Midvaal Local Municipality
Annual Financial Statements
for the year ended 30 June 2022
Auditor-General of South Africa (AGSA)
Chartered Accountants (S.A.)
Registered Auditors

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

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and supplying of the following services to the community. General Services - All types of services rendered by the municipality, excluding the supply of housing to the community. Waste Management Services - the collection and disposal of waste. Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers of the municipality in licensed areas. Waste Water Management - Collection and purification of waste water. Water Services - Supply of purified water.
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)

Executive mayor and chairperson of mayoral commitee

Portfolio	**Councillor**
Executive mayor and chairperson of mayoral committee	PJ Teixira
Speaker	AR McLoughlin
Chief WIP	PC Pretorius
MMC - Corporate	CL Gomes
MMC - Community	TM Modiba
MMC - Engineering	JG Viljoen
MMC - Development and Planning	MI Motsamai
MMC - Finance	PD Hutcheson-Pretorius

Executive management

Position	**Name**
Municipal Manager	AM Groenewald (appointed 1 July 2022)
Chief Financial Officer (CFO)	A Ngwenya (Resigned 14 June 2022)
Executive Director: Engineering	P Magodi
Director: Corporate Services	Vacant
Executive Director: Planning and Economic Development	D Chamboko
Executive Director: Community and Protection Services	SM Mosidi

General Information

Council members - end of term

Nr	Surname	Initials	Nr	Surname	Initials
1	de Agrella	WF	2	Dlangamandla	JM
3	Hlengwa	B	4	Janse van Rensburg	SMA
5	Kruger	MC	6	Mabaso (up to 06/08/2020)	J
7	Magagula	WF	8	Mahlangu	MM
9	Mazibuko (Chairperson of MPAC)	J	10	Mclouglin (from 27/05/2021)	A
11	Modikeng	ML	12	Mofokeng (from 26/112020)	TS
13	Mphasane	MJ	14	Muirhead	S
15	Myburgh	M	16	Ndebele	MM
17	Ngcobo	MGI	18	Pypers	CG
19	Schoeman	MS	20	Sikhosana (upto 27/05/2021)	TC
21	Tabo	MB	22	Tsukudu	A
23	Visser	LTH			

New Council Members(Sworn in 16 November)

Nr	Surname	Initials	Nr	Surname	Initials
1	Brits	O	2	Dickinson	AH
3	Hoyane	SM	4	Janse van Rensburg	SMA
5	Jordaan	BJ	6	Kolisang	ML
7	Kruger	MC	8	Lehloka	PM
9	Maimane	MA	10	Mazibuko	J
11	Mboweni	MC	12	Modikeng	ML
13	Mofokeng	TS	14	Mokhomo	DT
15	Molakeng (Resigned 15/12/2021)	ST	16	Myburgh	M-A
17	Ndebele	MM	18	Nkoe	GM
19	Peters	FW	20	Pypers	CG
21	Visser	LTH	22	Ramushu (from 15 December 2021)	IP
23	Hubbard	RJ			

Grading of local authority	Grade 4 Local Municipality
Registered head office	25 Mitchell Street Meyerton Gauteng 1961
Postal address	P.O.Box 9 Meyerton 1960

General Information

Bankers	ABSA Bank Limited Nedbank
Auditors	Auditor-General of South Africa (AGSA)
Legal representative	Panel of attorneys appointed for cost effectiveness: Cliffe Dekker Hofmeyer / Chiba Attorneys / Brain Blignaut Attorneys / Lizel Venter Attorneys / Mkhabela Huntley Adekeye Inc / Strauss Daily Attorneys / Moodie & Robertson / Selomo Attorneys / Meise Nkeiseng & Conveyancers / Douglas Bennett Attorneys / LNP Attorneys / Nozuku Nxusani Incorporated / Malherbe Rigg & Ranwell / POSWA Incorporated / Cheadle Thompson & Haysom Inc

Abbreviations

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
INEP	Integrated Electrification Programme
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development And Partnership Grant
SALGA	South African Local Government Association
SAPS	South African Police Services
SCM	Supply Chain Management
SRAC	Sports, Recreation, Arts and Culture
WSIG	Water Sanitation Infrastructure Grant

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Local Government: Municipal Finance Management Act (Act no.56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

I, as the accounting officer acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable us to meet these responsibilities, we have set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. In the year under review , the systems of internal control have been boosted by municipal ICT infrastructure upgrade and migration. The improved firewall protections, access protocols, encryptions and password complexities have enabled the accounting officer to fulfil this responsibility. 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 operational 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.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. This assurance is further supported by the fact that all MSCOA version and patch upgrades were implemented in line with National Treasury's requirements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

I have 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, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. An assessment to this effect has been confirmed by Gauteng Provincial Treasury, as an independant structure and Ratings Afrika being a ratings agency that specialises in ratings and gauging financial soundness and governance.

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

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's senior management team, external auditors and other oversight governance structures of Council.

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 36 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Governments determination in accordance with the Act.

The external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented separately.

The annual financial statements set out on pages 13 to 116, which have been prepared on the going concern basis, were approved and signed by the accounting officer:

Accounting Officer's Responsibilities and Approval

31/08/2022

Accounting Officer
Mr. AM Groenewald

Performance and Audit Committee Annual Report

The Chairperson of the Committee under section 4.3.2 of their charter is required to annually report to council by means of a report and /or in person summarising the activities, recommendations and decisions of the Committee during the previous financial year.

The Committee is delighted to table its annual report for the financial year ended 30 June 2022.

Performance and Audit Committee members' attendance of the meetings

The Committee consists of the five external non executive, members listed hereunder and they are required to meet a minimum of at least four times per financial year

Members Attendance

Audit Committee Meetings: 2021/2022 Financial Year

Members		23 Aug 2021	17 Sept 2021	28 Oct 2021	07 Dec 2021	24 Jan 2022	28 Feb 2022
Mr. T.N Ntho	Chairperson	Present	Present	Present	Present	Present	Present
Mrs. M.C Mokoena	Member/ Chairperson Risk Committee	Present	Present	Present	Present	Present	Present
Mr. F. Mpofu	Member	Present	Present	Present	Present	Present	Present
Mr. M. Khendla	Member	Present	Present	Present	Present	Present	Present
Mr. A. Lambat	Member	N/A	N/A	N/A	N/A	N/A	N/A

Members		**25 Apr 2022**	**27 May 2022**	**25 Jul 2022**	**% attended**
Nr TN Ntho	Chairperson	Present	Present	Present	100
Mrs MC Mokoena	Chairperson Risk Committee	Present	Present	Present	100
Mr FT Mpofu	Member	Present	Present	Present	100
Mr M Khendla	Member	Present	Present	Present	100
Mr A Lambat	Member	N/A	Present	Present	100

Performance and Audit Committee responsibility

The Committee complied with its responsibility to play an oversight role and reviewed the following:

1. Internal financial control and internal audits.
2. Risk management.
3. The adequacy, reliability and accuracy of financial reporting and information.
4. Accounting policies.
5. Performance management.
6. Effective governance.
7. Compliance with the MFMA, and any other relevant legislation.
8. Performance evaluation and
9. Any other issues referred to it by the Council.

