 R	2022 R
	Net Deficit for the year	(18,719,587)	(171,928,435)
	Adjusted for:		
	Non-Cash Revenue	(10,628,696)	(1,958,441)
	Actuarial Gains	(4,469,509)	(133,793)
	Reduction in Landfill Site Provision	(900,079)	-
	Fair Value Adjustments	(5,259,108)	(1,824,648)
	Non-Cash Expenditure	54,632,995	171,151,400
	Debt Impairment	4,881,168	49,249,214
	Depreciation and Amortisation	32,215,965	33,411,683
	Impairments	1,884,813	388,358
	Actuarial losses	-	1,229,779
	Finance Charges	8,420,462	7,011,478
	Loss on disposal of PPE	7,230,587	79,860,889
	Contributions - Provisions and Employee Benefits	9,810,250	9,258,078
	Post Retirement Medical Benefits	1,225,000	1,243,982
	Long Service Awards	631,000	548,525
	Bonuses	6,054,975	5,355,254
	Staff Leave	1,899,276	2,110,317
	Expenditure - Provisions and Employee Benefits	(7,637,427)	(8,249,197)
	Post Retirement Medical Benefits	(1,219,029)	(1,346,978)
	Long Service Awards	(206,462)	(293,975)
	Bonuses	(5,543,944)	(5,241,908)
	Staff Leave	(667,993)	(1,366,336)
	Other adjustments	(69,592,528)	-
	Bad Debts Written Off	(69,592,528)	-
	Operating Surplus before changes in working capital	(42,134,992)	(1,726,594)
	Movement in working capital	57,821,412	39,684,170
	Receivables (Exchange and Non-Exchange)	(15,038,748)	(75,615,978)
	Inventory	(17,697)	(140,380)
	Payables from exchange transactions	69,382,810	115,198,089
	Unspent Conditional Government Grants	(566,192)	(329,049)
	Consumer Deposits	43,527	27,543
	Taxes	4,017,712	543,944
	Cash Flow from Operating Activities	15,686,420	37,957,576

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023	2022
	R	R
45 CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents comprise out of the following:		
Primary Bank Account	2,715,998	8,684,706
Call and Notice Deposits	2,656,252	15,764,555
Total	5,372,250	24,449,261

Refer to note 2 for more details relating to cash and cash equivalents. There are no reconciling items to report on in terms of GRAP 2 paragraph 46

46 BUDGET COMPARISONS

46.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

Statement of financial position

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions and Unspent grants

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items as well as the items highlighted in the reasons for deviations:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement.

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

46 BUDGET COMPARISONS (CONTINUED)

Cash Flow Statement

The cash flow is presented on a comparable basis

46.2 MATERIAL VARIANCES

Statement of financial position - Budget Adjustments

Cash	Budgeting for an overdraft is prohibited by the MFMA and the final budget had been anticipated looking at the past trends
Consumer Debtors	A decline in payment percentage had been projected due to challenges experienced in collecting debt. Contributing factors being the increasing unemployment rate, unfavourable economic situation and lack of growth.
Other Debtors	A decline in payment percentage had been projected due to challenges experienced in collecting debt. Contributing factors being the increasing unemployment rate, unfavourable economic situation and lack of growth.
Investment Property	Investment Properties were reviewed in line with the new General Valuation Roll and were anticipated to be high
Property, Plant And Equipment	The increase is due to additional assets that were not part of the original procurement plan. The municipality increased its assets acquisition budget in order to promote service delivery such as machinery to to fix potholes, etc
Biological Assets	Budget was adjusted due to indications of difficulties experienced in the valuation of the animal stock
Intangible Assets	The municipality forecast a situation where the need for purchases of computer equipment will not rise as all employees were allocated tools of trade
Trade and Other Payables	Significant increase in Eskom Bulk Purchases, Joe Qqabi Water & Sanitaion payables were anticipated and insufficient funds to make payment timely.
Provisions	The municipality had to correct the omission of not budgeting for employee benefits
Accumulated Surplus	Budgeted aligned to actual results on 30 June 2022 taking into the revised revenue and expenditure projections for the year.

