



MATATIELE

LOCAL MUNICIPALITY

Matatiele Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2022

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Executive committee

Mayor	M M Mbedla	From: 1 July 2021 to 4 November 2021
Mayor	S Mngenela	From: 4 November 2021 to Current
Speaker	N Mshuqwana	From: 1 July 2021 to 4 November 2021
Speaker	N Ngwanya	From: 4 November 2021 to Current
Chief Whip	S Mngenela	From: 1 July 2021 to 4 November 2021
Chief Whip	N A Nkukhu	From: 4 November 2021 to Current
Portfolio Head: Budget and Treasury	N Ngwanya	From: 1 July 2021 to 4 November 2021
Portfolio Head: Budget and Treasury	P M Stuurman	From: 4 November 2021 to Current
Portfolio Head: Economic Development	N A Nkukhu	From: 1 July 2021 to 4 November 2021
Portfolio Head: Economic Development	M Facu	From: 4 November 2021 to Current
Portfolio Head: Community Services	S Maphasa	From: 1 July 2021 to 4 November 2021
Portfolio Head: Community Services	S D Booth	From: 4 November 2021 to Current
Portfolio Head: Infrastructure Services	F Shale	From: 1 July 2021 to 4 November 2021
		From: 4 November 2021 to Current
Portfolio Head: Special Programmes	Z P Bono	From: 1 July 2021 to 4 November 2021
Portfolio Head: Special Programmes	M Nyembezi	From: 4 November 2021 to Current
Portfolio Head: Corporate Services	T Dyantyi	From: 1 July 2021 to 4 November 2021
Portfolio Head: Corporate Services	N C Ludidi – Ndabane	From: 4 November 2021 to Current
Portfolio Head: Human Settlements	T Dyantyi	From: 4 November 2021 to Current
EXCO Member	K C Biggs	From: 1 July 2021 to 4 November 2021
EXCO Member	W C Mdolomba	From: 1 July 2021 to 4 November 2021
EXCO Member	M S Booï	From: 1 July 2021 to 4 November 2021
EXCO Member	S Sikhafungana	From: 4 November 2021 to Current
EXCO Member	W B Potwana	From: 4 November 2021 to Current
Chairperson: MPAC	P T Hloele	From: 1 July 2021 to 4 November 2021
Chairperson: MPAC	M S Mokhesi	From: 4 November 2021 to Current
Chairperson: Public Participation	M Mapena	From: 4 November 2021 to Current
Chairperson: Women's Caucus	N Maketela	From: 1 July 2021 to 4 November 2021
Chairperson: Women's Caucus	T Mtoto	From: 4 November 2021 to Current

Members of the council

Member	F P Libaziso	From: 1 July 2021 to 4 November 2021
Member	M J Mtoto	From: 1 July 2021 to 4 November 2021
Member	N P Xaki	From: 1 July 2021 to 4 November 2021
Member	T P Likobela	From: 1 July 2021 to 4 November 2021
Member	S Vikwa	From: 1 July 2021 to 4 November 2021
Member	N C Sithole	From: 1 July 2021 to 4 November 2021
Member	N Mabindisa	From: 1 July 2021 to 4 November 2021
Member	N I Makhube	From: 1 July 2021 to 4 November 2021
Member	C N Sambane	From: 1 July 2021 to 4 November 2021
Member	N I Mpopo	From: 1 July 2021 to 4 November 2021
Member	M M Tsoloane	From: 1 July 2021 to 4 November 2021
Member	L E Nkamba	From: 1 July 2021 to 4 November 2021
Member	X Mnconywa	From: 1 July 2021 to 4 November 2021
Member	Z P Bono	From: 1 July 2021 to 4 November 2021
Member	J G van Wyhe	From: 1 July 2021 to 4 November 2021
Member	H M Mdingi	From: 1 July 2021 to 4 November 2021
Member	K E Sepuhla	From: 1 July 2021 to 4 November 2021
Member	N N Paula	From: 1 July 2021 to 4 November 2021
Member	T L Mohoto	From: 1 July 2021 to 4 November 2021
Member	W K Leballo	From: 1 July 2021 to 4 November 2021
Member	N B Nkomo	From: 1 July 2021 to 4 November 2021
Member	P A Mohale	From: 1 July 2021 to 4 November 2021
Member	I N Maketela	From: 1 July 2021 to 4 November 2021

Matatiele Local Municipality

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General Information

Member	L E Stuurman	From: 1 July 2021 to 4 November 2021
Member	N R Ludidi - Mzonke	From: 1 July 2021 to 4 November 2021
Member	N Mosebetsane	From: 1 July 2021 to 4 November 2021
Member	N A Ganya	From: 1 July 2021 to 4 November 2021
Member	N Njobe	From: 1 July 2021 to 4 November 2021
Member	S N Mgolombane	From: 1 July 2021 to 4 November 2021
Member	T C Mshuqwana - Galo	From: 1 July 2021 to 4 November 2021
Member	T Molofe	From: 1 July 2021 to 4 November 2021
Member	T F Mahatla	From: 1 July 2021 to 4 November 2021
Member	T L Mothapa	From: 1 July 2021 to 4 November 2021
Member	W B Potwana	From: 1 July 2021 to 4 November 2021
Member	J Mabula	From: 1 July 2021 to 4 November 2021
Member	S Mzozoyana	From: 1 July 2021 to 4 November 2021
Member	T Mantshule	From: 1 July 2021 to 4 November 2021
Member	N Baba	From: 4 November 2021 to Current
Member	N R Durma	From: 4 November 2021 to Current
Member	N P Jona	From: 4 November 2021 to Current
Member	M Kondile	From: 4 November 2021 to Current
Member	W K Leballo	From: 4 November 2021 to Current
Member	L J Leeu	From: 4 November 2021 to Current
Member	P T Letsie	From: 4 November 2021 to Current
Member	J G Luthuli	From: 4 November 2021 to Current
Member	T B Mantshule	From: 4 November 2021 to Current
Member	S C Maphasa	From: 4 November 2021 to Current
Member	K A Mazwi	From: 4 November 2021 to Current
Member	S W Mbulawa	From: 4 November 2021 to Current
Member	S-N Mgolombane	From: 4 November 2021 to Current
Member	T F Mohatla	From: 4 November 2021 to Current
Member	M P Mokhele	From: 4 November 2021 to Current
Member	M Molefe	From: 4 November 2021 to Current
Member	N Mpokolo	From: 4 November 2021 to Current
Member	N Mshuqwana	From: 4 November 2021 to Current
Member	T V Ngaleka	From: 4 November 2021 to Current
Member	L E Nkamba	From: 4 November 2021 to Current
Member	T Nkellana	From: 4 November 2021 to Current
Member	N I Nomlala	From: 4 November 2021 to Current
Member	N D Nondabula	From: 4 November 2021 to Current
Member	A N Nqodi	From: 4 November 2021 to Current
Member	S G S Ntabeni	From: 4 November 2021 to Current
Member	P V Ntlokwana	From: 4 November 2021 to Current
Member	M A Ntsane	From: 4 November 2021 to Current
Member	F L Nyamakazi	From: 4 November 2021 to Current
Member	N A Pambukele	From: 4 November 2021 to Current
Member	T Rakharebe	From: 4 November 2021 to Current
Member	K E Sepuhle	From: 4 November 2021 to Current
Member	M Seshea	From: 4 November 2021 to Current
Member	N Shaikh	From: 4 November 2021 to Current
Member	T S Sheane	From: 4 November 2021 to Current
Member	W P Sipika	From: 4 November 2021 to Current
Member	N N Sontangane	From: 4 November 2021 to Current
Municipal Manager	L Matiwane	



Audit committee

Mr. A Gonzalves
Mr. S Nombembe

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

	Mrs. N Ntshanga Mr. Z Zulu Mr. T Nevondwe
Grading of local authority	3
Chief Finance Officer (CFO)	Mr. K Mehlomakhulu
Accounting Officer	Ms. T.S. Ntsalla
Registered office	102 Main Street Matatiele 4730
Business address	102 Main Street Matatiele 4730
Postal address	P.O. Box 35 Matatiele 4730
Bankers	Nedbank
Auditors	Auditor General of South Africa (AGSA)
Registered business telephone number	039 737 8100
Level of assurance	These annual financial statements will be audited in compliance with the applicable requirements of GRAP.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

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Matatiele Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The audited annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 31 to these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditor, being the Auditor General of South Africa, is responsible for auditing and expressing an opinion on the municipality's annual financial statements.

The audited annual financial statements set out on pages 7 - 94, which have been prepared on the going concern basis, were approved.



Ms. T.S. Ntsalla
Acting Municipal Manager

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

		2022	2021 Restated*
	Notes		
Assets			
Current Assets			
Inventories	3	1 874 495	2 137 082
Statutory receivables	4	81 286 952	64 841 965
Trade receivables from non-exchange transactions	5	247 600	597 262
VAT receivable	6	2 761 258	1 765 934
Trade receivables from exchange transactions	7	24 559 402	24 491 189
Security held in Eskom	8	4 517 888	4 373 560
Cash and cash equivalents	9	236 731 914	224 422 320
		351 979 509	322 629 312
Non-Current Assets			
Investment property	10	4 960 309	4 960 309
Property, plant and equipment	11	1 121 808 468	1 109 609 549
Property, plant and equipment - Capitalised restoration cost	12	12 585 130	13 098 876
Intangible assets	13	93 897	403 317
Heritage assets	14	870 000	-
		1 140 317 804	1 128 072 051
Total Assets		1 492 297 313	1 450 701 363
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	55 641 925	51 180 689
Consumer deposits	16	390 324	369 024
Employee benefit obligation	17	1 174 000	1 248 000
Unspent conditional grants and receipts	18	12 339 858	4 460 918
Provisions	19	15 162 167	16 189 592
		84 708 274	73 448 223
Non-Current Liabilities			
Employee benefit obligation	17	16 388 003	15 249 003
Provisions	19	22 439 174	17 971 648
		38 827 177	33 220 651
Total Liabilities		123 535 451	106 668 874
Net Assets		1 368 761 862	1 344 032 489
Reserves			
Revaluation reserve	20	173 369 571	230 445 832
Accumulated surplus		1 195 392 291	1 113 586 657
Total Net Assets		1 368 761 862	1 344 032 489

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* See Note 54

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

		2022	2021 Restated*
	Notes		
Revenue			
Revenue from exchange transactions			
Service charges	21	68 145 618	68 588 657
Rental of facilities and equipment	22	1 158 358	1 241 198
Agency services	23	1 649 721	1 769 769
Licences and permits	24	1 756 879	2 016 795
Other income	25	1 307 925	1 030 123
Interest revenue	26	25 931 263	22 364 740
Total revenue from exchange transactions		99 949 764	97 011 282
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	48 725 788	46 575 491
Transfer revenue			
Government grants & subsidies	28	432 883 059	399 461 475
Fine receipts	29	2 058 439	762 403
Total revenue from non-exchange transactions		483 667 286	446 799 369
Total revenue		583 617 050	543 810 651
Expenditure			
Employee related costs	30	(131 389 637)	(121 973 165)
Remuneration of councillors	31	(21 443 575)	(19 979 057)
Remuneration of traditional leaders	32	(129 728)	(329 090)
Depreciation and amortisation	33	(52 798 286)	(42 843 345)
Finance costs	34	(34 877)	(14 262)
Material and stores	35	(6 075 204)	(5 757 481)
Bulk purchases	36	(58 160 536)	(48 196 231)
Contracted services	37	(101 862 867)	(93 988 662)
General Expenses	38	(40 022 588)	(31 976 501)
Total expenditure		(411 917 298)	(365 057 794)
Operating surplus		171 699 752	178 752 857
Loss on disposal of assets and liabilities		(78 262 784)	(40 623 548)
Debt impairment	39	(17 650 618)	(18 719 969)
Fair value adjustments	40	-	1 262 067
Bad debts written off	41	-	(8 617 754)
Impairment loss	56	(1 113 241)	-
Landfill site provision contributions		(4 467 527)	(3 379 884)
		(101 494 170)	(70 079 088)
Surplus for the year		70 205 582	108 673 769

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* See Note 54

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	230 445 832	1 001 688 618	1 232 134 450
Adjustments			
Prior year adjustments	-	3 224 274	3 224 274
Balance at 01 July 2020 as restated*	230 445 832	1 004 912 892	1 235 358 724
Changes in net assets			
Surplus for the year restated	-	108 673 765	108 673 765
Total changes	-	108 673 765	108 673 765
Restated* Balance at 01 July 2021	230 445 832	1 113 586 655	1 344 032 497
Changes in net assets			
Impairment losses on revalued capital assets	(45 476 217)	-	(45 476 217)
Transfer from Revaluation Reserve to Accumulated Surplus	(11 600 044)	11 600 044	-
Net income (losses) recognised directly in net assets	(57 076 261)	11 600 044	(45 476 217)
Surplus for the year	-	70 205 582	70 205 582
Total recognised income and expenses for the year	(57 076 261)	81 805 626	24 729 365
Total changes	(57 076 261)	81 805 626	24 729 365
Balance at 30 June 2022	173 369 571	1 195 392 291	1 368 761 862
Note			20

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* See Note 54

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Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

		2022	2021
	Note(s)		Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		84 341 752	86 801 764
Grants		440 761 999	402 169 500
Interest income		25 931 263	22 364 740
Other receipts		6 646 822	5 999 375
		<u>557 681 836</u>	<u>517 335 379</u>
Payments			
Employee costs and suppliers		(355 296 759)	(298 867 692)
Finance costs		(34 877)	(14 262)
		<u>(355 331 636)</u>	<u>(298 881 954)</u>
Net cash flows from operating activities	43	<u>202 350 200</u>	<u>218 453 425</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(188 976 279)	(147 638 114)
Proceeds from sale of property, plant and equipment	11	-	582 777
Purchase of other intangible assets	13	(50 000)	-
Purchase of heritage assets	14	(870 000)	-
Security held in Eskom		(144 328)	(172 254)
		<u>(190 040 607)</u>	<u>(147 227 591)</u>
Net increase/(decrease) in cash and cash equivalents		12 309 593	71 225 834
Cash and cash equivalents at the beginning of the year		224 422 321	153 196 487
Cash and cash equivalents at the end of the year	9	<u>236 731 914</u>	<u>224 422 321</u>

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* See Note 54

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Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	70 532 412	-	70 532 412	68 145 618	(2 386 794)	
Rental of facilities and equipment	1 245 000	-	1 245 000	1 158 358	(86 642)	
Agency services	-	-	-	1 649 721	1 649 721	Note 57
Licences and permits	4 524 684	-	4 524 684	1 756 879	(2 767 805)	Note 57
Other income	1 501 176	-	1 501 176	1 307 925	(193 251)	Note 57
Interest received - investment	14 649 996	-	14 649 996	9 598 958	(5 051 038)	Note 57
Interest Received - Outstanding debtors	11 798 772	-	11 798 772	16 332 305	4 533 533	Note 57
Total revenue from exchange transactions	104 252 040	-	104 252 040	99 949 764	(4 302 276)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	54 088 416	-	54 088 416	48 725 788	(5 362 628)	Note 57
Transfer revenue						
Government grants & subsidies	412 784 004	31 501 711	444 285 715	432 883 059	(11 402 656)	
Fine receipts	2 093 700	-	2 093 700	2 058 439	(35 261)	Note 57
Total revenue from non-exchange transactions	468 966 120	31 501 711	500 467 831	483 667 286	(16 800 545)	
Total revenue	573 218 160	31 501 711	604 719 871	583 617 050	(21 102 821)	
Expenditure						
Employee related costs	(132 260 904)	-	(132 260 904)	(131 389 637)	871 267	Note 57
Remuneration of councillors	(21 689 916)	-	(21 689 916)	(21 443 575)	246 341	Note 57
Remuneration of traditional leaders	(360 564)	160 000	(200 564)	(129 728)	70 836	
Depreciation, amortisation and impairment loss	(35 300 004)	(35 000 000)	(70 300 004)	(53 910 507)	16 389 497	Note 57
Finance costs	-	-	-	(34 877)	(34 877)	Note 57
Lease rentals on operating lease	(1 000 000)	(600 000)	(1 600 000)	(1 508 972)	91 028	Note 57
Stores and materials	(7 379 196)	543 424	(6 835 772)	(6 075 204)	760 568	Note 57
Bulk purchases	(50 000 000)	(12 000 000)	(62 000 000)	(58 160 536)	3 839 464	
Contracted Services	(105 630 024)	(6 226 837)	(111 856 861)	(101 862 867)	9 993 994	Note 57
General Expenses	(69 725 292)	15 899 798	(53 825 494)	(44 251 338)	9 574 156	Note 57
Total expenditure	(423 345 900)	(37 223 615)	(460 569 515)	(418 767 241)	41 802 274	
Operating surplus	149 872 260	(5 721 904)	144 150 356	164 849 809	20 699 453	
Loss on disposal of assets and liabilities	-	-	-	(78 262 784)	(78 262 784)	
Debt impairment	(6 999 996)	-	(6 999 996)	(17 650 618)	(10 650 622)	Note 57
Landfill site provision contribution	-	-	-	(4 467 527)	(4 467 527)	Note 57
	(6 999 996)	-	(6 999 996)	(100 380 929)	(93 380 933)	
Surplus before taxation	142 872 264	(5 721 904)	137 150 360	64 468 880	(72 681 480)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	142 872 264	(5 721 904)	137 150 360	64 468 880	(72 681 480)	
Reconciliation						