The Committee also reports that it has adopted appropriate terms of reference in the form of the Performance and Audit Committee Charter. The Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Performance and Audit Committee Annual Report

The effectiveness of internal control and information and communication technology governance:

In compliance with MFMA and the recommendation from King reports on corporate governance requirements, Internal Audit provided the Committee and management with assurance that the internal controls are adequate and effective. This is achieved by means of the risk management process, as well as the identification of corrective action and suggested enhancements to the controls and processes.

The Committee has observed that the overall control environment of the Municipality has shown a significant improvement during the year under review. However some deficiencies were identified in the Supply Chain Management Section, Human Resources Section and the Department of Community Services. However, it is important to mention that this happened because of the delay in appointing some Executive Directors and the Municipal Manager.

The Council and Management committed to implement an action plan to address previously reported Auditor General and internal audit findings. This plan yielded the positive results that the Committee experienced in the past and current financial year. The Committee further more proposed that another action plan be developed to specifically deal with the findings from reports of Financial Disciplinary Board.

The reason for this is that normally these reports are treated as confidential reports and therefore most of the time they are not included in the action plan thats deals with the findings of Internal Audit and AGSA.

Internal Audit

The Committee is satisfied that the Internal Audit plan represented a clear alignment with the key risks, has adequate information systems coverage, and a good balance across the different categories of audits; namely risk based, compliance, performance and follow-up audits.

The Committee has noted considerable improvement in the communication between the Senior Management, the AGSA and Internal Audit Services which has strengthened the co-operative governance initiatives within the Municipality.

The Committee is satisfied with the content and quality of quarterly reports prepared and issued by Internal Audit Services for the Municipality during the year under review. The Committee is also impressed by the fact that under the difficult situation the Internal Audit manages to do more follow-up audits in order to eliminate the occurrence of the reaped findings.

The Committee is also impressed by the report of Internal Audit that seeks to assist and make the work of both the Municipal Public Accounts Committee and Financial Disciplinary Board easier in understanding the results of the forensic reports. The outlining of different acts that was supposed to have been complied with by the officials and different policies and standard operating procedures that were ignored by officials, mentioned in the forensic reports was the effort that was significant to be noticed by the Committee.

Risk Management

The Committee is proud to report the progress made on reviewing both strategic and operational risk registers, the follow-ups done on existing and emerging risks were on time and in most of the cases effective. The Committee can also attest to the existence of the functioning structures of the enterprise risk management, namely the appointed risk champions, the ethics & risk management committee under the chairmanship of an independent member of Performance and Audit Committee. The committee meets quarterly and immediately thereafter reports to the Performance and Audit committee.

The Committee again applauds the Ethics and Risk Management by development and implementation of Risk Maturity improvement plan that will help Municipality to achieve an improved annual assessment by Provincial Treasury. The Committee was again excited to see two policies tabled before them for consideration and recommendation to final approval by Council and these were:

1. Draft Compliance Management Policy
2. Draft Project Risk Register 2022/2023

The Committee is also delighted to see that the Municipality adhered to its call to place Ethics and Risk Management and Performance Management in the Office of the Municipal Manager. Furthermore it will be prudent to add the Short Term Insurance to the Ethics and Risk Management Department.

Performance Management

1. The Committee did review and evaluate the implementation of the performance management system in order to find out if the system reflects the Municipality's purpose and objectives.

Performance and Audit Committee Annual Report

2. The Committee reviewed some KPIs and recommended that management should review all KPIs and KPI definitions to ensure it is clear as to what is measured by the KPI and the targets set.

3. The Committee can proudly say the Municipality is always in compliance with the performance management and reporting systems.

The Committee did participate in the process of evaluating the performance of Senior Management through delegating its Chairperson to form part of the Evaluation committee. The attainment of the eighth unqualified audit report from AGSA is a reflection of the outstanding performance of the Management team. The Committee feel honoured to play an oversight role on a team as dedicated as Midvaal Local Municipality team of Management and Politicians.

The Committee believes that the departments performed absolutely well under the circumstance of adapting to the new norm of daily life. The Municipality refused to allow the situation to dictate terms and block their progress.

The following result by all five departments is an indication of dedication towards best performance:

Departments		**Results of 2020/2021**	**Results of 2021/2022**
1. Corporate Services	=	85.71%	78%
2. Finance Services	=	100%	93%
3. Development & Planning	=	81.81%	91%
4. Community Services	=	87.50%	92%
5. Engineering Services	=	76.47%	63%

The overall 93% of the Municipality is as a result of the above given input by the different departments.

The quality of quarterly reports submitted in terms of the MFMA and the Division of Revenue Acts

The Committee was satisfied with the content and quality of financial quarterly reports prepared and submitted by the Accounting Officer of the Municipality during the year under review and confirms that the reports were in compliance with the statutory reporting framework.

Service Delivery as a Standalone Item in the Committee Agenda

The Midvaal Local Municipality Performance and Audit Committee took a bold decision to put Service Delivery as a standalone item in their agenda. The decision was brought about by the good performance of the Municipality. The Committee wanted to ascertain and be convinced that the good results that are being experienced in theory and in papers yield the expected positive results on the ground as expected by the community members.

The following are Committee yard stick to use every quarter and they form part of core deliberation in the process:

1. Electricity programs to service the different communities

2. Water and Sanitation programs to improve the supply of both

3. Waste collection programs to service different communities on a weekly basis

4. Grass cutting and maintaining of our Parks programs to sustain a clean and healthy Municipality

5. Roads and storm Water programs

6. Development in the Midvaal Local Municipality to attract Investors in the area

The Committee members use their daily observation to deliberate and ask questions to establish the facts to either proof to the Management that the results does not collaborate with what is on the ground or the reported results were really observed by the Committee members who are indeed the representative of Communities at large.