Statement of financial position - Budget versus Actual

Cash	Budget forecast was based on the previous year's closing balance
Consumer Debtors	A decline in payment percentage had been projected due to challenges experienced in collecting debt. Contributing factors being the increasing unemployment rate, unfavourable economic situation and lack of growth.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

46

BUDGET COMPARISONS (CONTINUED)

Other Debtors	Amount includes input VAT in suspense which is directly related to the significant increase in payables.
Investment Property	Investment Properties were reviewed in line with the new General Valuation Roll and were anticipated to be high
Property, Plant And Equipment	The increase is due to additional assets that were not part of the original procurement plan. The municipality had to acquire more assets in order to promote service delivery such as transformers, etc.
Biological Assets	The valuation of all species have been revised downwards. Buffaloes values were also revised to reflect market values.
Trade and Other Payables	Significant increase in Eskom Bulk Purchases, Joe Qqabi Water & Sanitation payables were anticipated and insufficient funds to make payment timely.
Provisions	Budget based on prior year estimates provided by actuaries
Inventory	An error in the budget calculation resulted in the inventory balance reflecting as a negative amount on the budget statement.
Intangible assets	Cost-containment measures resulting in less computers and software being purchased than planned.
Borrowings	The budget calculation did not accurately estimate the movement in the liability.
Accumulated Surplus	Variances would be the net effect of all of the above variances that have been noted

Statement of financial performance - Budget Adjustments

Property Rates	The anticipated revenue to be billed at year end was based on the prior year's actuals plus the inflation parameters.
Service Charges - Electricity Revenue	The municipality had previously underbudgeted for service charges. The actual billing as at mid year influenced the final budget
Service Charges - Refuse Revenue	The municipality had previously underbudgeted for service charges. The actual billing as at mid year influenced the final budget
Interest Earned - Outstanding Debtors	Interest increased due to slow rate of consumer payments experienced in the first semester of the financial year
Debt Impairment	The budget was predominantly based on cash basis and this is a non cash flow item influenced by the economic conditions within the municipal jurisdiction.
Depreciation & Asset Impairment	Decrease due the anticipation of disposing of assets closer to completion of their useful lives
Bulk purchases - electricity	Budgeting for Eskom debt interest was excluded due to an anticipation that there would be a payment arrangement entered into.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

46

BUDGET COMPARISONS (CONTINUED)

Statement of financial performance - Budget versus Actual

Service Charges - Electricity Revenue	The anticipated revenue billed was based on the prior year's actuals plus the inflation parameters
Service Charges - Refuse Revenue	The anticipated revenue billed was based on the prior year's actuals plus the inflation parameters
Interest Earned - Outstanding Debtors	Interest earned on cash balances at the bank. The bank balance in the capital projects declined rapidly which led to attracting low interest income
Rental of facilities and equipment	Empty properties not being billed.
Fines, penalties and forfeits	The anticipated revenue billed was based on the prior year's actuals plus the inflation parameters. Fines issued is not within the control of the municipality, as it is based on traffic violations.
Agency Services	There was an anticipation that there will be an increase in the number of licence renewals, learners licence applications, renewal of permits, etc on which agency services are based. The factors on the increase such as licences are not within the control of the municipality.
Other Revenue	Reduction in landfill site rehabilitation provision not budgeted for.
Licences and Permits	There was an anticipation that there will be an increase in the number of licence renewals, learners licence applications, renewal of permits, etc. The factors on the increase such as licences are not within the control of the municipality.
Gains	There were no gains anticipated as there were no expectations of the disposal of assets
Debt Impairment	The municipality wrote off a long list of indigent customers that was previously not anticipated
Depreciation & Asset Impairment	There were no gains anticipated as there were no expectations of the disposal of assets
Finance Charges	Interest on top creditors such as Eskom and the Auditor General was anticipated not to be high due to payment arrangements that were to be entered in
Bulk purchases - electricity	Eskom debt budget was based on incremental budgeting comparing it to the actual of the previous financial year

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

Contracted Services	External support was anticipated to be at minimal in order to comply with Treasury's instructions
Transfers and subsidies	Transfer payments to households did not materialise due to cost-containment measures.
Other Expenditure	Implementation of cost cutting measures were not monitored and inadequate cash inflows

Cash Flow Statement - Budget Adjustments

Property Rates	There was a decline due to slow rate of payments and cash collections in the first half of the budget year
Service Charges	There was a decline due to slow rate of payments and cash collections in the first half of the budget year
Suppliers and Employees	The payment arrangements between pension funds and the Auditor General were not taken into account in the original budget
Finance Charges	Late payments on Eskom Account was excluded erroneously in the original budget

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

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BUDGET COMPARISONS (CONTINUED)

Capital Assets	The increase is due to additional assets that were not part of the original procurement plan. The municipality increased its assets acquisition budget in order to promote service delivery such as machinery to to fix potholes, etc
Cash Opening and Closing Balance	Align opening balance to audited results on 30 June 2022.