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 599 995	98 324	1 698 319	1 874 495	176 176	Note 57
Statutory receivables	88 896 266	-	88 896 266	81 286 952	(7 609 314)	Note 57
Trade receivables from non-exchange transactions	-	-	-	247 600	247 600	Note 57
VAT receivable	-	-	-	2 761 258	2 761 258	Note 57
Consumer debtors	33 127 150	-	33 127 150	24 559 402	(8 567 748)	Note 57
Security held in Eskom	-	-	-	4 517 888	4 517 888	Note 57
Cash and cash equivalents	140 943 479	(29 338 779)	111 604 700	236 731 914	125 127 214	Note 57
	264 566 890	(29 240 455)	235 326 435	351 979 509	116 653 074	
Non-Current Assets						
Investment property	2 327 242	-	2 327 242	4 960 309	2 633 067	Note 57
Property, plant and equipment	1 148 450 978	9 879 495	1 158 330 473	1 121 808 468	(36 522 005)	Note 57
Property, plant and equipment - Capitalised restoration cost	-	-	-	12 585 130	12 585 130	
Intangible assets	590 141	(96 501)	493 640	93 897	(399 743)	Note 57
Heritage assets	-	-	-	870 000	870 000	
Other non-current assets	1 500 000	-	1 500 000	-	(1 500 000)	
	1 152 868 361	9 782 994	1 162 651 355	1 140 317 804	(22 333 551)	
Total Assets	1 417 435 251	(19 457 461)	1 397 977 790	1 492 297 313	94 319 523	
Liabilities						
Current Liabilities						
Payables from exchange transactions	(49 939 806)	(2 175 449)	(52 115 255)	55 641 925	3 526 670	Note 57
Consumer deposits	(345 497)	-	(345 497)	390 324	44 827	Note 57
Employee benefit obligation	-	-	-	1 174 000	1 174 000	
Unspent conditional grants and receipts	-	-	-	12 339 858	12 339 858	
Provisions	(11 998 424)	-	(11 998 424)	15 162 167	3 163 743	Note 57
	(62 283 727)	(2 175 449)	(64 459 176)	84 708 274	20 249 098	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	16 388 003	16 388 003	Note 57
Provisions	(29 577 764)	-	(29 577 764)	22 439 174	(7 138 590)	Note 57
	(29 577 764)	-	(29 577 764)	38 827 177	9 249 413	
Total Liabilities	(91 861 491)	(2 175 449)	(94 036 940)	123 535 451	29 498 511	
Net Assets	1 509 296 742	(17 282 012)	1 492 014 730	1 368 761 862	136 402 820	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	(230 445 832)	-	(230 445 832)	173 369 571	(57 076 261)	Note 57
Accumulated surplus	1 739 742 574	(17 282 012)	1 722 460 562	1 195 392 291	(527 068 271)	Note 57
Total Net Assets	1 509 296 742	(17 282 012)	1 492 014 730	1 368 761 862	136 402 820	

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	106 703 989	-	106 703 989	83 751 763	(22 952 226)	Note 57
Grants	412 784 000	29 277 999	442 061 999	440 761 999	(1 300 000)	
Interest income	14 649 996	-	14 649 996	25 931 263	11 281 267	
Other receipts	9 364 562	-	9 364 562	6 646 822	(2 717 740)	
	543 502 547	29 277 999	572 780 546	557 091 847	(15 688 699)	
Payments						
Suppliers	(387 995 720)	(2 273 708)	(390 269 428)	(360 438 028)	29 831 400	
Finance costs	-	-	-	(34 877)	(34 877)	
	(387 995 720)	(2 273 708)	(390 269 428)	(360 472 905)	29 796 523	
Net cash flows from operating activities	155 506 827	27 004 291	182 511 118	196 618 942	14 107 824	
Cash flows from investing activities						
Purchase of property, plant and equipment	(192 872 451)	(44 783 064)	(237 655 515)	(184 115 021)	53 540 494	Note 57
Purchase of intangible assets	-	-	-	(50 000)	(50 000)	Note 57
Security held in Eskom	-	-	-	(144 328)	(144 328)	Note 57
Net cash flows from investing activities	(192 872 451)	(44 783 064)	(237 655 515)	(184 309 349)	53 346 166	
Net increase/(decrease) in cash and cash equivalents	(37 365 624)	(17 778 773)	(55 144 397)	12 309 593	67 453 990	
Cash and cash equivalents at the beginning of the year	178 309 102	-	178 309 102	224 422 321	46 113 219	Note 57
Cash and cash equivalents at the end of the year	140 943 478	(17 778 773)	123 164 705	236 731 914	113 567 209	
Reconciliation						

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

	Notes	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

Reference	Description
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures (Revised)
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget information in Financial Statements
GRAP 25	Employee Benefits
GRAP 31	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principles and Agents

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. In preparing the financial statements, management is required to make estimates and assumptions that impact on the municipality financial statements once implemented. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

1.3 Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors 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.

1.4 Municipal Standard Chart of Accounts (mSCOA) Implementation and Reclassification

The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effective from 1 July 2017.

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Municipal Standard Chart of Accounts (mSCOA) Implementation and Reclassification (continued)

The main objective of this regulation is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which:

- a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard chart of accounts for national and provincial government; and
- b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

The impact of this mSCOA regulations affected the municipality's current business processes; transacting and reporting requirements.

1.5 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Provisions

Provisions were raised and management determined estimates based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Allowance for doubtful debts

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

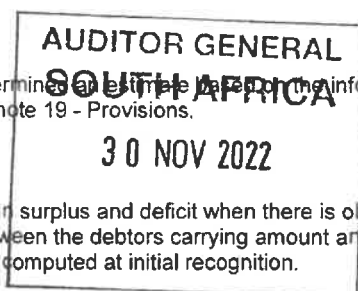
Debtors from 90 days and above are impaired (debtors less than 90 days are not impaired).

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, as well as land with no determinable future use. Investment property is recognised as an asset i.e. probable that future economic benefits will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and cost incurred subsequently to add to, or to replace a part or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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



Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Investment property (continued)

Subsequent measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

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

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Subsequent measurement

The following categories of Property, plant and equipment are carried on the revaluation model, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses:

- Land and Buildings
- Infrastructure
- Community Assets

The following categories of Property, plant and equipment are carried on the cost model, being the cost less accumulated depreciation and any impairment losses:

- Other property, plant and equipment
- Capital under construction

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Property, plant and equipment (continued)

Capital under construction is not depreciated as the asset has not been brought into use yet. Land is not depreciated as it is deemed to have an indefinite useful life.

Revaluations are made every 5 years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The land and buildings are checked against deeds information to ensure that the properties included in the register are owned and controlled by the municipality.

Market values are analysed to ensure that the value reflect the fair value of the fixed asset concerned. The assets with significant high market values to their carrying values are assessed for reasonableness as per requirements of GRAP 17.

The market value is split between land and buildings using a 10:90 split respectively.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Depreciation

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

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

Item	Depreciation method
Infrastructure	Straight-line
• Roads and paving	5-30 years
• Electricity	5-50 years
• Water	15-20 years
• Sewerage	15-20 years
• Landfill sites	10-35 years
• Housing	30 years
• Pedestrian mall	20 years
Community	Straight-line
• Improvements	25-30 years
• Recreational facilities	10-50 years
• Security	10-50 years

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1.7 Property, plant and equipment (continued)

Components	Straight-line
• Doors and iron	08-15 years
• Doors and iron (extensive)	15-30 years
• Fittings	05-15 years
• Fittings and fixtures	15-30 years
• Windows and glazing	08-15 years
• Windows and glazing (extensive)	15-30 years
• External roof structure/covering	15-35 years
• Floor finish	05-15 years
• Wall structure (internal)	20-50 years
• Electrical	10-30 years
Other property, plant and equipment	Straight-line
• Buildings	15-75 years
• Specialist vehicles	10 years
• Other vehicles	05-10 years
• Office equipment	03-07 years
• Furniture and fittings	07-10 years
• Watercraft	15 years
• Bins and containers	05-10 years
• Specialised equipment	10-15 years
• Other plant and equipment	02-15 years
• External wall	20-30 years
• Floor structure	20-40 years
• Wall painting	05-10 years
• Drainage	10-30 years
• Plumbing	10-30 years

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

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

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

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

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

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

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

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

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

1.8 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost:

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-5 years

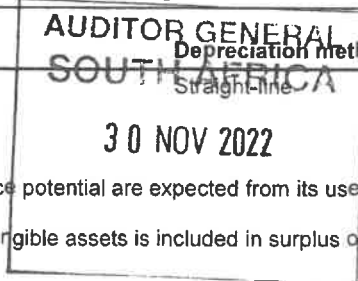
Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.9 Financial instruments

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.



Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.9 Financial instruments (continued)

Initial recognition and measurement

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

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Effective Interest Rate Method

The Effective Interest Rate Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or collectability.

Fair value method and assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices; and
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Classification

In accordance with GRAP 104 the Financial Assets and Financial Liabilities of the municipality are classified as follows into the three categories allowed by this standard:

- Financial assets (or financial liabilities) 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. Financial assets (or financial liabilities) at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less an allowance for impairment.
- Financial assets (or financial liabilities) at fair value are financial instruments that meet either of the following conditions:
 - a. derivatives;
 - b. combined instruments that are designated at fair value;
 - c. instruments held for trading;
 - d. non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - e. financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- Financial assets (or financial liabilities) 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.

Matatiele Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Included under the major classes of financial instruments below, are line items that are separately disclosed in the notes that do not meet the definition of a financial instrument (such as Prepaid expenses, Payments made in advance etc.). The balances are clearly identifiable by the naming of the line items. Such items are excluded from the balances disclose in Note 46. In rare instances, aggregation within a line item of a note might contain both financial instruments and balances that do not meet the definition of a financial instrument. In these cases the individual line items would be assessed with reference to its significance. Where insignificant, non-financial instruments would be included in the aggregated line items that would normally meet the definition of a financial instrument. this disclosure aggregation was specifically selected to ensure comprehensive classification.

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Cash and cash equivalents (*)	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Finance lease receivables	Financial asset measured at amortised cost

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks. Cash equivalents are both short-term highly liquid investments, readily convertible into known amounts of cash, and fixed term deposits that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash with banks and call deposits held with banks.

In accordance with GRAP 104 the Financial Assets of the municipality are all classified as financial assets at amortised cost, (*) except for cash floats and petty cash, which are classified as financial assets at fair value.

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- Financial Liabilities measured at Fair Value;
- Financial Liabilities measured at Amortised Cost; or
- Financial Liabilities measured at Cost.

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value
Unspent conditional grants and receipts	Financial liability measured at amortised cost

In accordance with GRAP 104 the Financial Liabilities of the municipality are all classified as financial liabilities at amortised cost, except for Consumer deposits, which are classified as financial liabilities at fair value.

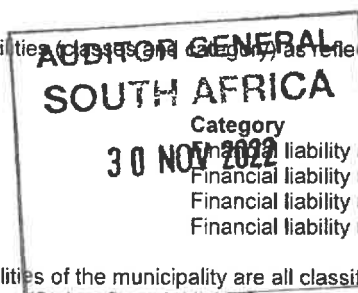
Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial and subsequent measurement

Financial Assets

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis.



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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.9 Financial instruments (continued)

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables) and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Financial Liabilities

Financial Liabilities measured at fair value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the Accrual Basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Subsequent measurement of financial assets and financial liabilities

Impairment and uncollectibility 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 (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

An allowance 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. The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables 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. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Initially receivables from exchange and non-exchange transactions are valued at fair value and subsequently carried at amortised cost using the effective interest rate method, less an allowance for impairment. The allowance is made in accordance with GRAP 104, whereby the recoverability of receivables is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at year-end. Amounts are written off in the year during which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

Annual impairment testing is conducted on all Receivable balances. The effects of the annual impairment testing are accounted for against the Provision for Bad Debts Allowance. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance against the Reversal of Impairment Loss/(Impairment Loss) on Receivables. Accounts identified and written-off during the year is recognised against Bad Debts Written Off in the Statement of Financial Performance.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.9 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

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, except when Council approves the write-off of Financial Assets due to non-recoverability.

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

Financial assets and financial liabilities are only offset when the municipality has a legally enforceable right to do so and expects to settle or recover the instruments on a net basis.

Financial liabilities

The municipality derecognises Financial Liabilities when, and only 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.

1.10 Statutory receivables

Identification

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

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

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

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

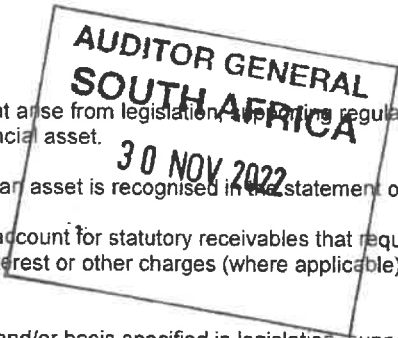
The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement



Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.10 Statutory receivables (continued)

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.10 Statutory receivables (continued)

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

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

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

1.11 Leases

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

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

Operating leases - lessor

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

1.12 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value except where the following applies:

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

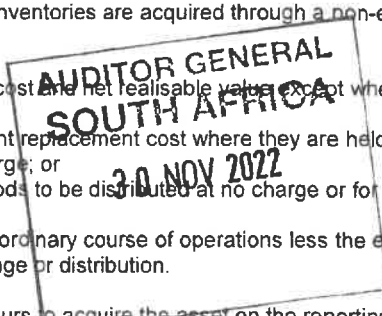
Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

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

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

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



Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 Impairment of assets

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash generating assets), the asset is considered impaired and is written down to its recoverable amount or recoverable service amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

Impairment losses on receivables are determined based on specific and objective evidence that assets are impaired and is measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are recognised in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the profit or loss.

1.14 Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

1.15 Employee costs

These are all costs paid by an employer in exchange for services rendered by an employee. These include employee benefits such as salaries, bonuses, housing allowance, medical and other contributions, which are recognised in the income statement during the period in which the employee renders the related service. Detailed policies can also be noted under the Employee Benefits note.

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.16 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

All Actuarial gains and losses are recognised immediately in surplus or deficit when they occur.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

1.18 Revenue from exchange transactions

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

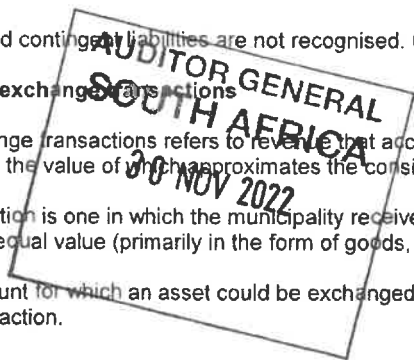
An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.



Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and rebates allowed by the entity. Fair value is the amount for which an asset could be exchanged, or a liability, between knowledgeable, willing parties in an arm's length transaction.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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 recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

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.