Performance and Audit Committee Annual Report

The next plan of the Committee is to select three to five new projects that they will monitor over the period of the financial year. The Committee Members intend to visit the selected projects, to ascertain the management and the progress and also ask the questions in relation to the budget of these projects. This is one of the value adding ideas to the Midvaal Local Municipality by the Committee.

Evaluation of the Annual Financial Statements

The Performance and Audit Committee has:

1. Reviewed and discussed the Audited Annual Financial Statements to be included in the Annual Report with the AGSA and the Municipal Manager.

2. Reviewed the audit report of the AGSA.

3. Reviewed the AGSA’s Management report and management’s response thereto.

4. Reviewed the Municipality’s compliance with legal and regulatory provisions and

5. Reviewed significant adjustments resulting from the audit.

The Committee concurs with and accepts the AGSA’s conclusion on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the AGSA.

Anti-fraud and corruption sub-committee

The Municipality did well in trying to curb issues related to fraud and corruption by following the MFMA and its regulations which clearly stipulate that matters such as incurring unauthorised, irregular as well as fruitless and wasteful expenditure, possible abuse of SCM systems and allegations of financial misconduct should be investigated.

The Municipality had experienced more issues of maladministration and possible abuse of SCM systems during the financial year. The Committee was very impressed by the manner in which the Council took a decisive decision to bring the perpetrators to book. In some cases, the Municipality implemented recovery plans to recover the lost money during the processes.

One-on-One Meeting with the Municipal Manager

The Committee has met with the Municipal Manager of the Municipality to address unresolved issues emanating from Internal Audit reports, Forensic reports and forensic investigator reports. Shortcomings or deficiencies as outlined by both the Forensic Investigators and the Financial Disciplinary board, and the commitment to assist AGSA during the audit process.

One-on-One Meeting with the Executive Mayor

Both the chairperson of the performance and audit committee as well as the risk committee has standing meetings with the Executive Mayor to address issues related to political direction of the Municipality so that both chairs understand and direct the committees in the right direction. The two chairs also apprise the Executive Mayor on the performance of the Municipality, and highlighted the value add that was provided by the Committee.

Auditor General of South Africa (AGSA)

The Performance and Audit Committee has met with AGSA to ensure that there are no unresolved issues between them and the management and also tried to strengthen relationships between the two parties without compromising the independance of the AGSA.

Chairperson’s closing remarks

I would like to take this opportunity to thank Midvaal stakeholders who play an important role in the success of this Municipality. The Council and all staff members for selfless sacrifices through the overtime and hard work they put in to attain clean audits, sincere gratitude. To my fellow Committee members for their ongoing support and commitment, I thank you. It is truly a pleasure to serve on a united Performance and Audit committee, who share the same values and objectives.

Progress is impossible without change and I believe that the changes in the past years have the basis for the future approach and better service delivery. You will continue to be the Municipality of choice and setting the benchmark in providing best service delivery and maintaining clean audits for all your communities.

Performance and Audit Committee Annual Report

31/08/22

Mr. N Ntlho
Chairperson of the Audit Committee

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

Net surplus of the municipality was R 74 724 787 (2021: surplus R 207 313 855).

2. Going concern

I draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 2 446 085 377 and that the municipality's total assets exceed its liabilities.

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

The municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far as possible, the municipality factored in the effect of the lockdown levels had on its own economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdown levels. During the looting period and community unrest of July 2021, the municipality remained stable with no incidents of vandalism and looting as such the asset impairment policy did not require any adjustments moreover the municipality enjoys the benefit of civil unrest risk cover. The municipality has assessed that no going concern issues have been noted and that the municipality can continue in operational existence for the foreseeable future.

The municipality assessed the impact of the COVID-19 pandemic by comparing the financial indicators as follows:

	2021/22	**2020/21**
Current ratio (norm 2:1)	2.91:1	3.06:1
Cost coverage ratio (norm 3 months or more)	5.3 months	5.5 months
Creditors days (norm 30 days)	30 days	30 days
Debtors collection rate	92%	94%

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Annual Financial Statements.

4. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board and the Accounting Standards Board as the prescribed framework by National Treasury.

5. Equity

Council has a very strong attitude towards legislative compliance, specifically supply chain management principles, and also the proper functioning of the Performance and Audit Committee, Municipal Public Accounts Committee (MPAC) and the Financial Disciplinary Board. These meetings are functioning without councillor and/or political interference. Where required, matters are reported to the relevant external authorities for further investigation. The appropriate and relevant consequence management is also instituted, as and when required.

Accounting Officer's Report

. Equity (continued)

The reviewed Integrity Management Policy & Plan, 2020 has been approved by Council per Council Resolution C2359/08/2020 dated 27 Aug 2020.

Council's stance to fraud and corruption is zero tolerance and in line with this, the efficient application of instructions contained in the policies and procedures of Midvaal, is one of the most important duties to be applied by every employee in the execution of their daily tasks.

The main principles, upon which this Plan of Midvaal is based, include the following:

1. Creating a culture which is ethical and intolerant to fraud and corruption;
2. Deterrence of fraud and corruption;
3. Preventing fraud and corruption which cannot be deterred;
4. Detection of fraud and corruption;
5. Investigating detected fraud and corruption;
6. Taking appropriate action in the event of such irregularities, e.g. disciplinary action (consequence management), recovery of losses, to the extent required, and prosecution; and
7. Applying sanctions, that includes blacklisting and prohibition from further employment.

The components of the Plan include:

1. Focus on the organisation;
2. Focus on employees;
3. Focus on other stakeholders;
4. Enforcement;
5. Implementation.

All staff, including senior management and councillors, are obliged to declare specific personal assets and private business interests on an annual basis, such as:

1. Shares and other financial interests (not bank accounts with financial institutions);
2. Directorships and partnerships (also those held by the spouse and close family members);
3. Remunerated work outside of the municipality;
4. Consultancies and retainerships;
5. Sponsorships;
6. Gifts and hospitality from a source other than a family member (exceeding the value of R350 over a 12 month period);
7. Land and property registered in their name;
8. Vehicle(s) owned (registered) in their name;
9. Participation in elections.