Cash Flow Statement - Budget versus Actual

Service Charges	Decline in payment percentage and cash collections were expected on property rates as opposed to service charges because of credit control and debt collection measures that can be practiced against non paying consumers
Property rates	Improved debt collection, resulting in higher receipts than anticipated.
Other revenue	An error on the cashflow statement resulting in a negative amount disclosed as Other revenue.
Consumer deposits	An error in the budget calculation resulted in the movement in consumer deposits reflecting as a negative on the budget.
Transfers and Subsidies - Operational	The grant received for the Skills Development Grant and the revenue recognition on the Auditor General's debt of 1% of total debt paid by the National Treasury on behalf of the municipality is not gazetted and the allocations can not be 100% forecasted as they do not form part of the DORA.
Transfers and Subsidies - Capital	The 5%PMU on MIG was included in the capital budget instead of the operational budget
Suppliers and Employees	Outstanding Creditors were anticipated to be high due to the financial distress the municipality is experiencing
Finance Charges	Late payment on Eskom Account were calculated to be minimal subsequent to the adoption and implementation of the budget funding plan
Cash Closing Balance	Refer to reasons above.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

		2023	2022
		R	R
47	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
	47.1 UNAUTHORISED EXPENDITURE		
	Unauthorised expenditure consist out of the following:		
	Opening balance	309,881,775	130,489,369
	Unauthorised expenditure current year - operating	46,850,909	172,964,158
	Unauthorised expenditure current year - capital	3,852,278	6,428,248
	Approved by Council	(266,304,751)	-
	Unauthorised expenditure awaiting approval	94,280,211	309,881,775

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 unauthorised expenditure is being investigated.

The prior year amounts were restated due to errors identified in the current year.

Previously reported:

	2023	2022
	R	R
Unauthorised expenditure current year - operating		25,838,281
Unauthorised expenditure current year - capital		0

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

47

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

	2023 (Actual) R	2023 (Final Budget) R	2023 (Unauthorised) R
Unauthorised expenditure - Operating			
Executive & Council	21,725,309	21,470,978	254,331
Office of The Municipal Manager	9,550,943	9,737,110	-
Budget and Treasury	128,003,946	93,277,472	34,726,474
Corporate Service	29,074,802	23,562,219	5,512,583
Technical Service	172,366,264	177,189,643	-
Community Service	54,621,764	52,575,385	2,046,379
Institutional Planning and Economic Development	7,462,698	3,151,556	4,311,142
Total	422,805,726	380,964,363	46,850,909
Unauthorised expenditure - Capital			
Executive & Council	-	230,000	-
Office of The Municipal Manager	59,887	340,000	-
Budget and Treasury	288,174	1,006,000	-
Corporate Service	24,293	120,000	-
Technical Service	29,621,427	34,998,000	-
Community Service	4,092,278	240,000	3,852,278
Total	34,086,059	36,934,000	3,852,278

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

Non-cash	9,430,778.00
Cash	41,272,409.00

	2023 R	2022 R
47.2 FRUITLESS AND WASTEFUL EXPENDITURE		
Fruitless and wasteful expenditure consist out of the following:		
Opening balance	38,337,266	8,094,076
Fruitless and wasteful expenditure incurred	36,104,010	30,467,467
Less interest waived	(29,680)	(224,277)
Approved by Council	(38,561,543)	-
Fruitless and wasteful expenditure awaiting approval	35,850,053	38,337,266

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

Details of Fruitless expenditure incurred:

Late Payment Interest	36,104,010	28,752,157
Payments to supplier for inadequate services rendered	-	1,731,919
Total	36,104,010	30,484,076

Fruitless and wasteful expenditure is disclosed inclusive of VAT (if applicable). All instances are under investigation