1.19 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. 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.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Government grants

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Unspent conditional grants

For all conditional grants, a corresponding liability is raised 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. The unspent conditional grant liability is disclosed in the Statement of Financial Position.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.20 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

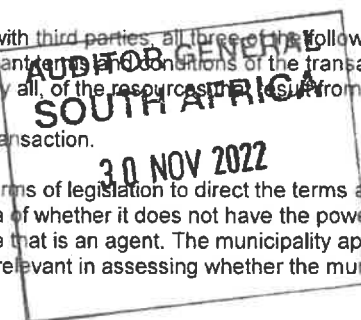
The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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



Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.21 Unauthorised expenditure (continued)

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

1.22 Fruitless and wasteful expenditure

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

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

1.23 Irregular expenditure

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

1.24 Prepayments

The amount is not taken to profit or loss and other comprehensive income as an expense but disclosed as a current asset in the statement of financial position. The expense is only raised when it is incurred.

1.25 Accumulated Surplus

Included in the accumulated surplus is the previous years profits as well as the effects of changes in accounting policies and correction of errors.

1.26 IGRAP 1 - Probability of revenue

Initial Recognition

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured.

Subsequent measurement

Subsequently, the collectability of the revenue is assessed and an impairment loss is recognised where appropriate.

1.27 VAT

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services.

1.28 Budget information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.28 Budget information (continued)

The basis which has been applied in determining material variances is 10%. Income we have only provided reasons where the municipality has under achieved and for expenditure both over and under achieved where its 10% less or more than budget. The municipality treats employee costs as a major expense in its statement of financial performance hence we have provided a reason for that variance of 6%.

1.29 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.30 Commitments

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

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments. Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are to be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.31 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.32 Deferred revenue

The calculation is done on the week commencing 15 June with the assumption that the electricity purchased in the first and second week of the month will be consumed of the financial year.

An average tariff has been applied for domestic as the municipality is on stepped tariff.

The indigent is not deferred.

1.33 Investment income

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

1.34 Comparative figures

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

1.35 Segment Reporting

A segment is an activity of an entity:

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

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.35 Segment Reporting (continued)

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

Measurement

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

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

1.36 Heritage assets

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

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

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

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

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

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

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

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
2. New standards and interpretations		
2.1 Standards and interpretations issued, but not yet effective		
Standard/ Interpretation:		
• GRAP 25: Employee Benefits		
• GRAP 103 on Heritage Assets		
• GRAP 104 on Financial Instruments		
3. Inventories		
Consumable stores	1 746 470	1 900 805
COVID-19 PPE	140 591	245 439
Medallions - at cost	2 669	2 669
	<hr/>	<hr/>
	1 889 730	2 148 913
Inventories (write-downs)	(15 235)	(11 831)
	<hr/>	<hr/>
	1 874 495	2 137 082

No inventory is held as security by the municipality.

4. Statutory receivables

Traffic fines debtor	5 402 158	4 013 649
Rates from non-exchange transactions	126 487 465	103 001 277
Impairment	(50 602 671)	(42 172 961)
	<hr/>	<hr/>
	81 286 952	64 841 965

Statutory receivables general information

The carrying value of Statutory 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 is charged at 18% per annum on overdue accounts.

Rates from non-exchange transactions

These are the receivables as rates that are levied on the properties within the jurisdiction of Matatiele Local Municipality. The rates that are applicable to a particular property are determined using the valuation roll. Rates are determined in accordance with the Municipal Property Rates Act No. 6 of 2004 as amended in 2014.

Traffic fines

These are the receivables for the fines in terms of the Road Traffic Regulations and the Municipal Bylaws where applicable. Fines are determined based on the Road Traffic Management Act.

Statutory receivables impairment

The Allowance for impairment of Statutory 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.

**AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2022**

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
4. Statutory receivables (continued)		
Reconciliation of provision for impairment of statutory receivables		
Opening balance	42 154 321	37 491 447
Provision for impairment	8 448 350	4 662 874
	50 602 671	42 154 321
Rates from non-exchange transactions		
Current	1 242 133	1 065 730
31-60 days	1 188 412	983 152
61-90 days	1 871 293	1 585 620
91-120 days	1 772 719	1 555 846
121-365 days	37 346 963	10 833 643
Over 365 days	83 065 943	86 977 287
Impairment	(45 905 461)	(38 571 918)
	80 582 002	64 429 360
Traffic Fines from non-exchange transactions		
Current	417 300	42 500
31-60 days	-	70 700
61-90 days	287 650	232 250
91-120 days	636 150	137 900
121-365 days	382 150	377 100
Over 365 days	3 678 910	3 153 199
Impairment	(4 697 210)	(3 601 043)
	704 950	412 606
5. Trade receivables from non-exchange transactions		
Sundry Debtors	2 902 157	3 006 166
Impairment on Sundry Debtors	(2 654 557)	(2 408 904)
	247 600	597 262
No receivables from non-exchange is held as security by the municipality.		
Included in Sundry Debtors is medical aid for pensioners and payroll debtors.		
The net balance of receivables from non-exchange transactions approximate the fair value of these receivables.		
6. VAT receivable		
VAT	2 761 258	1 765 934
7. Trade receivables from exchange transactions		
Gross balances		
Electricity from exchange transactions	19 420 911	13 647 560
Refuse from exchange transactions	25 279 619	22 790 062
Principal/Agency sales electricity	17 157 038	16 496 572
Interest accrued from investments	442 642	322 547
	62 300 210	53 256 741

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	2022	2021
7. Trade receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Electricity from exchange transactions	(362 188)	(440 582)
Refuse from exchange transactions	(22 943 867)	(20 305 944)
Principal/Agency sales electricity	(14 434 753)	(8 019 026)
	(37 740 808)	(28 765 552)
Net balance		
Electricity from exchange transactions	19 058 723	13 206 978
Refuse from exchange transactions	2 335 752	2 484 118
Principal/Agency sales electricity	2 722 285	8 477 546
Interest accrued from investments	442 642	322 547
	24 559 402	24 491 189
Electricity		
Current (0 -30 days)	3 424 055	4 321 914
31 - 60 days	1 808 644	1 586 064
61 - 90 days	1 495 430	1 150 551
91 - 120 days	684 968	1 437 312
121 - 365 days	5 025 033	4 421 433
> 365 days	6 982 780	730 287
	19 420 910	13 647 561
Refuse		
Current (0 -30 days)	888 913	920 367
31 - 60 days	588 972	623 177
61 - 90 days	485 147	512 244
91 - 120 days	423 237	477 054
121 - 365 days	2 939 471	2 938 310
> 365 days	19 953 879	17 318 910
	25 279 619	22 790 062
Principal/Agency sales electricity		
Current (0 -30 days)	2 183 606	7 916 462
91 - 120 days	-	8 580 110
> 365 days	14 973 433	-
	17 157 039	16 496 572
Other		
> 365 days	442 642	322 547

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	2022	2021
7. Trade receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	577 667	619 181
31 - 60 days	485 045	530 130
61 - 90 days	428 572	465 466
91 - 120 days	392 210	440 654
121 - 365 days	2 763 401	2 797 627
> 365 days	19 290 419	16 886 020
	<u>23 937 314</u>	<u>21 739 078</u>
Less: Allowance for impairment	(22 220 580)	(19 832 066)
	1 716 734	1 907 012
Industrial/ commercial		
Current (0 -30 days)	4 666 897	10 571 345
31 - 60 days	756 855	394 580
61 - 90 days	328 704	232 087
91 - 120 days	69 917	8 725 749
121 - 365 days	275 436	184 149
> 365 days	15 835 579	727 357
	<u>21 933 388</u>	<u>20 835 267</u>
Less: Allowance for impairment	(15 520 228)	(8 933 486)
	6 413 160	11 901 781
National and provincial government		
Current (0 -30 days)	1 252 010	1 968 216
31 - 60 days	1 155 716	1 284 530
61 - 90 days	1 223 301	965 242
91 - 120 days	646 078	1 328 074
121 - 365 days	4 925 666	4 377 966
> 365 days	6 784 094	435 821
	<u>15 986 865</u>	<u>10 359 849</u>
Total		
Current (0 -30 days)	6 496 574	13 158 742
31 - 60 days	2 397 616	2 209 241
61 - 90 days	1 980 577	1 662 795
91 - 120 days	1 108 205	10 494 477
121 - 365 days	7 964 503	7 359 742
> 365 days	42 352 735	18 371 745
	<u>62 300 210</u>	<u>53 256 742</u>
Less: Allowance for impairment	(37 740 808)	(28 765 553)
	24 559 402	24 491 189
Reconciliation of allowance for impairment		
Balance at beginning of the year	(28 765 552)	(17 136 002)
Contributions to allowance	(8 975 256)	(11 629 550)
	<u>(37 740 808)</u>	<u>(28 765 552)</u>

Matatiele Local Municipality

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Notes to the Annual Financial Statements

	2022	2021
7. Trade receivables from exchange transactions (continued)		
Consumer debtors past due but not impaired		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R15 291 190 (2021: R4 622 383) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	6 174 510	11 857 602
2 months past due	1 650 156	1 628 231
3 months past due	2 037 637	1 805 357
Consumer debtors impaired		
As of 30 June 2022, consumer debtors of R70 148 484 (2021: R60 515 029) were impaired and provided for.		
The amount of the provision was R37 740 808 as of 30 June 2022 (2021: R28 765 552).		
The ageing of these debtors is as follows:		
3 to 6 months	448 229	9 285 164
Over 6 months	37 244 014	19 480 389
In determining the recoverability of a Consumer receivable, the municipality considers any change in the credit quality of the Consumer receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the allowance for doubtful debts.		
8. Security held in Eskom		
Security held in Eskom	4 517 888	4 373 560
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1 250	1 250
Bank balances	8 718 773	11 294 244
Short-term deposits	228 011 891	213 126 826
	236 731 914	224 422 320

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	2022		2021	
9. Cash and cash equivalents (continued)				
The municipality had the following bank accounts				
Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Nedbank - Current Account (main) - 1011292106	3 024 458	10 146 653	2 945 059	9 778 476
Standard Bank - Current Account - 060435224	4 016 044	285 991	4 016 044	285 991
First National Bank - Current Account - 62108495187	1 757 671	1 208 559	1 757 671	1 208 559
Standard Bank - 60 Day Notice Account - 68600704/001	95 884 582	56 884 582	95 884 582	56 884 582
Standard Bank - 60 Day Notice Account - 68600704/002	11 461 582	11 127 291	11 461 582	11 127 291
First National Bank - Money Market - 62108496573	6 805 396	6 805 396	6 805 396	6 805 396
NedBank - Call Account - 03/7881006129/000004	61 864 893	79 134 993	61 864 893	79 134 993
NedBank - Call Account - 03/7881120797/000001	10 000	818 332	10 000	818 332
NedBank - 32 day Notice - 03/7881006129/0006	6 646 805	6 384 646	6 646 805	6 384 646
First National Bank - Money Market - 62215611121	2 015 578	1 970 117	2 015 578	1 970 117
First National Bank - Money Market - 62286478906	613 365	599 530	613 365	599 530
NedBank - Call Account - 03/7881134496/000001	56 318	54 503	56 318	54 503
Nedbank - Electrification - 03/7881140356	281 170	272 107	281 170	272 107
Standard Bank Call Account - 68600704/002	-	21 294 186	-	21 294 186
Nedbank MIG - 03/7881096624/00001	7 331 852	10 000	7 331 852	10 000
First National Bank - 62175310045	197 736	193 696	197 736	193 696
Nedbank - Disaster Relief Fund - 03/7881160276-000001	794 466	768 859	794 466	768 859
Nedbank - COVID-19 Solidarity Fund - 03/7881160454-000001	96 134	92 995	96 134	92 995
Nedbank - 03/78811127902	27 605 371	26 715 591	27 605 371	26 715 591
Nedbank - Termination Guarantee - 03/7881169443/000001	144 641	-	144 641	-
Nedbank - Account Guarantee - 03/7881169451/000001	6 202 000	-	6 202 000	-
Total	236 810 062	224 768 027	236 730 663	224 399 850

No investments are held with unregistered banks on behalf of Matatiele Local Municipality.

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10. Investment property

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	4 960 309	-	4 960 309	4 960 309

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Reconciliation of investment property - 2022

Investment property

Opening balance	4 960 309
Total	4 960 309

Reconciliation of investment property - 2021

Investment property

Opening balance	3 698 242
Fair value adjustments	1 262 067
Total	4 960 309

All of the municipality's investment properties are held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality and are held for capital appreciation.

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

There are no contractual obligations on investment property.

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.

The effective date of the revaluations was 1 June 2021.

The valuation was performed using data based on arm's length transactions and related market evidence.

Matatiele Local Municipality

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	2022	2021
10. Investment property (continued)		
This was done by an independent and professional valuer with the Registration Number 70006/09, a member of SAIV (South African Institute of Valuers) by the name of Tshupo Patrick Mokhuwa		
Rental revenue	1 158 358	1 241 198

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11. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	52 734 059	-	52 734 059	52 734 059	-	52 734 059
Buildings	182 913 625	(14 581 418)	168 332 207	74 129 463	(10 370 834)	63 758 629
Infrastructure	642 832 497	(151 384 729)	491 447 768	571 180 823	(84 030 205)	487 150 618
Community	156 581 079	(32 104 607)	124 476 472	156 241 654	(23 090 843)	133 150 811
Other property, plant and equipment	90 986 046	(39 680 575)	51 305 471	85 050 415	(31 914 492)	53 135 923
Capital work under construction	167 489 015	-	167 489 015	247 686 012	-	247 686 012
Assets held in consignment for Eskom	66 023 476	-	66 023 476	71 993 497	-	71 993 497
Total	1 359 559 797	(237 751 329)	1 121 808 468	1 259 015 923	(149 406 374)	1 109 609 549

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Electrification Disposals	Depreciation	Impairment loss	Total
Land	52 734 059	-	-	-	-	-	-	52 734 059
Buildings	63 758 629	-	-	108 784 162	-	(4 210 584)	-	168 332 207
Infrastructure	487 150 618	4 551 378	(20 942 331)	97 903 515	-	(30 625 954)	(46 589 458)	491 447 768
Community	133 150 811	129 424	-	210 000	-	(9 013 763)	-	124 476 472
Other property, plant and equipment	53 135 923	6 287 830	(43 465)	-	-	(8 074 817)	-	51 305 471
Capital work under construction	247 686 012	178 007 647	-	(258 204 644)	-	-	-	167 489 015
Assets held in consignment for Eskom	71 993 497	-	-	51 306 967	(57 276 988)	-	-	66 023 476
	1 109 609 549	188 976 279	(20 985 796)	-	(57 276 988)	(51 925 118)	(46 589 458)	1 121 808 468

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Electrification disposals	Depreciation	Total
Land	52 734 060	-	-	-	-	-	52 734 060
Buildings	66 603 102	-	-	614 464	-	(3 458 938)	63 758 629
Infrastructure	453 600 121	1 832 386	(1 004 137)	55 885 060	-	(23 162 812)	487 150 618
Community	121 920 826	579 800	-	19 408 979	-	(8 758 793)	133 150 811
Other property, plant and equipment	47 583 767	7 993 810	(111 738)	3 573 973	-	(5 903 890)	53 135 923
Capital work under construction	299 704 955	137 180 493	(138 186)	(189 061 249)	-	-	247 686 012
Assets held in consignment for Eskom	2 315 363	51 625	-	109 578 773	(39 952 264)	-	71 993 497
	1 044 462 194	147 638 114	(1 254 061)	-	(39 952 264)	(41 284 433)	1 109 609 550

Pledged as security

No property, plant and equipment was pledged as security on behalf of the municipality.