. Equity (continued)
The status of reported cases is as follows:

	2018/2019	2019/2020	2020/2021	2021/2022
Total Number of Cases reported	30	31	39	37
Total Number of Cases resolved	26	31	34	26
Total Number of Cases pending	4	0	5	11
% Resolved	86%	100%	87%	70%

The primary transgressions are summarized as follows:

1. Illegal water/electricity meter tampering/by-passing;
2. Misuse/Abuse of Council vehicles;
3. Appointment of Irregularities;
4. Bribery;
5. Theft of Council owned property;
6. Non-compliance to tender specifications;
7. Possible incorrect journal entries;.
8. Transgression of the Code of Conduct for Municipal Staff Members;
9. Issuing of fraudulent zoning certificate;
10. Bribery;
11. Theft of Council owned property;
12. Non-compliance with Firearm Control Policy.

Matters referred to the Financial Disciplinary Board, included the following:

1. Overpayment on contracts;
2. Irregular expenditure;
3. Salary overpayment;
4. Erroneous payment.

The relevant remedial actions, according to Council's Policies, were initiated, i.e. disciplinary action, criminal prosecution and recovery of money. Management reviewed controls and internal audit tested the effectiveness of the controls in order to prevent recurrence. Matters reported to external authorities for further investigations in line with the MFMA are frequently monitored and positive results received.

Midvaal through its fraud hotline takes all matters very seriously by means of it's Integrity Management Strategy. As such Midvaal often receives tip-offs regarding possible irregularities which are not always confined to the definition of unauthorised, irregular, fruitless and wasteful expenditure.

Accounting Officer's Report

6. Accounting Officer

The accounting officer of the municipality during the year and as at the date of this report is as follows:

Name	Changes
AM Groenewald	Appointed Friday, 01 July 2022
SM Mosidi (Acting)	Appointed Sunday, 01 August 2021, resigned Thursday, 30 June 2022
NS Mhlanga	Resigned Saturday, 31 July 2021

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	487 962 486	451 304 933
Receivables from exchange transactions	4	181 427 256	146 064 324
Receivables from non-exchange transactions	5	106 114 872	96 818 157
VAT	6	17 690 174	15 804 937
Inventories	7	14 333 162	14 080 356
		807 527 950	**724 072 707**
Non-Current Assets			
Property, plant and equipment	8	2 097 835 385	2 074 806 844
Investment property	9	49 281 032	49 351 032
Intangible assets	10	6 436 395	5 150 990
Heritage assets	11	18 701	18 701
		2 153 571 513	**2 129 327 567**
Total Assets		**2 961 099 463**	**2 853 400 274**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	204 663 446	169 544 015
Borrowings	13	35 069 761	27 977 256
Consumer deposits	14	21 153 173	19 862 487
Lease liabilities	15	8 356 770	7 158 272
Income received in advance from developer contribution	16	5 295 609	7 435 522
Unspent conditional grants	17	3 260 177	5 015 752
		277 798 936	**236 993 304**
Non-Current Liabilities			
Borrowings	13	112 694 242	131 907 381
Provisions	18	86 038 163	77 758 465
Employee benefits	19	20 623 190	19 333 876
Lease liabilities	15	17 859 555	16 084 706
		237 215 150	**245 084 428**
Total Liabilities		**515 014 086**	**482 077 732**
Net Assets		**2 446 085 377**	**2 371 322 542**
Net assets presented by:			
Accumulated surplus		2 446 085 377	2 371 322 542

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Exchange revenue			
Services charges - Electricity	20	475 821 696	390 518 750
Services charges - Water	20	214 564 820	251 893 698
Services charges - Waste water management	20	54 450 195	49 841 376
Services charges - Waste management	20	55 101 715	46 892 364
Interests on investments	21	18 247 859	17 193 719
Interest earned from receivables	22	13 009 023	13 262 545
Sales of goods and rendering of services	23	5 482 101	6 452 755
Operational revenue	24	1 641 180	3 190 735
Rental		1 097 997	1 014 402
Total exchange revenue		**839 416 586**	**780 260 344**
Non-exchange revenue			
Property rates	25	273 313 528	253 451 915
Transfers and subsidies	26	247 343 205	343 386 231
Fines, penalties and forfeits	27	68 386 649	64 370 624
Interest on receivables	22	5 509 450	6 557 426
Total non-exchange revenue		**594 552 832**	**667 766 196**
Total revenue		**1 433 969 418**	**1 448 026 540**
Expenditure			
Bulk purchases	28	(522 689 969)	(460 451 839)
Employee related cost	29	(322 147 853)	(298 271 887)
Contracted services	30	(127 894 877)	(106 681 118)
Depreciation, amortisation and impairment	31	(127 288 656)	(134 535 350)
Bad debts written off	32	(123 245 010)	(120 600 490)
Operational cost	33	(58 791 232)	(49 789 607)
Finance costs	34	(30 122 765)	(29 898 027)
Inventory consumed	35	(24 521 710)	(23 544 077)
Remuneration of councillors	36	(12 967 574)	(12 821 689)
Loss on disposal of assets	37	(7 809 213)	(2 886 675)
Transfers and subsidies	38	(1 533 588)	(1 212 142)
Inventories (write-down)	39	(232 184)	(19 784)
Total expenditure		**(1 359 244 631)**	**(1 240 712 685)**
Surplus for the year		**74 724 787**	**207 313 855**

* See Note 46

Statement of changes in net assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2020	**2 164 008 688**	**2 164 008 688**
Surplus for the year	207 313 854	207 313 854
Total changes	207 313 854	207 313 854
Restated* Balance at 01 July 2021	**2 371 322 545**	**2 371 322 545**
Surplus for the year	74 724 786	74 724 786
Total changes	74 724 786	74 724 786
Adjustments		
Prior period correction of errors posted in current year	38 046	38 046
Balance at 30 June 2022	**2 446 085 377**	**2 446 085 377**

Note(s)

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from non exchange transactions		521 885 586	506 754 733
Cash receipts from exchange transactions		739 587 450	655 502 203
Interest		18 247 859	17 193 719
Payments			
Employees		(333 826 113)	(309 145 700)
Finance charges		(16 519 764)	(17 470 750)
Suppliers		(719 264 210)	(638 899 926)
Net cash from(used) operating activities	40	**210 110 808**	**213 934 279**
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		-	699 145
Proceeds on disposal of Investment property		320 430	333 500
Payments			
Capital assets		(163 331 034)	(158 671 976)
Intangible assets		(1 296 145)	(1 732 134)
Net cash flows from investing activities		**(164 306 749)**	**(159 371 465)**
Cash flows from financing activities			
Receipts			
Increase in short-term loans		-	-
Increase in borrowing long-term		18 600 000	21 500 000
Increase in short-term lease		-	-
Increase in finance lease long-term		10 411 976	9 286 127
Payments			
Decrease in borrowing long-term		(30 720 633)	(26 649 980)
Decrease in finance lease		(7 437 849)	(7 440 989)
Net cash flows from financing activities		**(9 146 506)**	**(3 304 842)**
Net increase/(decrease) in cash		**36 657 553**	**51 257 972**
Cash and cash equivalents at year begin		451 304 933	400 046 961
		487 962 486	**451 304 933**