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
47 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)		
47.3 IRREGULAR EXPENDITURE		
Irregular expenditure consist out of the following:		
Opening balance	88,204,796	75116999
Irregular expenditure incurred	6,313,598	13,087,797
Approved by Council	(88,204,795)	-
Irregular expenditure awaiting approval	6,313,599	88,204,796
Details of Irregular expenditure incurred :		
SCM Procedures not followed on i.e Insufficient quotes	5,305,985	7,637,526
Month to Month Contracts	212,414	-
Suppliers whose tax affairs are not in order	-	185,575
Deviation not valid	-	2,406,454
MBD4 Decleration not provided	-	2,858,241
Total	5,518,398	13,087,797
The irregular expenditure have not been investigated at this stage, but will be referred to internal audit and MPAC for further investigation. No recovery, disciplinary steps or criminal proceedings were instituted at this stage.		
47.4 MATERIAL LOSSES		
Electricity distribution losses		
Units purchased (Kwh)	77,202,584	88,866,646
Units sold (Kwh)	(62,905,540)	(72,260,071)
Units lost during distribution (Kwh)	14,297,044	16,606,575
Comprising of:		
Technical Losses (Kwh)	5,404,181	6,220,665
Non-Technical Losses (Kwh)	8,892,863	10,385,910
Units lost during distribution (Kwh)	14,297,044	16,606,575
Percentage Loss		
- Technical Losses (%)	7.00%	7.00%
- Non-Technical Losses (%)	11.52%	11.69%
Total Loss (%)	18.52%	18.69%
Rand Value of System Loss (Technical Losses)	3,661,776	3,584,342
Rand Value of System Loss (Non-Technical Losses)	6,025,644	5,984,352
	9,687,420	9,568,694

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
48.01 Salga Contributions [MFMA 125 (1)(b)]		
Outstanding Balance	11,818,634	9,367,016
48.02 Audit Fees [MFMA 125 (1)(c)]		
Opening balance	2,749,423	3,855,776
Expenditure incurred	5,588,151	6,827,141
VAT on Audit Fees	838,223	1,024,071
Interest raised on overdue account	162,655	235,710
Interest waived	(382,842)	-
National Treasury Rebate Received	(573,731)	(2,505,903)
VAT on National Treasury Rebate Received	(86,060)	(375,885)
Payments	(7,598,081)	(6,311,487)
Outstanding Balance	697,739	2,749,423
48.03 VAT [MFMA 125 (1)(c)]		
VAT Receivable	15,142,079	19,159,791
VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.		
48.04 PAYE, SDL and UIF [MFMA 125 (1)(c)]		
Opening balance	(4,176)	-
Payments due to SARS	14,900,518	13,720,452
Payments	(13,658,897)	(13,724,628)
Outstanding Balance	1,237,445	(4,176)
48.05 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]		
Opening balance	33,130,795	2,172,267
Payments due to pension fund and medical aid	25,278,593	57,480,648
Payments - Current year	(23,053,683)	(24,349,853)
Payments - Prior years	(33,130,795)	(2,172,267)
Outstanding Balance	2,224,910	33,130,795

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R	
48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)			
48.06 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]			
The following Councillor were in arrears for more than 90 days during the relevant financial year:			
30 JUNE 2023	Less than 90 days R	More than 90 days R	Total R
Cllr Pretorius	1,392	397	1,789
Cllr D Nel	1,815	-	1,815
Cllr M Jan	1,669	12,675	14,344
Cllr M Jan	-	-	-
Cllr I London	1,671	68,582	70,253
Cllr I London	357	835	1,192
Cllr W Moeti	-	-	-
Cllr T Matlotlo	1,224	645	1,868
Cllr N Mathetha	16	-	16
Cllr N Mathetha	92	-	92
Cllr W Nodwele	2,996	68,582	71,578
Cllr W Nodwele	357	2,768	3,126
Cllr V Davids	5,731	119,631	125,361
Cllr Y Zweni	854	6,332	7,186
Total	18,173	280,447	298,620
30 JUNE 2022	Less than 90 days R	More than 90 days R	Total R
Cllr V Bushakhwe	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 W Moeti	22,589	1,574	24,163
Cllr T Matlotlo	728	1,124	1,852
Cllr Mnana	1,903	304	2,207
Cllr Mnana	17,065	1,461	18,526
Cllr W Nodwele	60,915	1,825	62,740
Cllr W Nodwele	1,654	264	1,918
Cllr V Davids	131,353	4,082	135,435
Cllr Y Zweni	3,537	656	4,193
Total	265,453	14,839	280,292

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

48.07 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

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.

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.