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Notes to the Annual Financial Statements

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11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress - 2022

	Included within Infrastructure	Included within Community	Included within Land and Buildings	Total
Opening balance	115 418 982	23 482 869	108 577 006	247 478 857
Additions/capital expenditure	174 120 862	2 519 263	1 367 521	178 007 646
Transfers to Eskom	(51 306 967)	-	-	(51 306 967)
Transferred to completed items	(97 903 515)	(210 000)	(108 577 006)	(206 690 521)
	140 329 362	25 792 132	1 367 521	167 489 015

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Land and Buildings	Total
Opening balance	167 814 619	35 806 478	96 083 858	299 704 955
Additions/capital expenditure	113 206 382	7 085 370	16 681 585	136 973 337
Disposals	(138 186)	-	-	(138 186)
Transferred to completed items	(165 463 833)	(19 408 979)	(4 188 437)	(189 061 249)
	115 418 982	23 482 869	108 577 006	247 478 856

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Repairs on buildings	5 413 315	2 379 702
Repairs on equipment	5 064 146	3 661 254
Repairs on mains	6 225 386	8 713 830
	16 702 847	14 754 786

The Matatiele area was affected by severe weather conditions (floods) during the current year that resulted in some road infrastructure being significantly affected in terms of functionality and service delivery.

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	2022	2021
11. Property, plant and equipment (continued)		
Funding of property, plant and equipment acquisitions		
Additions to property, plant and equipment was funded from the following sources:		
Infrastructure Assets		
Own funds	10 332 637	1 832 376
Community Assets		
Own funds	129 425	579 800
Work in Progress		
Municipal infrastructure grant	56 717 802	50 445 688
Integrated national electrification programme	85 127 032	28 340 000
Own funds	31 301 555	58 276 857
Other Assets		
Own funds	6 287 827	8 041 923
Library grant	-	121 470
	189 896 278	147 638 114

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.

12. Property, plant and equipment - Capitalised restoration cost

	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Landfill site	14 640 111	(2 054 981)	12 585 130	14 640 111	(1 541 235)	13 098 876

Reconciliation of property, plant and equipment - capitalised restoration cost - 2022

	Opening balance	Depreciation	Total
Landfill site	13 098 876	(513 746)	12 585 130

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Notes to the Annual Financial Statements

	2022	2021
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12. Property, plant and equipment - Capitalised restoration cost (continued)

Reconciliation of property, plant and equipment - capitalised restoration cost - 2021

	Opening balance	Depreciation	Total
Landfill site	R 12 622	(513 746)	13 098 876

The municipality is required by relevant Environmental Legislation to rehabilitate landfill site at the closure date. 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 site under control of the Matatiele Local Municipality.

Although this item is accounted for under Property, Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

Refer to note 19 for more detail relating to this asset financed by way of a provision.

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13. Intangible assets

	2022		2021	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software	3 681 872	(3 587 975)	3 631 871	(3 228 554)
				403 317

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	403 318	50 000	(359 421)	93 897

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	691 517	(288 199)	403 318

Other information

There is a register containing the information required by Section 63 of the MFMA which is available for inspection at the registered office of the Municipality.

None of the intangible assets are pledged as a security as at year end.

Matatiele Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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14. Heritage assets

	2022		2021	
	Cost / Valuation	Accumulated impairment losses	Cost / Valuation	Accumulated impairment losses
Assets under construction	870 000	-	870 000	-

Reconciliation of heritage assets 2022



Assets under construction

15. Payables from exchange transactions

Trade payables
Income received in advance
Deposits received
Bonus accrual
Payable water services

43 430 161	40 058 573
6 402 846	5 562 303
1 187 971	1 127 741
2 576 153	2 387 278
2 044 794	2 044 794
55 641 925	51 180 689

Opening balance	Additions	Total
-	870 000	870 000

Fair value of trade and other payables

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Income received in advance is due to payments received for hall hire, sale of municipal vacant plots and prepaid electricity. The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

Matatiele Local Municipality

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Notes to the Annual Financial Statements

	2022	2021
15. Payables from exchange transactions (continued)		
Bonus accrual is calculated on a 13th cheque attributable to all staff.		
Payable water services relates to money collected on behalf of Alfred Nzo District Municipality.		
16. Consumer deposits		
Electricity	390 324	369 024
Consumers on application for electricity connections pay consumer deposits. The deposit is repaid when the connection is terminated. Consumer deposits are refunded when a property changed ownership in the form of rental or permanent transfer(sold).		
In cases when consumers default on their accounts, council can utilise the deposit as payment against the outstanding amount.		
Consumer deposits approximate their fair value.		
17. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(17 562 003)	(16 497 003)
Non-current liabilities	(16 388 003)	(15 249 003)
Current liabilities	(1 174 000)	(1 248 000)
	(17 562 003)	(16 497 003)
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	13 212 361	11 331 361
Contributions by plan participants	(1 248 000)	(966 813)
Net expense recognised in the statement of financial performance	2 313 000	2 847 813
	14 277 361	13 212 361
Net expense recognised in the statement of financial performance		
Current service cost	1 408 000	1 262 000
Interest cost	1 536 000	1 329 000
Actuarial (gains) losses	(631 000)	256 813
	2 313 000	2 847 813
Key assumptions used		
Assumptions used at the reporting date:		
Actual return on plan assets	62	62
Discount rates used	11,85 %	10,06 %
Expected rate of return on assets	7,98 %	7,98 %
Expected rate of return on reimbursement rights	1,60 %	1,60 %

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2022 2021

17. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	3 419 000	2 570 000
Effect on defined benefit obligation	14 011 000	10 065 000

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

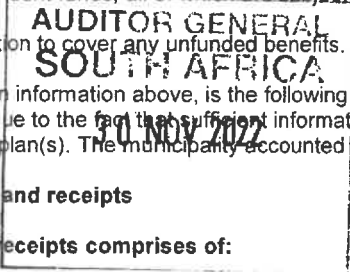
	2022	2021	2020	2019	2018
Defined benefit obligation	17 562 003	16 497 003	14 616 000	15 215 831	15 269 222
Surplus (deficit)	(17 562 003)	(16 497 003)	(14 616 000)	(15 215 831)	(15 269 222)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s).



18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Alien plant eradication grant	465 060	2 223 711
Library upgrade	1 808 337	1 512 417
Local economic development projects	506 537	506 537
Municipal infrastructure grant	9 341 672	-
Other grants	218 252	218 253
	12 339 858	4 460 918

Movement during the period

Balance at the beginning of the period	4 460 918	1 752 893
Additions during the period	181 936 000	102 565 500
Income recognition during the period	(174 057 060)	(99 857 475)
	12 339 858	4 460 918

See note 28 for reconciliation of grants from National/Provincial Government.

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

Matatiele Local Municipality

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Notes to the Annual Financial Statements

	2022	2021		
19. Provisions				
Reconciliation of provisions - 2022				
	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	17 971 648	4 467 526	-	22 439 174
Performance bonus	2 399 197	168 759	-	2 567 956
Leave	13 790 395	-	(1 196 184)	12 594 211
	34 161 240	4 636 285	(1 196 184)	37 601 341
Reconciliation of provisions - 2021				
	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	14 591 764	3 379 884	-	17 971 648
Performance bonus	652 225	1 958 413	(211 441)	2 399 197
Leave	11 346 199	2 444 196	-	13 790 395
	26 590 188	7 782 493	(211 441)	34 161 240
Non-current liabilities			22 439 174	17 971 648
Current liabilities			15 162 167	16 189 592
			37 601 341	34 161 240

Environmental rehabilitation provision

The minimum requirements for waste disposal by landfill as stated by the Department of Water Affairs and Forestry, "All landfills, except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be legally closed. Closure will involve, inter alia, the application of final cover, topsoiling, vegetating, drainage maintenance and leachate management."

The financial implications for the rehabilitation of the landfill site were performed by Hendrik Adriaan Roets, who is registered with the South African Institution of Civil Engineering. This was carried out on the 18 July 2022 for the effective date, 30 June 2022. Currently no appointment for the closure has been made, and therefore estimates have been compiled. The provision is based on a 15 year estimation.

Landfill sites generally fall into 3 categories, which are separated by the size of the landfill, the type of waste and the amount of leachate produced. The land fill site closure design is based on it falling in the G:S:B+ formation which has the following capping layers:

- 200mm Topsoil
- 300mm Compacted clay

In calculating the provision for rehabilitation, the following four items have been included:

Direct contract costs - this equates to a unit cost of 90 Rand per square meter based on previous closure of the Ducats landfill. Unit costs are used to estimate rehabilitation costs until a service provider is appointed to perform an investigation and design.

Indirect professional fees - these fees are fixed and are based on a percentage of the contract.

Indirect disbursements - These are estimated by obtaining quotations from third party service providers for similar works.

Escalation has also been considered and included in the costs.

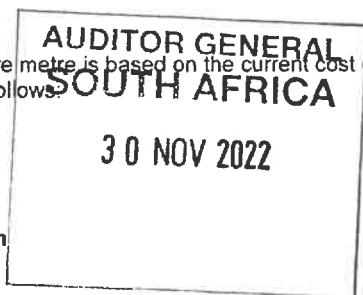
The monetary value for the provision for the landfill site at 30 June 2022 is R16 050 717 (2021: R14 374 066).

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	2022	2021
19. Provisions (continued)		
Environmental rehabilitation provision		
Rehabilitation provision - Landfill site	16 050 717	14 374 066
The movement in Rehabilitation Provision - Landfill Site are reconciled as follows:		
Opening balance	14 374 066	14 591 765
Contribution/(reduction) during the year	1 676 651	(217 699)
	16 050 717	14 374 066
It is estimated that the site will not be rehabilitated within 1 year from the reporting date and thus there is no short term portion associated with this provision. The timing of the outflow of resources relating to this provision is uncertain, but management expects the timing to be in line with the legal requirement subsequent to the expected closure date of the site as indicated below.		
The total obligation at year end is attributed to the following site:		
Site	Expected Closure Date	
Matatiele Landfill Site	2029	16 050 717 14 374 066
The Environmental Specialists were utilised to determine the cost of rehabilitation of landfill site as well to assist the municipality in identifying any changes (if any) to estimated closure dates previously reported on in former entities.		
The estimated area per site to be rehabilitated at year end were as follow (Rehabilitation area - per metre squared).		
Matatiele Landfill Site	150 000	150 000
The cost of rehabilitation per square metre is based on the current cost of construction at each reporting period. The cost per square metre were estimated as follows:		
Matatiele Landfill Site	88	88
Employee benefit cost provision		
Leave		
Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.		
Performance Bonus		
Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.		
20. Revaluation reserve		
Opening balance	230 445 832	230 445 832
Impairment losses on revalued capital assets	(45 476 217)	-
Transfer from Revaluation Reserve to Accumulated Surplus	(11 600 044)	-
	173 369 571	230 445 832



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20. Revaluation reserve (continued)		
<p>The revaluation reserve arose on the revaluation of land and buildings and infrastructure asset in prior periods. Where revalued land and buildings and infrastructure assets are sold, the portion of the revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to accumulated surplus. The revaluation reserve is also realised through the transfer of depreciation on revalued assets to accumulated surplus. Distribution from the revaluation reserve can be made where they are in accordance with the requirements of the municipality's accounting policy and relevant case law. The payment of cash distribution out of the reserve is restricted by the terms of the municipality's accounting policy. These restrictions do not apply to any amounts transferred to accumulated surplus. The council does not currently intend to make any distributions from the revaluation reserve.</p>		
21. Service charges		
Sale of electricity	56 530 475	57 058 073
Refuse removal	11 615 143	11 530 584
	68 145 618	68 588 657
<p>The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.</p>		
22. Rental of facilities and equipment		
Hall hire	225 582	100 445
Site rental	904 405	1 129 945
Stadium hire	28 371	10 808
	1 158 358	1 241 198
23. Agency services		
Motor vehicle licenses	1 649 721	1 769 769
24. Licences and permits (exchange)		
Drivers and motor vehicle licenses	1 698 908	1 984 846
Business licenses	48 156	16 528
Hoarding permits	1 432	632
Fishing licenses	8 383	14 789
	1 756 879	2 016 795

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	2022	2021
25. Other income		
Sundry services	102 084	156 668
Rezoning certificates	55 841	50 222
Pool fees	39 448	37 275
Rates certificates	23 378	22 611
Building plans	135 851	182 083
Camping fees	122	584
Cemetery fees	113 308	158 973
Tender documents	516 570	271 004
Demolition fees	11 729	12 707
Sub-division planning	-	5 684
SETA refund	279 245	109 570
Special consent	15 583	14 093
Temporary structure planning	14 766	8 649
	1 307 925	1 030 123

The amounts disclosed above for other income are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

26. Interest revenue

Interest on short term deposits	9 598 956	8 835 230
Interest on electricity and rates	16 187 979	13 357 256
Interest on Eskom deposit	144 328	172 254
	25 931 263	22 364 740

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	2022	2021
27. Property rates		
Rates received		
Commercial	7 008 537	6 094 052
Communal land	1 510 367	1 529 116
Municipal	32 230 529	31 293 327
Residential	7 149 448	6 991 964
Vacant land	826 907	667 032
	48 725 788	46 575 491

Supplementary assessment rates are levied on the value of land and improvements, for which a valuation is performed every five years. Valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A new valuation roll has been implemented from 1 July 2018.

The council approved randage for this financial year are:

Government R0,02176, Municipality R0,013054, Vacant Land R0,02176, Residential R0,010878, Business R0,013054 and Agricultural R0,0026403.

Rebates are as follows:

Public Benefit Organisation 100%, Municipal Rebate 100%, Agriculture 70%, Residential Rebate 40% and Business 15%. Residential properties receives R65 000 exemption.

Valuations

Residential	1 395 349 039	1 363 021 289
Commercial	828 658 720	888 853 363
State	1 247 677 441	1 243 228 411
Vacant land	38 565 725	36 630 810
Municipal and local government (rural)	1 481 572 385	1 483 552 385
Exempted properties	366 601 970	391 482 480
	5 358 425 280	5 406 768 738

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	2022	2021
28. Government grants and subsidies		
Operating grants		
Equitable share	258 826 000	299 604 000
Local government financial management grant	1 650 000	1 700 000
Expanded public works programme integrated	4 887 000	3 499 000
Nature reserve alien cleaning	1 758 651	1 566 789
	267 121 651	306 369 789
Capital grants		
Municipal infrastructure grant	67 754 304	60 335 000
Integrated national electrification programme	97 778 000	32 591 000
Library upgrade	229 104	165 686
	165 761 408	93 091 686
	432 883 059	399 461 475
Local government financial management grant		
Current-year receipts	1 650 000	1 700 000
Conditions met - transferred to revenue	(1 650 000)	(1 700 000)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
Integrated national electrification programme grant		
Current-year receipts	97 778 000	32 591 000
Conditions met - transferred to revenue	(97 778 000)	(32 591 000)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
Expanded public works programme integrated grant		
Current-year receipts	4 887 000	3 499 000
Conditions met - transferred to revenue	(4 887 000)	(3 499 000)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
Alien Plant Eradication Grant		
Balance unspent at beginning of year	2 223 711	3 790 500
Conditions met - transferred to revenue	(1 758 651)	(1 566 789)
	465 060	2 223 711
Conditions still to be met - remain liabilities (see note 18).		
Library upgrade		
Balance unspent at the beginning of the period	1 512 417	1 028 103
Current-year receipts	650 000	650 000
Conditions met - transferred to revenue	(354 080)	(165 686)

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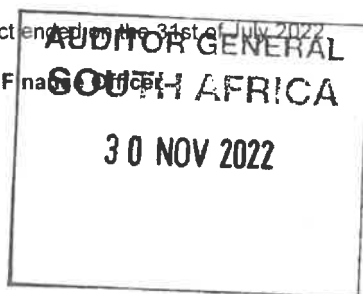
	2022	2021
28. Government grants and subsidies (continued)		
	1 808 337	1 512 417
Conditions still to be met - remain liabilities (see note 18).		
Local economic development projects		
Balance unspent at the beginning of the period	506 537	506 537
Conditions still to be met - remain liabilities (see note 18).		
Municipal infrastructure grant		
Current-year receipts	76 971 000	58 255 000
Conditions met - transferred to revenue	(67 629 328)	(58 255 000)
	9 341 672	-
Conditions still to be met - remain liabilities (see note 18).		
Other grants		
Balance unspent at the beginning of the period	218 253	218 253
Conditions still to be met - remain liabilities (see note 18).		
29. Fine receipts		
Fines:Pound Fees	284 536	219 776
Traffic:Municipal	1 773 903	542 627
	2 058 439	762 403