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest, Dividend and Rent on Land	32 238 777	-	**32 238 777**	31 256 882	**(981 895)**	
Operational revenue	6 079 090	(2 505 549)	**3 573 541**	1 641 180	**(1 932 361)**	Decline in economic activity
Rental from Fixed Assets	1 192 892	-	**1 192 892**	1 097 997	**(94 895)**	
Sales of goods and rendering of services	5 913 794	(84 510)	**5 829 284**	5 482 101	**(347 183)**	
Services charges - Electricity	468 600 817	9 430 960	**478 031 777**	475 821 696	**(2 210 081)**	
Services charges - Waste management	52 433 203	(32 384)	**52 400 819**	55 101 715	**2 700 896**	
Services charges - Waste water management	52 046 635	-	**52 046 635**	54 450 195	**2 403 560**	
Services charges - Water	252 845 828	(3 323 130)	**249 522 698**	214 564 820	**(34 957 878)**	Monitoring water consumption through pre-paid installation
Total revenue from exchange transactions	**871 351 036**	**3 485 387**	**874 836 423**	**839 416 586**	**(35 419 837)**	
Revenue from non-exchange transactions						
Taxation revenue						
Fines, penalties and forfeits	49 939 505	22 135 176	**72 074 681**	68 386 649	**(3 688 032)**	
Property rates	271 370 829	-	**271 370 829**	273 313 528	**1 942 699**	
Transfers and subsidies	244 022 566	4 328 549	**248 351 115**	247 343 205	**(1 007 910)**	
Interest, dividend and rent on land	6 443 864	-	**6 443 864**	5 509 450	**(934 414)**	Lower collections due to economic circumstances
Total revenue from non-exchange transactions	**571 776 764**	**26 463 725**	**598 240 489**	**594 552 832**	**(3 687 657)**	
Total revenue	**1 443 127 800**	**29 949 112**	**1 473 076 912**	**1 433 969 418**	**(39 107 494)**	
Expenditure						
Bad debts written off	(103 036 824)	(22 118 680)	**(125 155 504)**	(123 245 010)	**1 910 494**	
Bulk purchases	(542 749 201)	3 505 463	**(539 243 738)**	(522 689 969)	**16 553 769**	
Contracted services	(143 026 344)	(1 342 386)	**(144 368 730)**	(127 894 877)	**16 473 853**	Strict performance monitoring of contractors
Depreciation, amortisation and impairment	(133 747 786)	(2 000 000)	**(135 747 786)**	(127 288 656)	**8 459 130**	
Employee related cost	(367 974 946)	19 578 684	**(348 396 262)**	(322 147 853)	**26 248 409**	
Finance costs	(17 391 375)	-	**(17 391 375)**	(30 122 765)	**(12 731 390)**	Interest on landfill site

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Inventory consumed	(23 612 140)	(2 784 271)	**(26 396 411)**	(24 521 710)	**1 874 701**	
Remuneration of councillors	(13 656 304)	-	**(13 656 304)**	(12 967 574)	**688 730**	
Operational cost	(72 678 775)	(3 274 351)	**(75 953 126)**	(58 791 232)	**17 161 894**	Cost containment measures
Transfers and subsidies	(1 500 000)	(265 000)	**(1 765 000)**	(1 533 588)	**231 412**	Cost containment measures
Loss on disposal of assets	-	-	**-**	(7 809 213)	**(7 809 213)**	Assets no longer in use
Inventory	-	-	**-**	(232 184)	**(232 184)**	Immaterial difference
Total expenditure	**(1 419 373 695)**	**(8 700 541)**	**(1 428 074 236)**	**(1 359 244 631)**	**68 829 605**	
Surplus before taxation	**23 754 105**	**21 248 571**	**45 002 676**	**74 724 787**	**29 722 111**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**23 754 105**	**21 248 571**	**45 002 676**	**74 724 787**	**29 722 111**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	476 275 301	-	**476 275 301**	487 962 486	**11 687 185**	
Receivables from non-exchange transactions	83 846 223	-	**83 846 223**	106 114 872	**22 268 649**	Increased revenue and collection
Inventories	23 409 754	-	**23 409 754**	14 333 162	**(9 076 592)**	Less stock on hand
Receivables from exchange transactions	85 853 582	-	**85 853 582**	181 427 256	**95 573 674**	Increased collections
Other current assets	2 100 168	-	**2 100 168**	-	**(2 100 168)**	
VAT	22 798 882	-	**22 798 882**	17 690 174	**(5 108 708)**	SARS refunds received timeously
	694 283 910	**-**	**694 283 910**	**807 527 950**	**113 244 040**	
Non-Current Assets						
Heritage assets	18 701	-	**18 701**	18 701	**-**	
Intangible assets	5 197 719	(27 900)	**5 169 819**	6 436 395	**1 266 576**	No control over process to obtain servitudes
Investment property	-	-	**-**	49 281 032	**49 281 032**	
Property, plant and equipment	2 441 246 324	33 155 566	**2 474 401 890**	2 097 835 385	**(376 566 505)**	
	2 446 462 744	**33 127 666**	**2 479 590 410**	**2 153 571 513**	**(326 018 897)**	
Total Assets	**3 140 746 654**	**33 127 666**	**3 173 874 320**	**2 961 099 463**	**(212 774 857)**	
Liabilities						
Current Liabilities						
Consumer deposits	19 809 000	-	**19 809 000**	21 153 173	**1 344 173**	
Payables from exchange transactions	175 568 321	-	**175 568 321**	204 663 438	**29 095 117**	Increase in accural end of year
Unspent conditional grants	-	-	**-**	3 260 177	**3 260 177**	Did not anticipate to have unspent grants
Lease liabilities	-	-	**-**	8 356 770	**8 356 770**	Increased lease agreements
Borrowings	42 233 466	-	**42 233 466**	35 069 761	**(7 163 705)**	Decrease in loan agreements
Provisions	77 460 000	-	**77 460 000**	-	**(77 460 000)**	Increase in interest cost
Income received in advance from developer contribution	(9 754 561)	-	**(9 754 561)**	5 295 609	**15 050 170**	Budgeted as a debtor
	305 316 226	**-**	**305 316 226**	**277 798 928**	**(27 517 298)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Non-Current Liabilities						
Lease liabilities	-	-	**-**	17 859 555	**17 859 555**	Provision for prior year vehicles receivedf
Employee benefits	-	-	**-**	20 623 190	**20 623 190**	
Borrowings	136 365 483	-	**136 365 483**	112 694 242	**(23 671 241)**	Decrease in loan agreements
Provisions	-	-	**-**	86 038 163	**86 038 163**	Increase in interest costs
	136 365 483	**-**	**136 365 483**	**237 215 150**	**100 849 667**	
Total Liabilities	**441 681 709**	**-**	**441 681 709**	**515 014 078**	**73 332 369**	
Net Assets	**2 699 064 945**	**33 127 666**	**2 732 192 611**	**2 446 085 385**	**(286 107 226)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 699 064 945	33 127 666	**2 732 192 611**	2 446 085 385	**(286 107 226)**	