	2023	2022
	R	R
Approved deviations from Supply Chain Management Regulations were identified on the following categories:		
Impractical or Impossible (SCM 36 (1) (a) (v)):	979,205	438,850
Emergency (SCM 36 (1) (a) (i)):	1,137,011	1,781,066
Sole Provider (SCM 36 (1) (a) (ii)):	91,061	542,270
Total	2,207,277	2,762,186

48.08 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

None

48.09 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

During the period under review, the municipality engaged with the following employees in service of the state (SCM 44)

None

48.10 TRADING WITH FAMILY MEMBERS OF EMPLOYEES IN SERVICE OF THE STATE

During the year under review, the municipality engaged with the following entities where spouses, children or parents of suppliers are in service of the state (SCM 45)

None

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
49 CAPITAL COMMITMENTS		
Commitments in respect of Capital Expenditure:	17,733,218	12,761,640
Approved and contracted for:		
Property, Plant and Equipment	17,733,218	12,761,640
Total	17,733,218	12,761,640
This expenditure will be financed from:		
Internal Funding and Government Grants	17,733,218	12,761,640
Total	17,733,218	12,761,640

Capital Commitments are disclosed inclusive of Value Added Tax (VAT).

50 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

50.1 Credit Risk

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

The following financial assets are exposed to credit risk:

Cash and Cash Equivalents	5,372,250	24,449,261
Receivables from exchange transactions	177,644,594	115,683,134
Total	183,016,844	140,132,394

There were no changes in the in the approach how credit risk is managed during the period under review.

Cash and Cash Equivalents

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

Credit risk is further managed and guided by the Cash Management and Investment Policy.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

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

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 3 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

50.2 Currency risk (Market 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.

50.3 Interest rate risk (Market 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.

	2023	2022
	R	R
The following balances are exposed to interest rate fluctuations:		
Cash and Cash Equivalents (Excluding Cash on Hand)	5,372,250	24,449,261
Long-term Liabilities (Including Current Portion)	(1,636,352)	(1,953,177)
Net balance exposed	3,735,897	22,496,083

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2023 R	2022 R
0.5% (2022 - 0.5%) increase in interest rates	18,679	112,480
0.5% (2022 - 0.5%) decrease in interest rates	(18,679)	(112,480)

Management does not foresee significant interest rate movements during the next 12 months.

50.4 Liquidity risk

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.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

	PAYABLE		
	Within 1 Year	Two to five years	After five years
30 JUNE 2023			
Annuity Loans	405,559	1,419,457	-
Payables from exchange transactions	613,517,764	-	-
Total	613,923,323	1,419,457	-
30 JUNE 2022			
	Within 1 Year	Two to five years	After five years
Annuity Loans	405,559	1,622,236	202,780
Payables from exchange transactions	526,062,002	-	-
Total	526,467,562	1,622,236	202,780

The liquidity risk is further managed and guided by the Liquidity Policy.

There were no changes to the exposure to liquidity risk and how the risk is managed during the period under review.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

50.5 Other price risk (Market 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 any other price risk.

51 FINANCIAL INSTRUMENTS

The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)

	2023 R	2022 R
<u>Financial Assets</u>		
Cash and Cash Equivalents	5,372,250	24,449,261
Receivables from exchange transactions	177,644,594	115,683,134
Total	183,016,844	140,132,394
<u>Financial Liabilities</u>		
Current Portion of Long-term Liabilities	328,551	1,025,913
Payables from exchange transactions	613,517,764	526,062,002
Long-term Liabilities	1,307,801	927,264
Total	615,154,116	528,015,180

52 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Receivables from Non-Exchange Transactions

Rates	52,589,096	35,696,028
Fines	2,528,634	1,678,635
Total	55,117,729	37,374,663
Taxes		
VAT Receivable from SARS (VAT Control)	478,278	2,665,837
Total	478,278	2,665,837

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

Receivable. Input Vat in Suspense is not included in the disclosure as there are no transaction to “settle” with a specific counterparty (SARS) at year-end.

The impact of the above is that there is no Statutory receivable for the 2022/23 Financial Year as the VAT control account is in credit (Payable)

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

52 STATUTORY RECEIVABLES (CONTINUED)

Statutory Receivables are disclosed after taking into account any impairments raised against gross amounts. Refer to note 4 for more detail relating to fines and rates receivables.

53 EVENTS AFTER REPORTING DATE

Non-adjusting events

Approval of Application for Eskom Debt Relief (1/3 of total debt)

Treasury has approved the Eskom Debt write-off of one third (R176 812 541.12) of the total R530 437 623.35 (this amount includes the related interest and penalties but excludes the March 2023 current Eskom account), the municipality owes Eskom as of 31 March 2023. To qualify for the 2nd third and 3rd third write-off of this debt, the municipality will need to meet the conditions for the 12 consecutive months of each of the two outer years of the Municipal Debt Relief programme as well (in totality the municipality must comply with these conditions for 36 consecutive months).