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Notes to the Annual Financial Statements

	2022	2021
30. Employee related costs		
Basic	87 414 090	76 990 971
Bonus	6 209 360	7 449 885
Medical aid - company contributions	5 781 502	5 568 691
UIF	683 023	537 377
WCA	1 854 299	1 562 016
SDL	1 275 868	998 069
Leave pay provision charge	1 642 551	3 820 941
Pension fund contributions	12 508 935	12 148 393
Overtime payments	1 789 968	2 166 597
Long-service awards	523 482	289 703
Car allowance	5 876 930	5 573 186
Housing benefits and allowances	5 823 629	4 861 336
Cellular and telephone allowances	6 000	6 000
	131 389 637	121 973 165
Remuneration of Municipal Manager		
Annual Remuneration	827 579	675 987
Back pay	-	26 588
Bonus	139 315	112 107
Contributions to UIF, Medical and Pension Funds	74 897	60 100
Remote allowance	97 065	80 887
Car Allowance	346 659	282 236
	1 485 515	1 237 905
Mr. L. Matiwane served as Municipal Manager for the entire period.		
Mr. L. Matiwane's contract ended on the 31st of July 2022		
Remuneration of Chief Financial Officer		
Annual remuneration	620 078	584 225
Car Allowance	226 693	214 742
Performance bonuses	-	166 283
Bonus	60 000	60 000
Housing allowance	226 693	214 742
Remote allowance	79 342	90 497
Back pay	-	219 098
Contributions to UIF, Medical and Pension Funds	1 813	1 785
	1 214 619	1 551 372
Mr. K. Mehlomakulu served as Chief Financial Officer for the entire period.		
Remuneration of Corporate Services General Manager		
Annual remuneration	384 867	597 663
Car Allowance	203 563	195 851
Performance Bonuses	-	290 321
Acting allowance	11 173	14 428
Contributions to UIF, Medical and Pension Funds	1 218	40 637
Back pay	119 508	537 786
Housing allowance	-	146 888
Remote allowance	52 895	106 193
Bonus	47 704	-
	820 928	1 929 767



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Notes to the Annual Financial Statements

	2022	2021
30. Employee related costs (continued)		
Mr. C.K Magadla was acting in this position from the 1st of July to the 30th of October 2021 and he was appointed from the 1st of November 2021.		
Remuneration of Community Services General Manager		
Annual remuneration	142 276	341 462
Car allowance	151 128	362 708
Contributions to UIF, Medical and Pension Funds	28 636	68 370
Housing allowance	151 128	362 708
Remote allowance	42 442	79 342
	515 610	1 214 590
Mr. S.M. Mbedla's contract ended in November 2021. Miss T. Ntsalla was acting in this position from December 2021 - March 2022.		
Remuneration of Community Services General Manager		
Acting allowance	3 855	-
Ms. A. Ganya was appointed as Acting Community Services General Manager from April 2022 to June 2022.		
Remuneration of the Economic Development Planning General Manager		
Annual remuneration	348 000	348 000
Car allowance	392 732	392 732
Contributions to UIF, Medical and Pension Funds	1 813	1 785
Housing allowance	392 732	392 732
Remote allowance	79 342	79 342
	1 214 619	1 214 591
Ms. T.S. Ntsalla served as Economic Development Planning General Manager for the entire period.		
On the 1st of August 2022 Ms. T.S. Ntsalla was appointed as the Acting Municipal Manager for a period of 3 months.		
Remuneration of the Infrastructure General Manager		
Annual remuneration	680 078	644 225
Car allowance	283 366	257 247
Performance Bonuses	-	52 895
Bonus	113 346	85 010
Other	-	1 785
Housing allowance	56 673	87 227
Back pay	-	219 098
Remote allowance	79 342	90 496
Contributions to UIF, Medical and Pension Funds	1 813	-
	1 214 618	1 437 983
Mr. M. Lehlehla served as General Manager: Infrastructure Services for the entire period.		
Mr. M. Lehlehla has since resigned and his last day is on the 31st of August 2022.		
Staff leave benefits		
Municipal Manager	209 756	114 113
Chief Financial Officer	223 868	172 565
Community Services	185 785	171 399

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Notes to the Annual Financial Statements

	2022	2021
30. Employee related costs (continued)		
EDP Manager	205 212	186 557
Corporate Services Manager	74 623	122 214
Infrastructure Manager	223 868	130 590
	1 123 112	897 438
31. Remuneration of councillors		
Executive Mayor	935 396	905 259
Speaker	753 742	733 088
Chief Whip	709 415	690 046
MPAC Chair	696 581	635 698
Executive committee	4 905 615	4 608 398
Councillors	13 442 826	12 406 568
	21 443 575	19 979 057

In-kind benefits

The Mayor and the Speaker are full-time Councillors each have the use of separate Council owned vehicles for official duties.

The Mayor has one driver and one mayoral aid. The Speaker has one driver and one speaker's aid.



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	2022	2021
31. Remuneration of councillors (continued)		
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
Mayor (1 July 2021 to 4 November 2021)		
Annual Remuneration	306 131	860 859
Telephone allowances	15 293	44 400
	321 424	905 259
Mayor (4 November 2021 to 30 June 2022)		
Annual Remuneration	584 856	860 859
Telephone allowances	29 107	44 400
	613 963	905 259
Speaker (1 July 2021 to 4 November 2021)		
Annual Remuneration	240 737	688 688
Telephone allowances	15 293	44 400
	256 030	733 088
Speaker (4 November 2021 to 30 June 2022)		
Annual Remuneration	468 612	688 688
Telephone allowances	29 107	44 400
	497 719	733 088
Chief Whip (1 July 2021 to 4 November 2021)		
Annual Remuneration	225 464	645 646
Telephone allowances	15 293	44 400
	240 757	690 046
Chief Whip (4 November 2021 to 30 June 2022)		
Annual Remuneration	439 551	645 646
Telephone allowances	29 107	44 400
	468 658	690 046
EXCO (1 July 2021 to 4 November 2021)		
Annual Remuneration	1 542 551	4 423 549
Telephone allowances	137 640	359 600
	1 680 191	4 783 149
EXCO (4 November 2021 to 30 June 2022)		
Annual Remuneration	2 963 463	4 219 492
Telephone allowances	26 960	388 906
	2 990 423	4 608 398
MPAC (1 July 2021 to 4 November 2021)		
Annual Remuneration	224 986	632 674
Telephone allowances	15 293	44 400
	240 279	677 074

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Notes to the Annual Financial Statements

	2022	2021
31. Remuneration of councillors (continued)		
MPAC (4 November 2021 to 30 June 2022)		
Annual Remuneration	427 195	591 298
Telephone allowances	29 107	44 400
	456 302	635 698
Councillors (Ordinary) (1 July 2021 to 4 November 2021)		
Annual Remuneration	2 808 712	10 337 373
Telephone allowances	581 147	1 533 187
	3 389 859	11 870 560
Councillors (Ordinary) (4 November 2021 to 30 June 2022)		
Annual Remuneration	8 426 135	10 291 277
Telephone allowances	1 194 117	1 712 552
Pensioners Med Aid	432 713	402 739
	10 052 965	12 406 568
32. Remuneration of traditional leaders		
Remuneration of traditional leaders	129 728	329 090
33. Depreciation and amortisation		
Property, plant and equipment	52 438 864	42 555 146
Intangible assets	359 422	288 199
	52 798 286	42 843 345
34. Finance costs		
Interest on late payments	34 877	14 262
35. Material and stores		
Material and stores	(6 075 204)	(5 757 481)
36. Bulk purchases		
Electricity	58 160 536	48 196 231

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Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to consumers. Electricity is purchased from Eskom. The municipality incurred electricity line losses of R1 622 338 at a percentage of 5.02% (2021: R1 515 136 at a percentage of 5.67%) in the current year.

Water is supplied directly to residents and businesses by the district municipality.

Matatiele Local Municipality

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Notes to the Annual Financial Statements

	2022	2021
37. Contracted services		
Outsourced Services		
Business and Advisory	36 423 396	29 328 495
Catering Services	1 708 655	981 616
Cleaning Services	4 793 177	3 123 604
Connection / Dis-connection	111 526	86 300
Refuse Removal	5 682 078	3 987 329
Sewerage Services	-	1 800
Electrical	721 880	718 000
Consultants and Professional Services		
Business and Advisory	24 227 582	28 746 576
Legal Cost	3 376 829	2 696 326
Contractors		
Employee Wellness	368 891	248 755
Event Promoters	237 129	19 000
Maintenance of Unspecified Assets	11 815 850	14 725 452
Preservation/Restoration/Dismantling/Cleaning Service	1 067 835	1 541 324
Tracing Agents and Debt Collectors	633 339	72 033
Safeguard and Security	10 694 700	7 712 052
	101 862 867	93 988 662
38. General expenses		
Achievement and awards	592 493	461 226
Advertising	2 486 649	1 513 605
Audit fees	4 521 174	3 035 080
Printing and stationery	159 334	194 661
Bank charges	216 347	270 825
Bursaries and learnerships	2 917 700	2 943 509
Communication	389 832	437 500
Conferences and seminars	136 162	76 957
Connection fees	-	386 738
Postage and courier	202 018	207 871
Delegate expenses	5 035 903	2 300 249
Electricity	416 872	624 356
External computer services	3 050 131	2 426 772
Hire charges	1 738 948	1 018 108
Insurance	3 032 604	2 539 885
Motor vehicle expenses	185 226	207 368
Obsolete stock written off	15 235	11 831
Other expenses	3 127 372	1 921 506
Remuneration to ward committees	2 226 000	3 087 000
Resettlement cost	-	25 000
Subscriptions and membership fees	1 524 069	1 684 497
Telephone and fax	2 845 565	2 290 136
Transport provided as part of departmental activities	833 282	284 450
Uniforms and protective clothing	1 979 977	2 307 201
Wet fuel and oil	2 389 695	1 720 170
	40 022 588	31 976 501
39. Debt impairment		
Debt impairment	17 650 618	18 719 969

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Notes to the Annual Financial Statements

	2022	2021
40. Fair value adjustments		
Investment property (Fair value model)	-	1 262 067
41. Bad debts written off		
Bad debts written off	-	8 617 754
42. Operating lease		
The Municipality had the following operating leases in the current year:		
Nedbank - for a period of 5 years. At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Nedbank - Cashvaul		
Up to 1 year	84 008	-
2-5 years	252 025	-
	336 033	-
Telkom Internet - The lease is for a period of 5 years.		
Up to 1 year	-	326 417
2-5 years	-	652 834
	-	979 251
Telkom VPN - The lease is for a period of 5 years.		
Up to 1 year	450 225	382 017
2-5 years	525 262	827 703
	975 487	1 209 720
Telkom - The lease is for a period of 5 years.		
Up to 1 year	480 426	480 427
2-5 years	640 568	1 120 995
	1 120 994	1 601 422
Itec - The lease is for a period of 3 years.		
Up to 1 year	800 667	-
2-5 years	867 389	-
	1 668 056	-

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	2022	2021
43. Cash generated from operations		
Surplus	70 205 582	108 673 765
Adjustments for:		
Depreciation and amortisation	52 798 286	42 843 345
Loss on sale of assets and liabilities	78 262 784	40 623 548
Debt impairment	17 650 618	18 719 969
Fair value adjustments	-	(1 262 067)
Impairment loss	1 113 241	-
Movements in retirement benefit assets and liabilities	1 065 000	1 881 000
Movements in provisions	3 440 101	7 571 051
Changes in working capital:		
Inventories	262 587	(434 488)
Trade receivables from exchange transactions	(9 043 464)	(17 044 382)
Statutory receivables	(24 874 699)	(515 720)
Trade receivables from non-exchange transactions	104 008	(3 005 441)
Payables from exchange transactions	4 461 236	9 017 097
VAT	(995 320)	8 654 196
Unspent conditional grants and receipts	7 878 940	2 708 025
Consumer deposits	21 300	23 527
	202 350 200	218 453 425

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	26 463 096	32 710 186
---------------------------------	------------	------------

Total capital commitments

Already contracted for but not provided for	26 463 096	32 710 186
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Authorised operational expenditure

The committed expenditure relates to property, plant and equipment contracts that will be finished in the coming years. The commitments will be financed by grants as well as own revenue.

The commitment amounts are exclusive of VAT.

The commitments for the current year will be funded as follows, Integrated National Electrification Programme R1 117 758, Municipal Infrastructure Grant R13 608 889 and from Own Operational Revenue R11 736 449.

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	2022	2021
45. Contingencies		
Contingent Liabilities		
DCT Nakin vs Matatiele Local Municipality		
The municipality is being sued for damages of R2 086 357, and the case is still pending.	2 086 357	2 086 357
Two Sisters vs Matatiele Local Municipality		
The municipality is being sued for non-payment of services rendered.	300 000	-
Just Vision Events (Pty) Ltd vs Matatiele Local Municipality		
The company lodged an application which was opposed by the municipality, the applicant never set the matter down nor file replying affidavits.	-	-
Going Places Construction and Projects vs Matatiele Local Municipality		
This is an application to interdict the municipality.	95 000	-
Joubert Darren vs Matatiele Local Municipality		
Summons claiming R18 000.00 were received and MLM defended the claim. MLM requested further particulars from the claimant which have not been provided, MLM has not pleaded.	50 000	-
Lateral Unison Insurance Brokers vs Matatiele Local Municipality		
The applicant is seeking to review and set aside the Municipality's decision to award a tender for insurance services to another company. The estimated cost of the suit is R80 000.	80 000	-
MP Vutela vs Matatiele Local Municipality		
The employee has referred an unfair labour practice dispute to the bargaining council.	275 000	-
Rechal Bloem vs Matatiele Local Municipality		
The Municipality is being sued for R10 000 000 due to a minor child being electrocuted by Municipal electricity.	250 000	-
Begin Africa vs Matatiele Local Municipality		
The municipality is being sued for non payment of services rendered.	-	400 000
Bono / Mbadu vs Matatiele Local Municipality		
The municipality is being sued and the nature of case cannot be clarified at this stage. The estimated cost of the suit is R70000.	-	70 000
PC Matholoana vs Matatiele Local Municipality		
The municipality is being sued and the nature of case cannot be clarified at this stage. The estimated cost of the suit cannot be determined.	-	-
Station Commander Matatiele Police Station & Others vs Matatiele Local Municipality		
An application has been made to restore possession to the municipality.	-	75 000
Mazasa Management Consultants vs Matatiele Local Municipality		
An application has been launched Mazasa to be declared a lawful service provider. The application was dismissed with costs.	-	150 000
The municipality has now received a Notice of Appeal. The estimated cost is R150 000.		
Thabang Manele vs Matatiele Local Municipality		
Urgent application launched to interdict and restrain the first respondent and further unlawful invaders from occupying or attempting to invade the Property.	-	65 000
Mohato Moshoeshoe vs Matatiele Local Municipality		
Urgent application launched to interdict and restrain the first respondent and further unlawful invaders from occupying or attempting to invade the Property.	-	130 000
Ayanda Harold Shibani vs Matatiele Local Municipality		
The municipality is being sued for damages of R349 998. The estimated cost of the suit is R25 000.	-	25 000
Excellent Security Services vs Matatiele Local Municipality		
This is an application to interdict the municipality from awarding of a security tender to Ubilo Security Services. The application was struck of the roll with costs.	-	10 000
Liana Consulting vs Matatiele Local Municipality		
Liana Consulting Non-monetary claim where the applicant is seeking to interdict the appointment of a service provider pending the hearing of a review application.	250 000	-

3 386 357 3 011 357

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	2022	2021
45. Contingencies (continued)		
Contingent Assets		
Matatiele Municipality vs Lubbe Construction		
The municipality lodged a claim against the contractor for construction of the Council chambers which was not carried out with due skill, diligence and regularity.	22 173 329	22 173 329
Matatiele Municipality vs Branded Soul		
Attorneys are in the process of recovering the legal cost as there is a possibility that the case will not be continued.	15 000	15 000
Matatiele Local Municipality vs Soul Goods		
The Municipality is in a process of recovering up to an amount of R55 108 from Soul Goods, the case is at advanced stages.	13 000	13 000
Matatiele Local Municipality vs Alfred Nzo District Municipality and Harry Gwala District Municipality		
The Municipality is in the process of recovering R5 676 505 from Alfred Nzo District Municipality and R2 941 249 from Sisonke District Municipality for services carried out on behalf of the respective districts, however, the outcome of the recovery is currently uncertain.	-	-
Matatiele Local Municipality vs Various		
The Municipality is claiming pound and storage fees for vehicles which have been impounded.	70 000	-
	22 271 329	22 201 329

46. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a budget and treasury department (municipal treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas.