Accounting Policies

The annual financial statements of Midvaal Local Municipality for the year ended 30 June 2022 were authorised for issue by the Accounting Officer on 31 August 2022.

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.

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

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

These accounting policies are consistent with the previous period.

1. Summary of significant accounting policies

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest rand.

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the 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:

1.4 Significant judgements and sources of estimation uncertainty (continued)

Receivables

The municipality assesses its trade receivables, for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the 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 is considered first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probabillity that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For receivables, 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 receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable the government bond rate is used as the risk-free rate and adjusted for any risks specific to the receivables.

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value or current replacement cost, where applicable, of inventory at the end of each reporting period. A write down of inventory to the lower of cost or current replacement cost, where applicable, is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

Impairment testing

The municipality reviews and tests the carrying value of cash generating assets when events in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the discounted cash-flow projection assumption may change, which may then impact our estimations, and may then require a material adjustment to the carrying value of assets.

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors such as inflation and interest.

Judgements are made by management in applying the criteria to designate assets as non-cash-generating units or cash-generating units. The designation is made on the basis as described in accounting policy 1.13 - Impairment of non-cash-generating assets.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 18 - Provisions

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present valueof the future expected cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the costof those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance. Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitationof landfill sites as well as the remianing useful life of each specific landfill site.

- Interest rates (investment rate) linked to rpime was used to calculate the effect of the time value of money.

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment will be terminated.

Prepaid electricity

Pre-paid electricity is only recognised as income as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

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

The policy is also applicable to certain intangible assets.

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds. Where there is no deep market in the government bonds with a sufficiently long maturity to match the estimated maturity of all the benefits paid, the municipality uses current market rates of the appropriate term to discount shorter payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Due to the long-term nature of the plan, the estimates are subjected to significant uncertainty.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 19.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Management applies the category below to distinguish Investment Property from Property Plant and Equipment::

- Land held for a currently undetermined future use and held for capital appreciation is regarded as Investment Property;

Subsequent measurement – cost model

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

Item	Useful life
Property - land	indefinite

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

1.6 Property, plant and equipment

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

Management applies the category below to distinguish Property, Plant and Equipment from Investment Property:

- Owner- occupied property (including held for future use);

- Owner-occupied property held for disposal;

- Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;

- Property held by the municipality for a strategic purpose

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.

Initial measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement – cost model

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

Subsequently all property, plant and equipment, are measured at cost, less accumulated depreciation and accumulated impairment losses.

The measurement and recognition of impairment losses are indicated in accounting policies 1.13 Impairment of cash-generating assets and 1.14 Impairment of non-cash generating assets.

1.6 Property, plant and equipment (continued)

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost less 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. 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 rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Land		indefinite
Machinery and equipment		
• Office equipment	Straight-line	3 - 10
• Bins and containers	Straight-line	5 - 10
Furniture and office equipment	Straight-line	10
Motor vehicles		
• Specialised vehicles	Straight-line	10 -30
• Other vehicles	Straight-line	5
• Vehicles	Straight-line	5
IT equipment	Straight-line	3 - 10
Infrastructure		
• Buildings	Straight-line	30
• Roads and paving	Straight-line	3 - 50
• Electricity	Straight-line	3 - 60
• Water	Straight-line	5 - 55
• Sewerage	Straight-line	10 - 60
• Landfill site	Straight-line	17
Community		
• Buildings	Straight-line	30
• Recreational facilities	Straight-line	20 - 30
• Security	Straight-line	5
Other assets		
• Buildings	Straight-line	30
Motor vehicles leased	Straight-line	5

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

At each reporting date all items of property, plant and equipment are reviewed for any indication that it mat be impaired. An impairment exists when an asset's carrying amount is greater than its recoverable amount or recoverable service amount. 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.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

1.6 Property, plant and equipment (continued)

Derecognition

The carrying amount of an item of property, plant and equipment is 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 an item of property, plant and equipment is included in surplus or deficit whenthe 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 30).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

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

Site rehabilitation and restoration costs

The municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

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

1.7 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services.

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 entity.
- The cost or fair value of the asset can be measured reliably.

An intangible asset is measured initially 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.

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

1.7 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values. The amortisation charge for each period is recognised in surplus or deficit. Amortisation begins when the asset is available for use.

An intangible asset with an indefinite useful life shall not be amortised.

The municipality assessed at each reporting date whether there is any indication that the municipality's expectation about the residual value and the useful life of an intangible asset has 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.

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 determined as the difference between the sales proceeds and the carrying value and is included in surplus or deficit when the asset is derecognised.

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - 5 years
Servitudes		Indefinite

1.8 Heritage assets

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

The municipality has classified the mayoral chain as a heritage asset.

Initial recognition and measurement

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

Heritage assets are measured at cost.

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

Subsequent measurement

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

Dererecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of heritage assets.

Impairment

A heritage asset shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or teh recoverable service amount of the heritage asset.

1.8 Heritage assets (continued)

In assessing whether there is an indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information
- During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use
- The absence of an active market for a revalued heritage asset.

Internal sources of information
- Evidence is available of physical damage or deterioration of a heritage asset
- A decision to halt the construction of the heritage asset before it is complete or in a usable form

1.9 Financial instruments

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

A financial instrument is recognised when the municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value. The initial measurement includes transaction cost directly attributable to the acquisition or issue of the financial asset or financial liability, as per GRAP 104.36.