The conditions for the debt relief are listed in MFMA circular 124 and are summarised as follows:

1. Written application from the municipality to Eskom
2. Council approval for the application
3. The municipality must monthly pay and maintain its Eskom bulk current account within 30 days of receiving the relevant invoice
4. The municipality must submit supporting evidence to the National Treasury and Eskom of the respective payment(s) within 1 day of making any such payment
5. The municipality must submit the proof of payment to the National Treasury
6. The proof of payment must reconcile MSCOA data string and Section 41(2) MFMA Eskom statement
7. The municipality must table and adopt a funded MTREF aligning to the National Treasury's Budget Funding Guidelines with effect from 2023/24
8. If the municipality's MTREF is not funded, it must table and adopt a credible Budget Funding Plan as part of the MTREF budget
9. Cost-reflective tariffs should be implemented
10. Electricity collection:
 - (a) All consumers are delivered a monthly bill and account
 - (b) Payments are allocated in order: 1: Property rates; 2: Refuse; 3: Electricity
 - (c) Service are disconnected if payment is not made
 - (d) 80 per cent average quarterly collection of property rates and service charges with effect from 01 April 2023 and 85 per cent average quarterly collection with effect from 01 April 2024 during any quarter.
 - (e) Progressively implement smart prepaid meters, with all new connections from 2023-24 being smart prepaid meters

54 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received a donation of Clear view border fencing for the Thembisa community Hall to the value of R814,500 from Scatec

55 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The municipality did not enter into any PPP's in the current and prior year.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
56 CONTINGENT LIABILITIES		
The municipality were exposed to the following contingent liabilities at year end:		
56.1 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	50,617
56.2 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	8,695,711
56.3 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	68,036
56.4 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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
56 CONTINGENT LIABILITIES (CONTINUED)		
56.5 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	11,899,000
56.6 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
56.7 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 Nirth, claiming loss of income anticipated from conveyancing fees. The municipality was succesful. Although the plaintiff took the matter on appeal, there have been no further developments and the matter is now considered prescribed.	3,000,000	3,000,000
56.8 The municipality was served with summons on the 28 February 2023 by a plaintiff whose motor vehicle collided with a pothole. The municipal attorneys have recently done an inspection of Anderson Street and have since issued notices in terms of rules 13, 16 and 19. Rule 13 is a Notice of Intention to Defend. Rule 16 and 19 is a request for Further Particulars which the plaintiff has not yet responded. The municipality is in the process of issuing Rule 22 to compel the plaintiff to furnish all necessary documents. The municipality will be defending this matter	25,000	-
Total	26,440,286	26,415,286

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

57 RELATED PARTIES

Related parties are defined in note 1.37

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.

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 32 and 33

58 GOING CONCERN

We draw attention to the fact that at June 30, 2023, the municipality had total assets of R 1,146,445,042 and total liabilities of 734,747,391 meaning that municipality's total assets exceed its liabilities by R411,697,653. While this is indicative of a going concern position it should be noted that the Municipality operates under sever liquidity issues in terms of cash constrains and meeting its current obligations.

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

It should be noted that the Municipality applied to National Treasury for debt relief in terms of MFMA circular 124 which will assist the Municipality in terms of managing the liquidity issues that it encounters. It should further be noted that subsequent to year end but before the approval of the Financial Statements the Municipalities application for debt relief was approved – refer to subsequent events for further details.

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.

In terms of the above it should be further noted that there is currently no intention with respect to the liquidation of the Municipality or for the Municipality to ceases operations. Further to this, National Treasury is currently in the process of finalising a financial recovery plan with respect to the Municipality.

The municipality is under mandatory provincial intervention arising from financial difficulties in terms of Section 139 of the MFMA.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

59 NON-LIVING RESOURCES

Management identified the following non-living resources (other than land):

None

60 SEGMENT REPORTING

60.1 General information

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

60 SEGMENT REPORTING (CONTINUED)

The Municipality has 45 departments/functional areas and accordingly the segments were aggregated for reporting purposes as follow:

No	Reportable Segment	Goods and/or services delivered
1	Community and Public Safety	Community Halls, Sports and Recreational facilities and public protection services.
2	Economic and environmental services	Planning, development, strategic planning and upgrading and maintenance of roads infrastructure.
3	Trading services - Electricity	Electricity Services
4	Trading services - Solid Waste and Street Cleaning	Refuse, landfill Services and street cleaning
No	Non-Segments	Goods and/or services delivered
1	Municipal governance and administration	Supply administrative and related support to all segments. Provide and strengthen the overall governance.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

60.2 Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

60.3 Geographic Segment Reporting

Although the Municipality operates in a number of geographical areas (i.e. towns), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

60.4 Measurement of specific segment information

The accounting policies of the respective segments are the same as those prescribed in the summary of significant accounting policies.