The amount of interest that has been charged on outstanding debtors for the current year is R16 187 979 (2021: R13 357 256).

Liquidity risk

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

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

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

Liquidity risk is mainly concentrated on the trade and other payables balances. The municipality does not have any collateral and / or credit enhancements that aid in the mitigation of the liquidity risk.

Matatiele Local Municipality

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46. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial assets	2022	2021
Trade receivables	106 093 954	89 930 416
Nedbank	2 945 059	9 778 476
Standard bank	4 016 044	285 991
First National bank	1 757 671	1 208 559
Short Term Investments	228 011 891	213 126 826
Security held in Eskom	4 517 888	4 373 560
Financial liabilities		
Trade Payables	55 641 925	51 180 689

47. Unauthorised expenditure

Opening balance as previously reported	69 601 085	38 546 463
Opening balance as restated	69 601 085	38 546 463
Add: Expenditure identified - current	93 380 933	69 601 085
Less: Approved/condoned/authorised by council	(69 601 085)	(38 546 463)
Closing balance	93 380 933	69 601 085

After investigation by the MPAC, on the 28th of July 2022 as per Council Resolution CR 205/28/07/2022 it was resolved that an amount of R69 601 085 will be written off.

The unauthorised expenditure is as a result of transfer of assets from the municipal work in progress to Eskom as a result of rural electrification that is done by the municipality. The municipality receives a grant from INEP to construct these projects. These projects, once completed, are transferred to Eskom. The municipality must put these projects as part of assets or on the assets register as they cannot be left unaccounted for until Eskom receives them on their register.

Analysed as follows: non-cash

Debt impairment	10 650 622	20 503 607
Depreciation and impairment	-	8 473 205
Provision of landfill site contribution expense	4 467 527	-
Loss on disposal of property, plant and equipment	78 262 784	40 623 548
	93 380 933	69 600 360

Analysed as follows: cash

Finances charges	34 877	725
	34 877	725

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	2022	2021
48. Fruitless and wasteful expenditure		
Opening balance as previously reported	913 692	55 226
Opening balance as restated	913 692	55 226
Add: Expenditure identified - current	34 877	915 168
Less: Amounts recovered - current	-	(1 476)
Less: Amount written off - current	-	(55 226)
Closing balance	948 569	913 692

The fruitless and wasteful expenditure amounting to R913 692 is as a result of standing time that was charged by the contractor that was constructing the Matatiele Sports Center in 2017. This was as a result of a change of scope of work. This was investigated in the 2021/22 financial year and sent Council with the ones relating to Unauthorised and Irregular. The fruitless amount was not included on the report of the investigators and therefore could not be proven that it was investigated.

49. Irregular expenditure

Opening balance as previously reported	16 700 806	9 412 749
Opening balance as restated	16 700 806	9 412 749
Add: Irregular Expenditure - current	8 705 462	8 810 717
Less: Amount written off - current	(15 127 717)	(1 522 660)
Closing balance	10 278 551	16 700 806

Amounts written-off

After investigation by the MPAC on the 28th of July 2022 as per Council Resolution CR 205/28/07/2022 it was resolved that an amount R15 127 717 will be written off.

The irregular expenditure were as a results of the following: R176 200 for Equipment for Environmental Waste Unit Wattle Clearing Programme in ward 17. R200 000 Grass Cutting, drain cleaning and tree pruning in Harry Gwala and Mountain View. For these projects upon appointment, the service providers were not tax compliant.

R5 167 230 for Annual Financial Statements and Assets Register for both Protea Consulting and Sondlo Chartered Accountants. The appointment of these service providers were identified in the previous year as irregular and these are the transactions that occurred in the current year.

R1 566 362 for the appointment of three service providers for Matatiele Local Municipality Livestock Improvement Programme, dosing and vaccination of 400 sheep and 400 cattle per ward in 26 wards. This was due to the manager from the Budget and Treasury Office having sat in the evaluation committee for a particular project and later on being appointed as an acting Supply Chain Manager. Due to that manager being appointed as an acting Supply Chain Manager he had to sit on the Bid Adjudication committee as a supply chain management practitioner as per the regulations. This was after the Supply Chain Manager had resigned.

R1 595 669 for the construction of Magera-Kutwana access road. The contractor was appointed with an expired tax clearance certificate.

R50 429 paid to former Councillor S. Baba who was paid after being sentenced in the 2020/2021 financial year. This was raised as a debtor in the same year and is to be recovered from his pension.

R578 858 for Annual Financial Statements and Assets Register for both Protea Consulting and Sondlo Chartered Accountants for payments made that were not identified as irregular in the 2020/2021 financial year.

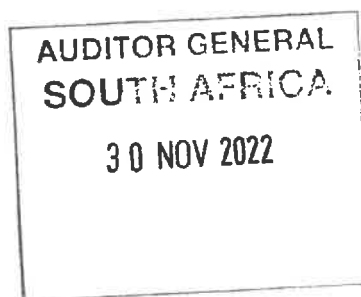
R943 801 for the appointment of this service provider was identified in the previous year as irregular and these transactions occurred in the previous year.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
50. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1 516 111	1 462 410
Amount paid - current year	(1 516 111)	(1 462 410)
	-	-
Audit fees		
Current year subscription / fee	4 521 174	3 035 080
Amount paid - current year	(4 521 174)	(3 035 080)
	-	-
PAYE and UIF		
Current year subscription / fee	21 975 209	21 764 669
Amount paid - current year	(21 975 209)	(21 764 669)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	18 454 178	17 123 958
Amount paid - current year	(18 454 178)	(17 123 958)
	-	-



Councillors' arrear consumer accounts

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

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
WC Mdolomba	-	8 106	8 106
30 June 2021			
MN Mshuqwana	160	-	160
JG van Whye	1 049	325	1 374
T Dyantyi	160	-	160
WC Mdolomba	8 106	-	8 106
SM Mzozoyana	1 029	3 690	4 719
	10 504	4 015	14 519

Matatiele Local Municipality

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Notes to the Annual Financial Statements

	2022	2021
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Supply chain management regulations		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.		
Incident		
Emergency	80 000	142 882
Sole supplier	-	875 622
Impractical Impossible	-	470 405
Special works of art	1 773 910	-
	1 853 910	1 488 909

Matatielle Local Municipality

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2022 2021

51. Segment Reporting

Segment surplus or deficit, assets and liabilities

2022

	Community and Social Services	Energy Sources	Planning and Development	Public Safety	Road Transport	Waste Management	Other segments with no economic benefits	Total
Revenue								
Revenue from non-exchange transactions	-	-	-	-	-	-	-	-
Property rates	-	-	-	-	-	-	48 725 788	48 725 788
Fines, penalties and forfeits	-	2 058 439	-	-	-	-	-	2 058 439
Transfers and subsidies	5 241 080	97 752 000	-	-	68 468 298	1 758 651	259 637 030	432 883 059
Revenue from exchange transactions								
Service charges - electricity revenue	-	56 530 375	-	-	-	-	-	56 530 375
Service charges - refuse revenue	-	-	-	-	-	11 615 143	-	11 615 143
Licences and permits	901 640	-	49 587	1 698 909	-	8 383	253 952	1 756 879
Rental of facilities and equipment	-	-	-	-	-	2 765	-	1 158 357
Interest earned - external investments	-	-	-	-	-	-	9 598 956	9 598 956
Interest earned - outstanding debtors	-	2 311 964	-	-	-	-	14 020 343	16 332 307
Other revenue	39 569	-	121 270	1 649 721	112 500	113 309	921 279	1 307 927
Agency fees	-	-	-	-	-	-	-	1 649 721
Total segment revenue	6 182 289	156 620 339	170 857	5 407 069	68 580 798	13 498 251	333 157 348	583 616 951
Total segment revenue								583 616 951

Expenditure								
Employee Related Cost	3 591 328	6 648 183	13 211 461	17 978 296	15 734 044	7 163 814	67 062 511	131 389 637
Remuneration of Councillors	-	-	-	-	-	-	21 573 303	21 573 303
Depreciation and asset impairment	-	17 174 250	-	111 814	29 591 815	-	5 920 407	52 798 286
Finance charges	-	-	-	-	-	-	34 877	34 877
Bulk purchases	-	58 160 536	-	-	-	-	-	58 160 536
Other materials	366 253	930 685	113 474	414 312	2 732 064	507 267	1 011 149	6 075 204
Contracted services	11 057 087	1 601 336	6 173 416	71 088	1 917 614	11 131 055	69 911 271	101 862 867
Other expenditure	668 301	89 935	408 851	688 731	928 432	1 815 650	35 422 688	40 022 588
Loss on disposal of assets	-	78 262 784	-	-	-	-	-	78 262 784

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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51. Segment Reporting (continued)

Debt impairment	-	-	-	-	-	-	-	17 650 618	17 650 618
Impairment loss	-	-	-	-	1 113 241	-	-	-	1 113 241
Landfill site provision contributions	-	-	-	-	-	4 467 170	-	-	4 467 170
Total segment expenditure	15 682 969	162 867 709	19 907 202	19 264 241	52 017 210	25 084 956	218 586 824	513 411 111	70 205 840
Total segmental surplus/(deficit)									

Assets

Segment assets	-	-	-	-	-	-	-	-	-
VAT	1 342 925	32 922 075	3 687 213	(903 716)	39 107 027	2 330 534	(75 724 800)	-	2 761 258
Cash and Bank	(43 052 369)	(206 726 426)	(40 099 724)	14 905 033	(355 894 568)	(15 176 446)	882 776 414	236 731 914	236 731 914
Inventory	(968 407)	(2 070 210)	(442 936)	(769 329)	(949 911)	(432 599)	7 507 887	1 874 495	1 874 495
Statutory and Exchange Receivables	105 510	29 871 694	-	(5 550 111)	-	14 839 700	66 579 561	105 846 354	105 846 354
Non-Currents Assets	5 762 756	216 378 559	(63 880 918)	4 135 700	(5 664 148)	(58 829 358)	1 042 415 213	1 140 317 804	1 140 317 804
Security held in Eskom	-	4 517 888	-	-	-	-	-	-	4 517 888
Total segment assets	(36 809 585)	74 893 580	(100 736 365)	11 817 577	(323 401 600)	(57 268 169)	1 923 554 275	1 492 049 713	1 492 049 713

Total assets as per Statement of financial Position

Liabilities

Segment liabilities	-	-	-	-	-	-	-	-	-
Payables	(220 372)	(157 072)	75 952	(16 784)	(11 922 460)	(22 500)	(43 378 689)	(55 641 925)	(55 641 925)
Unspent	(110 219)	-	(642 289)	-	1 515 757	1 758 651	(14 923 909)	(12 402 009)	(12 402 009)
Consumer Deposits	-	(390 324)	-	-	-	-	-	(390 324)	(390 324)
Employee Benefit Obligation	-	-	-	-	-	-	(17 562 003)	(17 562 003)	(17 562 003)
Provisions	-	-	-	-	-	-	(37 601 341)	(37 601 341)	(37 601 341)
Total segment liabilities	(330 591)	(547 396)	(566 337)	(16 784)	(10 406 703)	1 736 151	(113 465 942)	(123 597 602)	(123 597 602)

Total liabilities as per Statement of financial Position

Reportable Segments for the year ended 30 June 2022.

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51. Segment Reporting (continued)

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

Types of goods and/or services by segment

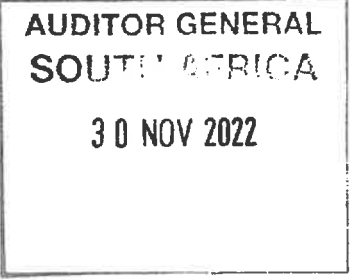
These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
- Community and Social Services	Library Services, Cemeteries and Recreational facilities
- Energy Sources	Electricity distribution
- Planning and Development	Local Economic Development, Property Services, Spatial Planning
- Public Safety	Traffic Police
- Road Transport	Provision of infrastructure and maintenance of roads
- Waste Management	Refuse removal services

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes.

The segments with no economic benefits have been included on the segment reporting for reconciliation purposes with the statement of financial performance.



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51. Segment Reporting (continued)

2021

	Community and Social Services	Energy Sources	Planning and Development	Public Safety	Road Transport	Waste Management	Other segments with no economic benefits	Total
Revenue								
Revenue from non-exchange transactions								
Property rates	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	762 403	-	-	46 575 491	46 575 491
Transfers and subsidies	3 664 682	32 591 000	-	-	60 335 000	1 566 789	301 304 004	399 461 475
Service charges - electricity revenue	-	57 058 073	-	-	-	-	-	57 058 073
Service charges - refuse revenue	-	-	-	-	-	11 530 584	-	11 530 584
Rental of facilities and equipment	-	-	-	-	-	1 129 945	111 253	1 241 198
Interest earned - external investments	-	-	-	-	-	-	8 824 621	8 824 621
Interest earned - outstanding debtors	-	1 553 757	-	-	-	-	11 986 362	13 540 119
Agency services	-	-	-	1 769 769	-	-	-	1 769 769
Other revenue	37 859	-	122 908	-	150 531	158 973	559 847	1 030 118
Licences and permits	-	-	17 160	1 984 846	-	14 789	-	2 016 795
Total segment revenue	3 702 541	91 202 830	140 068	4 517 018	60 485 531	14 401 080	369 361 578	543 810 646
Total segment revenue								543 810 646
Expenditure								
Employee Related Cost	3 349 615	5 666 109	8 331 239	17 898 086	15 191 182	7 913 364	63 623 570	121 973 165
Remuneration of Councillors	-	-	-	-	-	-	20 308 147	20 308 147
Debt impairment	-	-	-	-	-	-	18 719 969	18 719 969
Depreciation and asset impairment	-	1 410 139	300 000	-	23 839 082	8 646 864	8 647 260	42 843 345
Finance charges	-	-	-	-	-	-	14 262	14 262
Bulk purchases	-	48 196 231	-	-	-	-	-	48 196 231
Other materials	350 275	1 226 144	602 363	206 163	1 619 210	250 396	1 502 930	5 757 481
Contracted services	9 397 294	1 017 344	7 591 664	49 947	1 991 098	11 066 040	62 875 275	93 988 662
Other expenditure	726 052	738 108	1 100 824	602 952	1 233 506	2 369 807	25 205 251	31 976 500

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51. Segment Reporting (continued)

	Community and Social Services	Energy Sources	Planning and Development	Public Safety	Road Transport	Waste Management	Other segments with no economic benefits	Total
Loss on disposal of PPE	-	40 623 548	-	-	-	-	-	40 623 548
Bad debts written off	-	8 617 754	-	-	-	-	-	8 617 754
Fair value adjustment	(1 262 067)	-	-	-	-	-	-	(1 262 067)
Landfill site contribution	-	-	-	-	-	3 379 884	-	3 379 884
Total segment expenditure	12 561 169	107 495 377	17 926 090	18 757 148	43 874 078	33 626 355	200 896 664	435 136 881
Total segmental surplus/(deficit)								108 673 765

Assets

Segment assets								
VAT	2 250 973	18 463 183	2 471 465	(1 045 043)	37 054 222	5 190 352	(62 619 218)	1 765 934
Cash and Bank	(31 175 821)	(195 022 070)	(27 208 086)	13 311 675	(350 366 591)	(10 137 190)	825 020 403	224 422 320
Inventory	(665 466)	(1 616 526)	(371 438)	(575 471)	(765 811)	(480 867)	6 612 661	2 137 082
Security held Eskom	-	4 373 560	-	-	-	-	-	4 373 560
Statutory and Exchange Receivables	229 675	36 696 691	-	(6 941 322)	-	11 841 637	47 506 473	89 333 154
Non-Currents Assets	1 854 289	114 999 354	-	2 936 399	186 998 852	(94 243 638)	915 526 795	1 128 072 051
Total segment assets	(27 506 350)	(22 105 808)	(25 108 059)	7 686 238	(127 079 328)	(87 829 706)	1 732 047 114	1 450 104 101
Total assets as per Statement of financial Position								1 450 104 101