1.9.1 Classification of financial instruments

Financial assets

A financial asset is:
- Cash;
- a residual interest of another municipality; or
- a contractual right to:;
  - receive cash or another financial asset; or
  - exchange financial assets or financial liabilities under conditions that are potentially favourable to the municipality

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:

Type of financial asset	Classification in terms of GRAP 104
Cash and cash equivalents	Financial assets at amortised cost
Receivables from exchange transactions	Financial assets at amortised cost
Receivables from non exchange transactions	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash 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, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Receivables from non-exchange transactions exclude Fines, Property rates, and VAT as these form part of statutory receivables (1.10)

Financial liabilities

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

1.9 Financial instruments (continued)

Type of financial liability	**Classification in terms of GRAP 104**
Borrowings	Financial liability at amortised cost
Current portion of borrowings	Financial liability at amortised cost
Finance lease liability	Financial liability at amortised cost
Current portions of finance lease liability	Financial liability at amortised cost
Trade and other payables from exchange transactions	Financial liability at amortised cost
Consumer deposits	Financial liability at amortised cost

1.9.2 Impairment of financial assets

Receivables

For receivables, 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 receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable the government bond rate is used as the risk-free rate and adjusted for any risks specific to the receivables.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment 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.

1.9.3 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets 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.

Financial liabilities

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

1.10 Statutory receivables

1.10.1 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.

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.

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.

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables
- Property rates debtors
- Traffic fine debtors

1.10 Statutory receivables (continued)

1.10.2 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.

1.10.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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.

1.10.4 Impairment

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

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

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios,qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

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.

1.10.5 Derecognition

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

1.10 Statutory receivables (continued)

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers control of the statutory receivable and substantially all the risks and rewards of ownership of the asset to another entity; 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.

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. (policy 1.21)

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 municipality 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) (policy 1.21).

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 municipality assesses the classification of each element separately. The leased assets are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

Municipality as lessee - Finance leases

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Municipality as lessee - operating leases

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

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Accounting Policies

1.11 Leases (continued)

Any contingent rents are expensed in the period in which they are incurred.

1.12 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

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

Inventories are initially measured at cost. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, 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 unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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

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

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned using the first-in, first-out (FIFO) formula, except for water which is determined at cost at the reporting date due to it being measured at the lower of cost and current replacement cost.

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.

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write offf, but for which a council resolution to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise.

1.13 Impairment of cash-generating assets

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

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

1.13 Impairment of cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

(a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, int he technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

(c) Market interest ratesor other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

(d) Evidence is available of obsolescence or physical damage of an asset.

(e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changed include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

(f) A decision to halt the construction of the asset before it is complete or in a useable condition.

(g) Evidence is available from internal reporting that indicates that the economic performance of an asset is,or will be, worse than expected.

Value in use

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

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

1.13 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

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

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.14 Impairment of non-cash-generating assets

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

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

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

* Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also to indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefor are distinguished as non-cash generating.
* In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash-generating.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

1.14 Impairment of non-cash-generating assets (continued)

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.14 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

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

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

1.15 Disclosure in term of Section 45 of the municipal Supply Chain Management Regulation

The notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child, or parent of such a person in the service of the state, or has been in the service of the state in the previous twelve months.

1.16 Employee benefits

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

1.16 Employee benefits (continued)

Post-employment benefits

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

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

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Contribution of Council and contribution of municipal official to the medical aid (for example 60% paid by Council, 40% by the employee.

The entitlement to these benefits is usually conditional on the employee remaining in service upto retirement age and the completion of a minimum service period.

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

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

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

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

Interest cost on employee benefits is disclosed as part of employee related cost in the financial statements.

The liability in respect of current pensioners is regarded as full accrued and is therefore not split between a past (or accrued) and future in-service element (if applicable)

Payments made by the municipality are set-off against the liability.

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

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

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

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

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

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

1.16 Employee benefits (continued)

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

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Long-service employee benefits

The municipality has an obligation to provide Long-service Employee Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the entity instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

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

The municipality has an obligation to provide long term service allowance benefits to all of its employees.

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

1.16 Employee benefits (continued)

- Payments made by the municipality are set-off against the liability

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

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

1.17 Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an Municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts.

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

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

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

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed it carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

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

Accounting Policies

1.18 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.20 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from service charges and other operational activities.

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. Services rendered are recognised by reference to the stage of completion of the transaction at the reporting date. Services rendered are recognised also when transaction costs and cost to complete can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

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.

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.

1.20 Revenue (continued)

1.20.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. .

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

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

Sale of goods

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

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

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.20 Revenue (continued)

1.20.2 Revenue from non-exchange transactions

Property rates

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

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

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

Government grants and subsidies

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

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

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent where the obligations have not been met, a liability is recognised.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

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

Accounting Policies

1.20 Revenue (continued)

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

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.21 Investment income

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

1.22 Borrowing costs

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

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

1.23 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

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

The presentation and classification of items in the current year is consistent with prior periods, except where otherwise indicated.

1.24 Unauthorised expenditure

Section 1 of the Local Government: Municipal Finance Management Act (Act no.56 of 2003) (MFMA), defines Unauthorised expenditure as follows:
- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Local Government: Municipal Finance Management Act (Act no.56 of 2003) (MFMA) also defines a Vote as:
- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

1.24 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.25 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 preformance 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.

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 49.

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Local Government: 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 municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

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

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

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

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

Additional disclosure for irregular expenditure is disclosed in note 49.

1.27 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met. Reports are used to identify reportable segments and the review thereof, eg. monthly section 71 reports.

1.27 Segment information (continued)

The municipality reports a measure of assets and liabilities for each reportable segment if such an amount is regularly provided to management."

The municipality does not disclose the geographical areas in which it operates as it is not relevant for decision-making purposes.

Measurement

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

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

1.28 Budget information

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

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

The approved budget is prepared on 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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:
- the approved and final amounts;
- actual amounts and final budget amounts.

1.29 Related parties and related party transactions

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. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.29 Related parties and related party transactions (continued)

Close members of the family of a individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

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

Related parties include key management personnel, close members of family of key management and councillors.

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

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

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

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

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

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

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

1.30 Events after reporting date

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

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

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

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

Accounting Policies

1.30 Events after reporting date (continued)

The municipality has considered the impact of COVID-19 on its operations during the year and its future operations. Full details are provided in the Accounting Officer's report.

1.31 Value Added Tax

The municipality is registered with the South Afrcan Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

1.32 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplus realised during a specific financial year is credited against the accumulated surplus.