The Municipality had no changes the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

Information about the surplus/(deficit) and capital expenditure of the respective segments are disclosed as follows:

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

60 SEGMENT REPORTING (CONTINUED)

	Non - Segments	Segments				Total R
	Municipal governance and administration R	Community and public safety R	Economic and environmental services R	Trading services - Electricity R	Trading services - Solid Waste and Street Cleaning R	
30 JUNE 2023						
REVENUE						
External Revenue from Non-Exchange Transactions	123,583,382	13,086,059	22,360,000	13,292,943	4,142,211	176,464,595
Property Rates	40,345,474	10,007,909	-	-	-	50,353,383
Government Grants and Subsidies - Operating	73,509,292	2,000,000	2,402,396	-	3,242,132	81,153,819
Government Grants and Subsidies - Capital	-	-	19,957,604	13,217,060	-	33,174,664
Contributed Asset	-	-	-	-	-	-
Fines, Penalties and Forfeits	-	1,078,150	-	75,883	-	1,154,033
Actuarial Gains	4,469,509	-	-	-	-	4,469,509
Fair Value Adjustments	5,259,108	-	-	-	-	5,259,108
Other Income	-	-	-	-	900,079	900,079
External Revenue from Exchange Transactions	94,866,797	6,628,865	7,149	90,224,919	31,087,731	222,815,461
Service Charges	59,712,059	-	-	90,224,919	30,427,098	180,364,076
Rental of Facilities and Equipment	24,804	1,891,623	-	-	-	1,916,426
Interest Earned - External Investments	1,621,380	-	-	-	-	1,621,380
Interest Earned - Outstanding Debtors	32,609,035	-	-	-	-	32,609,035
Licences and Permits	-	393,478	-	-	-	393,478
Agency Services	-	2,352,006	-	-	-	2,352,006
Other Income	899,520	1,991,758	7,149	-	660,632	3,559,060
TOTAL REVENUE	218,450,179	19,714,924	22,367,149	103,517,861	35,229,941	399,280,055
EXPENDITURE	181,124,412	48,804,387	13,714,699	164,692,017	7,239,623	415,575,138
Employee Related Costs	35,651,213	45,868,423	6,802,250	20,845,905	6,297,297	115,465,088
Remuneration of Councillors	9,277,328	-	-	-	-	9,277,328
Debt Impairment	8,465,811	-	-	-	-	8,465,811
Depreciation and Amortisation	32,610,400	-	-	-	-	32,610,400
Impairments	1,884,813	-	-	-	-	1,884,813
Finance Charges	45,876,761	-	89,124	-	-	45,965,885
Bulk Purchases	-	-	-	132,638,416	-	132,638,416
Other Expenditure	42,647,815	2,115,755	6,500,819	4,478,553	615,378	56,358,321
Repairs and Maintenance	4,710,271	820,209	322,506	6,729,142	326,948	12,909,076
TOTAL EXPENDITURE	181,124,412	48,804,387	13,714,699	164,692,017	7,239,623	415,575,138
NET SURPLUS/(DEFICIT) FOR THE YEAR	37,325,767	(29,089,463)	8,652,450	(61,174,155)	27,990,319	(16,295,083)
CAPITAL EXPENDITURE FOR THE YEAR	244,198	4,705,809	15,252,462	16,837,890	380,974	37,421,333