Liabilities

Segment liabilities								
Payables	(157 072)	-	86 110	-	(11 869 921)	(13 399)	(39 226 407)	(51 180 689)
Unspent conditional grants	(3 187 982)	-	-	-	-	(1 272 936)	-	(4 460 918)
Consumer Deposits	-	(369 024)	-	-	-	-	-	(369 024)
Employee Benefit Obligation Provisions	-	-	-	-	-	-	(16 497 003)	(16 497 003)
	-	-	-	-	-	-	(34 161 240)	(34 161 240)
Total segment liabilities	(3 345 054)	(369 024)	86 110	-	(11 869 921)	(1 286 335)	(89 884 650)	(106 668 874)
Total liabilities as per Statement of financial Position								(106 668 874)

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	Community and Social Services	Energy Sources	Planning and Development	Public Safety	Road Transport	Waste Management	Other segments with no economic benefits	Total
51. Segment Reporting (continued)								
Other Information 2022								
Additions to non-current assets	(166 481)	(97 932 521)	(162 585)	(1 199 301)	(84 028 197)	(1 118 610)	(5 288 584)	(189 896 279)
Cash flows from operating activities	(9 500 680)	61 317 131	(19 736 345)	(13 745 359)	47 268 644	(7 119 532)	143 866 341	202 350 199
Cash flows from investing activities	(166 481)	(98 076 850)	(162 585)	(1 199 301)	(84 028 197)	(1 118 610)	(5 288 583)	(190 040 606)
2021								
Additions to non-current assets	(674 899)	(48 190 516)	(488 143)	(155 100)	(90 780 661)	(154 654)	(7 194 141)	(147 638 114)
Cash flows from operating activities	(7 412 671)	17 131 648	(17 486 022)	(14 240 130)	40 450 535	(7 945 376)	207 955 441	218 453 425
Cash flows from investing activities	674 899	48 018 262	(488 143)	(155 100)	(90 780 661)	(154 654)	(104 342 194)	(147 227 591)

Information about geographical areas

The municipality does not monitor segments geographically.

The municipality does not have geographical areas and no significant locations that needs to be reported in the segment note.

Matatiele Local Municipality

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	2022	2021
52. Principal-agent arrangements		
52.1 Municipality acting as the principal		
Parallax Management Consulting	6 034 893	5 914 972

The municipality has directed Parallax Management Consulting through a binding arrangement to undertake transactions with third parties on Matatiele Local Municipality for its own benefit, which is sale of municipal electricity. There have been no changes in the contracts from the prior period. These are specialists which are used due to capacitation of the municipality and is more cost effective which provide customers easy access to prepaid electricity.

The municipality compensates Parallax Management Consulting for the services rendered in accordance with the contractual agreement which are detailed in the contract.

The following charges are levied for services undertaken by Parallax in fulfilling this agreement

Cloud-services AIM Solutions 4 500 meters at R154 each per month	693 000	693 000
Municipal prepaid electricity vending fixed per month	25 000	25 000
	718 000	718 000

Parallax is also entitled to claim 3% of Direct Vending, Third Party Vending, Online and Mobile Vending, 5% Primary Vending and 4.25% of Bank vending.

Reconciliation of carrying amount of receivables - Municipality as the principal

Receivables - 2022	Opening balance	Revenue principal is entitled to	Less: settlements	Closing balance
Parallax Management Consulting	23 754 860	1 593 620	(343 168)	25 005 312

Receivables - 2021	Opening balance	Revenue principal is entitled to	Less: settlements	Closing balance
Parallax Management Consulting	18 076 755	7 916 462	(2 238 357)	23 754 860

52.2 Municipality acting as an agent

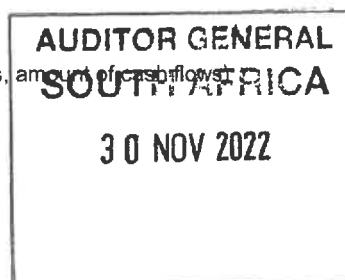
Department of transport	1 649 721	1 769 769
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The municipality collects vehicle registration fees on behalf of the Department of Transport for registration of vehicles done within the municipality's jurisdiction. There have been no changes in the agreement or contracts from the prior period. The municipality is entitled to 19% of the fees collected as per the agreement as compensation for the transactions carried out. There are no liabilities or expenses that have been incurred on behalf of the Department of Transport relating to the above arrangement. No assets held by the municipality on behalf of the Department of Transport.

53. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
 Recoverable amounts of property, plant and equipment
 Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
 Present value of defined benefit obligation
 Fair value of plan assets
 Provision for doubtful debts
 Impairment of assets
 Provision for long-term service award
 Contingencies



Matatiele Local Municipality

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2022

2021

53. Key Sources of Estimation Uncertainty and Judgements (continued)

The following areas involved judgments, apart from those involving estimations disclosed above, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
Provisions

54. Prior period errors

The prior year figures were restated due to entries not captured in the correct period resulting in the following adjustments for 2020-2021.

Payables decreased by R5 553 387.

Workmens compensation not accrued for during the year, orders that were cancelled, over payment of retention, under payment of emplo debtor account and raising of retention on property, plant and equipment.

Receivables from exchange transactions decreased by R474 646

Due to reducing of debtor against the commission payable and reversal of debt impairment raised.

Provisions - Non Current Liabilities increased by R3 597 582

Due to recalculation of environmental rehabilitation provision.

Debt impairment decreased by R6 783 642

Reversal debt impairment raised on debtor.

Landfill site contribution increased by R3 597 582

Due to recalculation of environmental rehabilitation provision.

VAT increased by R12 844.

Due to orders that were cancelled as they incorrectly accrued for during the year, over payment of retention and raising of retention on pro

Finance Cost increased by R13 537.

Due to interest charged on outstanding workmens compensation account.

Workmens Compensation increase by 1 562 016

Workmens compensation not accounted for during the year.

Stores and material decreased by R5 783.

Due to orders that were cancelled as they were incorrectly recorded during the year.

Contracted services - catering decreased by R2 665.

Due to orders that were cancelled as they were incorrectly recorded during the year.

Contracted services - accounting and audit decreased by R28 500.

Due to orders that were cancelled as they were incorrectly recorded during the year.

Contracted services - maintenance of equipment decreased by R29 335.

Matatiele Local Municipality
Annual Financial Statements for the year ended 30 June 2022

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2022 2021

54. Prior period errors (continued)

Due to orders that were cancelled as they were incorrectly recorded during the year.

Advertising decreased by R6 270.

Due to orders that were cancelled as they were incorrectly recorded during the year.

Fuel decreased by R1 733.

Due to orders that were cancelled as they were incorrectly recorded during the year.

Printing decreased by R30 264.

Due to orders that were cancelled as they were incorrectly recorded during the year.

Uniforms decreased by R9 000.

Due to orders that were cancelled as they were incorrectly recorded during the year.

Employee costs - Bonus increased by R1 489 242.

Due to performances bonuses for middle managers being raised and under payment of bonus to employee.

Security deposit held in Eskom increased by R172 254.

Due to interest earned on security deposit held in Eskom not previously being recognised.

Interest received increased by R172 254.

Due to interest earned on security deposit held in Eskom not previously being recognised.

Property, Plant and Equipment - Other Assets increased by R3 573 973.

Due to a reclassification of assets that were previously disclosed as Work in Progress that should have been included under Other Assets.

Property, Plant and Equipment - Work in Progress decreased by R3 456 024.

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54. Prior period errors (continued)

Due to a reclassification of assets that were previously disclosed as Work in Progress that should have been included under Other Assets, overpayment of retention and raising of retention on council chambers.

Accumulated Depreciation - Other Assets increased by R1 260 136.

Due to depreciation not being accounted for on assets that were previously included under Work in Progress.

Depreciation increased by R1 260 136.

Due to depreciation not being accounted for on assets that were previously included under Work in Progress.

Provisions increased by R1 377 134.

Due to performances bonuses for middle managers being raised.

The prior year figures were restated due to entries not captured in the correct period resulting in the following adjustments for 2019-2020.

Surplus and deficit decreased by R977 032.

Depreciation in 2019/2020 relating to computer equipment that was incorrectly classified as work in progress and the transfer of Epiphany Sportsfield.

Accumulated Depreciation - Other Assets increased by R154 137.

Depreciation in 2019/2020 relating to computer equipment that was incorrectly classified as work in progress.

Accumulated Depreciation - Community Assets Increased by R822 895.

Being transfer of Epiphany Sportsfield and accumulated depreciation from 2016-2020 financial year.

Property, Plant and Equipment - Other Assets increased by R5 166 045.

Computer Equipment incorrectly classified as Work in Progress.

Property, Plant and Equipment - Work in Progress decreased by R7 533 031.

Matatielle Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2022

2021

54. Prior period errors (continued)

Computer Equipment incorrectly classified as Work in Progress.

Opening Accumulated Surplus increased by R4 201 307.

Due to a security deposit held in Eskom not previously recognised.

Security deposit held in Eskom increased by R4 201 307.

Due to a security deposit paid to Eskom not previously being recognised.

Assets held in consignment for Eskom increased by R2 366 986.

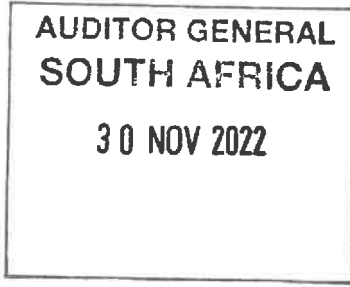
Due to projects that should have been transferred from Work in Progress to Assets held in consignment for Eskom in the year 2016/17.

Property, Plant and Equipment - Community Assets increased by R2 619 295.

Being transfer of Epiphany Sportsfield completed 2016/2017 year.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	As previously reported	Correction of error	Restated
Trade Payables	(56 734 076)	5 553 387	(51 180 689)
VAT Receivable	1 753 090	12 844	1 765 934
Trades receivables from non-exchange transactions	596 537	725	597 262
Provisions - current liabilities	(14 812 458)	(1 377 134)	(16 189 592)
Opening Accumulated Surplus	(1 001 688 618)	(3 224 274)	(1 004 912 892)
Security held in Eskom	-	4 373 560	4 373 560
Property, Plant and Equipment	1 111 728 768	(2 119 219)	1 109 609 549
Trade receivables from exchange transactions	24 965 835	(474 646)	24 491 189
Provisions - non current liability	(14 374 066)	(3 597 582)	(17 971 648)



Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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2022

2021

54. Prior period errors (continued)

Statement of financial performance

Finance cost	725	13 537	14 262
Workmens compensation	-	1 562 016	1 562 016
Stores and material	5 763 264	(5 783)	5 757 481
Contracted services - catering	984 281	(2 665)	981 616
Contracted services - accounting and audit	28 775 076	(28 500)	28 746 576
Contracted services - maintenance of equipment	14 754 787	(29 335)	14 725 452
Other Income	(1 029 398)	(725)	(1 030 123)
Advertising	1 519 875	(6 270)	1 513 605
Landfill site provision contributions	(217 698)	3 597 582	3 379 884
Debt impairment	25 503 611	(6 783 642)	18 719 969
Fuel	1 721 903	(1 733)	1 720 170
Printing	224 925	(30 264)	194 661
Uniforms	2 316 201	(9 000)	2 307 201
Employee costs - Bonus	5 960 644	1 489 242	7 449 885
Interest Received	(22 192 486)	(172 254)	(22 364 740)
Depreciation	41 583 209	1 260 136	42 843 345

Cash flow statement

	As previously reported	Correction of error	Restated
Interest income	22 192 486	172 254	22 364 740
Other receipts	14 617 129	(8 617 755)	5 999 374
Employee costs and suppliers	(307 668 557)	8 800 865	(298 867 692)
Finance cost	(725)	(13 537)	(14 262)
Purchase of property, plant and equipment	(147 468 541)	(169 573)	(317 042 114)
Security held in Eskom	-	(172 254)	(172 254)
	(418 328 208)	-	(418 328 208)

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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55. Related parties

No transactions occurred with related parties that were not at arm's length or not in the ordinary course of business during the current financial year.

When the municipality enters into agreements with service providers who made declarations that close family members or directors are in service of the State. The municipality considers the transactions to be at an arms length and in the ordinary course of business.

Awards and payments to persons with relatives in the Matatiele Local Municipality:

Bokang Lehlehla, the brother of the General Manager Infrastructure, is a member of Maboka Contractors who were appointed to for the construction of Silo Phase 3.	-	78 379
Mrs Bongeka Mohale, spouse of Cllr Polelo Mohale is a director of Sinalo Plastic Bag Manufacturing.	-	7 900

56. Impairment of assets

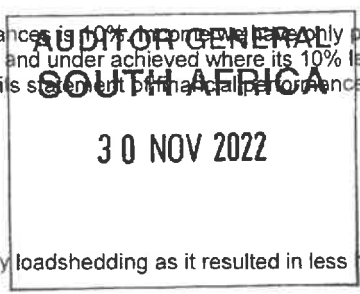
Impairments

Property, plant and equipment	1 113 241	-
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The carrying value of assets were assessed at year end and considered impaired as a result of the Matatiele area being affected by severe weather conditions (floods) during the current year that resulted in some road infrastructure being significantly affected in terms of functionality and service delivery.

57. Budget variances

The basis which has been applied in determining material variances is 10%. In principle we have only provided reasons where the municipality has under achieved and for expenditure both over and under achieved where its 10% less or more than budget. The municipality treats employee costs as a major expense in its statement of financial performance hence we have provided a reason for that variance of 6%.



Reasons for budget variances

Licences and permits, variance of 61%

Reduction on collection of licences and permits was affected by loadshedding as it resulted in less hours worked due to disturbances on systems.

Other income, variance of 13%

One of the major contributors to other income is the sale of tender documents which did not go as anticipated due to the prohibition of supply chain procurement processed by National Treasury.

Interest received, variance of 34%

Interest rates on investments made have been lower than anticipated due to interest rates cut that have been implemented by the South African Reserve Bank.

Interest received, variance of 38%

Interest from outstanding debtors increased due to an increase in the debtors balance.

Property rates, variance of 10%

Property rates collection was affected by the implementation of the Supplementary roll, changes of which included reviews on property values, property usage and subdivisions.

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57. Budget variances (continued)

Employee related costs, variance of 3%

The variance is due to vacant positions that have not been filled for more than six months.

Remuneration of traditional leader, variance of 35%

This is due new gazetting received that reduced the number of traditional leaders to seat at Council meetings from 9 members to one member.

Bad Debt Written Off & Debt Impairment, variance of 158%

This is due to increased debt balance in the 2021/22 financial year.

Depreciation & asset impairment, variance of 23%

The variance is due to more provision made on the budget including asset impairment .

Finance Charges, variances of 100%

This is due to late payment of Eskom invoices and interest incurred due to non-payment to COIDA.

Other materials, variance of 11%

The procurement of material was affected by circular 15 of 2021-222 on validity of PPR OF 2017 that put on hold procurement over R30 000 to all organs of state.

Lease rentals on operating lease, variance of 6%

This is due to rental of printers that were not done as planned due to SCM delays.

Contracted services, variance of 5%

The procurement of material was affected by circular 15 of 2021-222 on validity of PPR OF 2017 that put on hold procurement over R30 000 to all organs of state.

Other expenditure, variance of 18%

The procurement of material was affected by circular 15 of 2021-222 on validity of PPR OF 2017 that put on hold procurement over R30 000 to all organs of state.

Agency Fees, variance of 100%

The budget provision for Agency fees is part of the Licenses and Permits on the final budget.

VAT receivable, variance of 100%

The budget allocation for the item is included on Other Debtors on the Approved budget as per Mscoa reporting.

Security held in Eskom, variance of 100%

Relates to amount paid to Eskom in the previous year for a deposit on the electrical substation.

Trade receivables from non- exchange transactions, variance of 100%

Budget allocation for the item is under statutory receivables.

Matatiele Local Municipality

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57. Budget variances (continued)

Loss on disposal of PPE, variance of 100%

This is due to transfer of eskom projects.

Landfill site provision contributions, variance of 100%

This is due to insufficient budget allocated for this item.

Cash and cash equivalents, variance of 112%

Due to more cash at the end of financial year at bank than anticipated on the budget and more investments made during the 2021-22 financial year.

Consumer debtors, variance of 25%

Due to increased government outstanding electricity debtors.

Inventory, variance of 10%

This is due to more stock kept at year end than anticipated.

Investment property, variance of 113%

This is due to insufficient budget allocation and classification differences at budget time.

Property, plant and equipment - Capitalised, variance of 100%

The budget allocation for the item is included on Property Plant and Equipment on the Approved budget as per Mscoa reporting

Intangible assets, variance of 81%

This is due to amortisation / write off done in the 2021/22 financial year.

Other Non Current Assets, variance of 100%

A budget provision was made for items that are not on Mscoa Chart.

Trade payables, variance of 21%

Due to incomplete projects at year with unpaid retention.

Unspent conditional grants, variance of 100%

The spending on grants was affected by circular 15 of 2021-222 on validity of PPR of 2017 that put on hold procurement over R30 000 to all organs of state.

Employee benefit obligation, variance of 100%

The budget allocation for the item is included on the approved budget for Provisions as per mSCOA reporting.

Provisions, variance of 25%

Approved budget is inclusive of employee benefit provision.

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57. Budget variances (continued)

Consumer deposits, variance of 13%

The variance is due to insufficient budget allocation for the item.

Revaluation reserve, variance of 175%

The variance is due to impairment loss on revalued assets that was not included in the budget.

Accumulated surplus, variance of 31%

Surplus was less than anticipated on the budget.

Cashflow Variances

Sale of goods and services, variance of 22%

The variance is due to under collection on revenue than anticipated

Purchase of property, plant and equipment, variance of 23%

The variance is due to delayed expenditure on capital , circular 15 of 2021-222 on validity of PPR OF 2017 that put on hold procurement over R30 000 to all organs of state.

Purchase of intangible assets, variance of 100%

No budget allocation was made for purchase of intangible assets.

Security held in Eskom, variance of 100%

Relates to amount paid to Eskom in the previous year for a deposit on the electrical substation.

Cash and cash equivalents at the beginning of the year, variance of 26%

Variance is due to less expenditure incurred than anticipated.

Changes from the approved budget to the final budget

The municipality approved its budget 2021/2022 on the 27th May 2022. The approved budget was amended with two adjustments budgets. The first adjustments budget was approved on the 28 February 2022 and the second adjustments budget was approved on the 28 April 2022 . Detailed reasons for the changes on the approved budget have been presented on the Adjustments budget reports.

**Matatiele Local Municipality
Appendix A**

**Analysis of property, plant and equipment as at 30 June 2022
Cost/Revaluation**

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land														
Land	52 734 060	-	-	-	-	-	52 734 060	-	-	-	-	-	-	52 734 060
Buildings														
Buildings	74 129 463	-	-	108 577 006	-	-	182 706 469	(10 370 834)	-	-	(4 209 563)	-	(14 580 397)	158 126 072
Infrastructure														
Infrastructure	571 180 824	4 551 378	(31 830 711)	97 903 515	-	-	641 805 006	(84 030 205)	10 888 380	-	(30 625 582)	(46 589 458)	(150 356 865)	491 448 141
	571 180 824	4 551 378	(31 830 711)	97 903 515	-	-	641 805 006	(84 030 205)	10 888 380	-	(30 625 582)	(46 589 458)	(150 356 865)	491 448 141

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**Matatiele Local Municipality
Appendix A**

**Analysis of property, plant and equipment as at 30 June 2022
Cost/Revaluation Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Community														
Community	156 241 653	129 425	210 000	-	-	-	156 681 078	(23 090 965)	-	-	(9 013 765)	-	(32 104 730)	124 476 348
	156 241 653	129 425	210 000	-	-	-	156 581 078	(23 090 965)	-	-	(9 013 765)	-	(32 104 730)	124 476 348
Other Property plant and equipment														
Other Property plant and equipment	85 050 417	6 287 827	(352 197)	-	-	-	90 986 047	(31 914 554)	308 732	-	(8 074 815)	-	(39 680 637)	51 305 410
	85 050 417	6 287 827	(352 197)	-	-	-	90 986 047	(31 914 554)	308 732	-	(8 074 815)	-	(39 680 637)	51 305 410
Capital under construction														
Capital under construction	319 472 355	173 146 326	(57 276 988)	(206 690 523)	-	-	228 651 170	-	-	-	-	-	-	228 651 170
	319 472 355	173 146 326	(57 276 988)	(206 690 523)	-	-	228 651 170	-	-	-	-	-	-	228 651 170

**Matatiele Local Municipality
Appendix A**

**Analysis of property, plant and equipment as at 30 June 2022
Accumulated depreciation**

	Opening Balance		Additions		Disposals		Transfers		Revaluations		Other changes, movements		Closing Balance		Opening Balance		Disposals		Transfers		Depreciation		Impairment loss		Closing Balance		Carrying value			
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		
Total property plant and equipment	1 258 808 772	184 114 956	(89 249 898)	(210 002)	-	-	-	1 353 463 830	(149 406 558)	11 197 112	-	-	(46 589 458)	(236 722 629)	1 116 741 201	(14 580 397)	-	-	-	-	(51 923 725)	(46 589 458)	(236 722 629)	1 116 741 201	189 126 072	52 734 060	124 476 348	228 651 170	51 305 410	228 651 170
Land	74 129 463	-	-	-	-	-	-	108 577 006	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	571 180 824	4 551 378	(31 930 711)	97 903 515	-	-	641 805 008	(84 030 205)	10 888 380	-	-	-	(4 209 563)	(14 580 397)	169 126 072	(150 366 865)	-	-	-	-	(30 625 582)	(46 589 458)	(236 722 629)	116 741 201	189 126 072	52 734 060	124 476 348	228 651 170	51 305 410	
Infrastructure	156 241 655	129 425	210 000	-	-	-	156 561 078	(23 690 565)	306 732	-	-	-	(9 013 765)	(32 104 730)	124 476 348	(39 860 637)	-	-	-	-	(6 074 815)	-	-	-	124 476 348	228 651 170	51 305 410	228 651 170	51 305 410	
Community	85 050 417	6 267 827	(352 197)	(206 690 523)	-	-	90 966 047	(31 914 554)	306 732	-	-	-	-	-	51 305 410	-	-	-	-	-	-	-	-	-	51 305 410	228 651 170	51 305 410	228 651 170	51 305 410	
Other Property plant and equipment	319 472 355	173 146 326	(57 276 988)	(206 690 523)	-	-	228 661 170	(31 914 554)	306 732	-	-	-	-	-	51 305 410	-	-	-	-	-	-	-	-	-	51 305 410	228 651 170	51 305 410	228 651 170	51 305 410	
Capital under construction	1 258 808 772	184 114 956	(89 249 898)	(210 002)	-	-	1 353 463 830	(149 406 558)	11 197 112	-	-	-	(46 589 458)	(236 722 629)	1 116 741 201	(14 580 397)	-	-	-	-	(51 923 725)	(46 589 458)	(236 722 629)	1 116 741 201	189 126 072	52 734 060	124 476 348	228 651 170	51 305 410	
Total	1 258 808 772	184 114 956	(89 249 898)	(210 002)	-	-	1 353 463 830	(149 406 558)	11 197 112	-	-	(46 589 458)	(236 722 629)	1 116 741 201	(14 580 397)	-	-	-	-	(51 923 725)	(46 589 458)	(236 722 629)	1 116 741 201	189 126 072	52 734 060	124 476 348	228 651 170	51 305 410	228 651 170	

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**Matatiele Local Municipality
Appendix B**

**Analysis of property, plant and equipment as at 30 June 2021
Accumulated depreciation
Cost/Revaluation**

	Opening Balance		Additions		Disposals		Transfers / Transfers from Investment Property		Depreciation		Other changes, movements		Closing Balance		Carrying value		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Land																	
Land	52 734 059	-	-	-	-	-	-	-	-	-	-	-	-	52 734 059	-	-	52 734 059
	52 734 059													52 734 059			52 734 059
Buildings																	
Buildings	66 603 102	-	-	-	614 464	(3 457 980)	-	614 464	(3 457 980)	-	-	-	-	63 759 586	-	-	63 759 586
	66 603 102				614 464	(3 457 980)		614 464	(3 457 980)					63 759 586			63 759 586
Infrastructure																	
Infrastructure	453 600 121	1 832 386	(1 004 137)	55 885 060	(23 162 812)	-	487 150 618	-	-	-	-	-	-	487 150 618	-	-	487 150 618
	453 600 121	1 832 386	(1 004 137)	55 885 060	(23 162 812)		487 150 618							487 150 618			487 150 618

**Matatiele Local Municipality
Appendix A**

**Analysis of property, plant and equipment as at 30 June 2021
Cost/Revaluation
Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers / Transfers from Investment Property	Depreciation	Other changes, movements	Closing Balance	Carrying value					
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Community													
Community	121 920 826	579 800	-	19 408 979	(8 758 793)	-	133 150 812	-	-	-	-	-	133 150 812
	121 920 826	579 800	-	19 408 979	(8 758 793)	-	133 150 812	-	-	-	-	-	133 150 812
Other Property plant and equipment													
Other Property plant and equipment	47 583 767	7 993 810	(111 738)	3 573 973	(5 903 890)	-	53 135 922	-	-	-	-	-	53 135 922
	47 583 767	7 993 810	(111 738)	3 573 973	(5 903 890)	-	53 135 922	-	-	-	-	-	53 135 922
Capital under construction													
Capital under construction	302 020 318	137 024 962	(40 090 450)	(79 482 476)	-	-	319 472 354	-	-	-	-	-	319 472 354
	302 020 318	137 024 962	(40 090 450)	(79 482 476)	-	-	319 472 354	-	-	-	-	-	319 472 354

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**Analysis of property, plant and equipment as at 30 June 2021
Cost/Revaluation**

	Opening Balance	Additions	Disposals	Transfers / Transfers from investment Property	Depreciation	Other changes, movements	Closing Balance	Carrying value	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment									
Land	52 734 059	-	-	-	-	-	52 734 059	-	52 734 059
Buildings	66 603 102	-	-	614 464	(3 457 980)	-	63 759 586	-	63 759 586
Infrastructure	453 600 121	1 832 386	(1 004 137)	55 885 060	(23 162 812)	-	487 160 618	-	487 160 618
Community	121 920 826	579 800	-	19 408 979	(8 758 793)	-	133 160 812	-	133 160 812
Other Property plant and equipment	47 583 767	7 993 810	(111 738)	3 573 973	(5 903 890)	-	53 135 922	-	53 135 922
Capital under construction	302 020 318	137 024 962	(40 090 450)	(79 482 476)	-	-	319 472 354	-	319 472 354
	1 044 462 193	147 430 958	(41 206 325)	-	(41 283 475)	-	1 109 403 351	-	1 109 403 351
Total	1 044 462 193	147 430 958	(41 206 325)	-	(41 283 475)	-	1 109 403 351	-	1 109 403 351

**Matatiele Local Municipality
Appendix B
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2022**

	2022/2021		2021/2020		Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome								
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome							Unauthorised expenditure	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand							Rand	Rand	%	%	Rand	Rand	Rand	Rand
Revenue By Source																		
Service charges	70 532 412	-	70 532 412	68 145 618	(2 386 794)	97 %	97 %				56 434 130							
Rental facilities and equipment	1 245 000	-	1 245 000	1 158 358	(86 642)	93 %	93 %				803 197							
Interest received - investment	14 649 986	-	14 649 986	9 598 958	(5 051 028)	66 %	66 %				24 528 173							
Property rates	54 088 416	-	54 088 416	48 725 788	(5 362 628)	90 %	90 %				44 963 631							
Government grants & subsidies	412 784 004	31 501 711	444 285 715	432 883 059	(11 402 656)	97 %	105 %				358 222 363							
Interest earned - outstanding debtors	11 798 772	-	11 798 772	16 332 305	4 533 533	138 %	138 %				-							
Fines, penalties and forfeits	2 083 700	-	2 083 700	2 058 439	(25 261)	98 %	98 %				1 339 543							
Licences and permits	4 524 684	-	4 524 684	1 756 879	(2 767 805)	39 %	39 %				1 346 350							
Agency services	-	-	-	1 649 721	1 649 721	DIV/0 %	DIV/0 %				1 210 720							
Other revenue	1 501 176	-	1 501 176	1 307 925	(193 251)	87 %	87 %				3 454 169							
Total Revenue (excluding capital transfers and contributions)	573 218 160	31 501 711	604 719 871	583 617 050	(21 102 821)	97 %	102 %				518 227 942							

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Matatiele Local Municipality
Appendix B
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2022

	2022/2021				2021/2020							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type												
Employee related costs	(132 260 904)	-	(132 260 904)	(126 502 637)	-	5 758 267	96 %	96 %	-	-	-	115 401 766
Remuneration of councillors	(21 689 916)	-	(21 689 916)	(21 443 575)	-	246 341	99 %	99 %	-	-	-	20 447 212
Remuneration of traditional leaders	(350 564)	150 000	(200 564)	(129 728)	-	70 836	65 %	36 %	-	-	-	386 324
Depreciation & asset impairment	(35 300 004)	(35 000 000)	(70 300 004)	(53 910 507)	-	16 389 497	77 %	153 %	-	-	-	47 812 168
Finance charges	(50 000 000)	(12 000 000)	(62 000 000)	(58 160 536)	-	(3 839 464)	DIV/0 %	DIV/0 %	-	-	-	3 082
Bulk purchases	(7 375 196)	543 424	(6 831 772)	(6 075 304)	-	756 468	89 %	116 %	-	-	-	43 138 390
Other materials	(105 630 024)	6 226 837	(99 403 187)	(106 749 867)	-	(7 346 680)	107 %	82 %	-	-	-	4 015 911
Contracted services	(70 725 292)	15 299 798	(55 425 494)	(45 760 310)	-	9 665 184	83 %	65 %	-	-	-	81 049 384
Other expenditure	-	-	-	(78 262 784)	-	(78 262 784)	DIV/0 %	DIV/0 %	-	-	-	34 132 948
Loss on disposal of PPE	-	-	-	(48 914 184)	-	(48 914 184)	111 %	117 %	-	-	-	710 584
Total Expenditure	(423 345 900)	(24 769 941)	(448 115 841)	(497 030 025)	-	(48 914 184)	111 %	117 %	-	-	-	347 097 769
Surplus/(Deficit)	996 564 060	56 271 652	1 052 835 712	1 080 647 075	27 811 363	27 811 363	103 %	108 %	-	-	-	171 130 173
Debt impairment	(6 999 996)	-	(6 999 996)	(18 093 704)	-	(11 093 708)	258 %	258 %	-	-	-	(9 275 521)
Landfill site provision contribution	-	-	-	(1 676 651)	-	(1 676 651)	DIV/0 %	DIV/0 %	-	-	-	(1 541 971)
Surplus/(Deficit) after capital transfers & contributions	989 564 064	56 271 652	1 045 835 716	1 060 876 720	15 041 004	15 041 004	101 %	107 %	-	-	-	165 292 382
Surplus/(Deficit) after taxation	989 564 064	56 271 652	1 045 835 716	1 060 876 720	15 041 004	15 041 004	101 %	107 %	-	-	-	165 292 382
Surplus/(Deficit) attributable to municipality	989 564 064	56 271 652	1 045 835 716	1 060 876 720	15 041 004	15 041 004	101 %	107 %	-	-	-	165 292 382
Surplus/(Deficit) for the year	989 564 064	56 271 652	1 045 835 716	1 060 876 720	15 041 004	15 041 004	101 %	107 %	-	-	-	165 292 382

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