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

60 SEGMENT REPORTING (CONTINUED)

	Non - Segments	Segments				Total R
	Municipal governance and administration R	Community and public safety R	Economic and environmental services R	Trading services - Electricity R	Trading services - Solid Waste and Street Cleaning R	
30 JUNE 2022						
REVENUE						
External Revenue from Non-Exchange Transactions	111,863,543	11,895,518	15,370,616	165,777	-	139,295,455
Property Rates	39,267,563	9,594,764	-	-	-	48,862,327
Government Grants and Subsidies - Operating	70,637,139	2,000,000	2,314,150	-	-	74,951,289
Government Grants and Subsidies - Capital	-	-	13,056,466	116,433	-	13,172,899
Fines, Penalties and Forfeits	399	300,755	-	49,345	-	350,498
Actuarial Gains	133,793	-	-	-	-	133,793
Fair Value Adjustments	1,824,648	-	-	-	-	1,824,648
External Revenue from Exchange Transactions	66,549,029	6,872,878	2,180	91,242,884	20,151,307	184,818,278
Service Charges	39,356,487	-	-	91,242,884	19,477,253	150,076,625
Rental of Facilities and Equipment	-	2,146,388	-	-	28,675	2,175,063
Interest Earned - External Investments	759,459	-	-	-	-	759,459
Interest Earned - Outstanding Debtors	26,239,163	-	-	-	-	26,239,163
Licences and Permits	-	428,772	-	-	-	428,772
Agency Services	-	2,281,768	-	-	-	2,281,768
Other Income	193,920	2,015,949	2,180	-	645,379	2,857,428
TOTAL REVENUE	178,412,572	18,768,396	15,372,796	91,408,662	20,151,307	324,113,733
EXPENDITURE	276,018,146	39,098,006	8,369,348	160,796,951	11,759,716	496,042,168
Employee Related Costs	39,766,850	35,436,805	2,120,346	20,042,759	8,531,328	105,898,089
Remuneration of Councillors	8,503,597	-	-	-	-	8,503,597
Debt Impairment	49,249,214	-	-	-	-	49,249,214
Depreciation and Amortisation	33,411,683	-	-	-	-	33,411,683
Impairments	388,358	-	-	-	-	388,358
Actuarial Losses	1,229,779	-	-	-	-	1,229,779
Finance Charges	35,869,004	-	-	-	-	35,869,004
Bulk Purchases	-	-	-	128,043,873	-	128,043,873
Other Expenditure	27,368,175	2,623,122	5,598,375	4,103,634	1,934,633	41,627,939
Repairs and Maintenance	370,597	1,038,079	650,627	8,606,686	1,293,755	11,959,743
Loss on Disposal of Assets	79,860,888	-	-	-	-	79,860,888
TOTAL EXPENDITURE	276,018,146	39,098,006	8,369,348	160,796,951	11,759,716	496,042,168
NET SURPLUS/(DEFICIT) FOR THE YEAR	(97,605,574)	(20,329,610)	7,003,448	(69,388,289)	8,391,591	(171,928,435)
CAPITAL EXPENDITURE FOR THE YEAR	-	-	-	-	-	-

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2023

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2022 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2023 R
<u>ANNUITY LOANS</u>							
DBSA	102312	5.00%	30/09/2027	1,953,177	-	(316,825)	1,636,352
Total Annuity Loans				1,953,177	-	(316,825)	1,636,352
Total Long-Term Liabilities				1,953,177	-	(316,825)	1,636,352

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2023

	OPENING BALANCE	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	CLOSING BALANCE
	R	R	R	R	R
NATIONAL GOVERNMENT					
Equitable Share	-	70,586,000	(70,586,000)	-	-
Financial Management Grant	-	2,200,000	(2,200,000)	-	-
Municipal Infrastructure Grant	-	21,008,000	(1,050,396)	(19,957,604)	-
Skills Development Fund	-	149,561	(149,561)	-	-
Intergated National Electrification Programme	1,477,060	11,740,000	-	(13,217,060)	-
Expanded Public Works Program	-	1,352,000	(1,352,000)	-	-
National Treasury Audit Fees Grant -1%	-	573,731	(573,731)	-	-
Total	1,477,060	107,609,292	(75,911,688)	(33,174,664)	-
PROVINCIAL GOVERNMENT					
Library Services	-	2,000,000	(2,000,000)	-	-
Waste Management Project Grant	-	4,153,000	(3,693,234)	-	459,766
Spatial Development Plan	361,000	-	-	-	361,000
Hilton 89 Houses	6,746	-	-	-	6,746
Land Survey Management	467,500	-	-	-	467,500
Total	835,246	6,153,000	(5,693,234)	-	1,295,012
DISTRICT MUNICIPALITY					
Joe Gqabi District Municipality	1,489,886	-	-	-	1,489,886
Total	1,489,886	-	-	-	1,489,886
ALL SPHERES GOVERNMENT	3,802,192	113,762,292	(81,604,922)	(33,174,664)	2,784,898