Prior year adjustments, relating to income and expenditure are credited.debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.33 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

Consumer deposits are levied in line with council's policy to consumers when services are initially connected.

When services are terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date.Any excess deposit after all debt is settled is refunded to the specific consumer.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The Municipality has not applied the following standards and interpretations, which have been published and are mandatory for the Municipality’s accounting periods beginning on or after 01 April 2021 or later periods:

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 April 2021 or later periods but are not yet effective:

GRAP 25 (as revised): Employee Benefits

Key amendments to GRAP 25

GRAP 25 on Employee Benefits and the effective date for the reporting periods has not been set. The ASB has agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas of GRAP 25 departs from the requirements of IPSAS 39. The ASB decisions to depart are explained in the basis for conclusions. the amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

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

The Accounting Standards Board Directive 5 sets out th eprinciples for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Chnages in Estimates and Errors.

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

The Municipality expects to adopt the standard for the first time when the Minister sets the effective date for the Municipality.

The impact of this standard is currently being assessed.

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

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

Background

Employee Benefits (GRAP 25) limits the measurement of a defined benefit asset to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Minimum funding requirements may exist to improve the security of the post-employment benfit promise made to members of an employee benefit plan. Such requirements normally stipulate a minimum amount or level of contributions that must be made to a plan over a given period. Therefore, a minimum funding requirement may limit the ability of the Entity to reduce future contributions.

The Municipality shall determine the availability of a refund or a reduction in future contributions in accordance with the terms and conditions of the plan and any statutory requirements.

An economic benefit, in the form of a refund or a reduction in future contributions, is available if the Municipality can realise it at some point during the life of the plan or when the plan liabilities are settled.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The economic benefit available does not depend on how much the Municipality intends to use the surplus. The Municipality shall determine the maximum economic benefit that is available from refunds, reductions in future contributions or a combination of both.

The Municipality shall not recognise economic benefits from a combination of refunds and reductions in future contributions based on mutually exclusive assumptions.

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

The Municipality expects to adopt the standard for the first time when the Minister sets the effective date for the Municipality.

The impact of this standard is currently being assessed.

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

GRAP 104 (as revised): Financial Instruments

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

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

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

The effective date of thestandard is for financial periods beginning on/after 1 April 2025.

The municipality expects to adopt the standard for the first time in 2025/2026 annual financial statements.

The impact of this standard is currently being assessed.

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

iGRAP 21: The Effect of Past Decisions on Materiality

Background

Materiality is assessed and applied during a reporting period and at each reporting date based on all facts and circumstances that exist at the time of assessment.

GRAP 3 allows entities to not apply the accounting policies outlined in the Standards of GRAP when the effect of applyign them is immaterial. This means that the application of materialityand alternative accounting treatments are not errors and are not departures from the Standards of GRAP. In applying materiality, it is possible for an error to occur. When an error has occurred, it is corrected using the principles in GRAP 3.

This Interpretation shall be applied prospectively.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the interpretation is for financial periods beginning on/after 1 April 2023.

The municipality expects to adopt the interpretation for the first time in the 2023/2024 annual financial statements.

The impact of this interpretation is currently being assessed.

GRAP 2020: Improvements to the standards of GRAP 2020

Improvements were made to the following:
GRAP 5 Borrowing cost
GRAP 13 Leases
GRAP 16 Investment property
GRAP 17 Property, plant and equipment
GRAP 20 Related party disclosures
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 31 Intangible assets
GRAP 32 Service concessions arrangements: Grantor
GRAP 37 Joint arrangement
GRAP 106 Transfer of functions between entities not under common control
Directive 7 The application of Deemed cost

The effective date is for financial periods beginning on/after 1 April 2023. Earlier application is encouraged.

The impact of these improvements is currently being assessed.

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

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to the IFRS on Presentation of financial statements.

A summary of the amendments is:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in Standard.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date is for financial periods beginning on/after 1 April 2023. Earlier application is encouraged.

The impact of these amendments is currently being assessed.

Guideline: Guideline on the Application of Materiality to Financial Statements

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

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

The guideline is not authoritative but encouraged to be applied by entities when preparing their financial statements.

The Municipality expects to adopt the guideline for the first time in 2022/2023 annual financial statements.

It is likely that the standard will have a material impact on the entity's annual financial statements.

Guideline: Guideline for Accounting on Landfill Sites

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

Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

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

The Municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the Municipality.

The impact of this standard is currently being assessed.

Figures in Rand	2022	2021

3. Cash and cash equivalents

3.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2022	2021
Call deposits and investments		
Short-term deposits	-	102 946 021
Cash at bank		
Bank account	487 629 766	348 026 192
Bank guarantees	330 000	330 000
	487 959 766	**348 356 192**
Cash on hand	2 720	2 720
Total cash and cash equivalents	**487 962 486**	**451 304 933**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements and earn interest at the respective short-term deposit rate.

Cash at banks include an amount of R3 260 177 (2021: R5 015 752) held to fund unspent conditional grants.

A reconciling list is available for inspection of the difference between the cashbook balance and bank statement. These include transactions which could not be processed on 30 June 2022.

The carrying value approximates the fair value of the asset.

3.2 Bank accounts

The municipality has the following bank accounts:

		2022	2021
ABSA Bank Limited	Cheque: Account Number 4053203845	90 041 810	346 868 582
ABSA Bank Limited	Cheque: Account Number 4091943582	1 857 785	1 157 610
Nedbank Bank Limited	Cheque: Account Number 1224797477	20 714	-
Nedbank Bank Limited	Cheque: Account Number 1224797469	395 709 457	-
Total		**487 629 766**	**348 026 192**

Credit quality of cash at bank and short term deposits (excluding cash on hand)

The credit quality of cash at bank and short-term deposits, excluding cash on hand, that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Figures in Rand	2022	2021

3. Cash and cash equivalents (continued)

3.3 Difference between cash book and bank statement

2022

	Cash book	Bank statement	Difference
ABSA Bank Limited	90 041 810	90 041 810	-
ABSA Bank Limited	1 857 785	1 857 785	-
Nedbank Bank Limited	20 714	20 714	-
Nedbank Bank Limited	395 709 457	409 517 017	(13 807 560)
	487 629 766	**501 437 326**	**(13 807 560)**

2021

	Cash book	Bank statement	Difference
ABSA Bank Limited	346 868 582	346 242 991	625 591
ABSA Bank Limited	1 157 610	1 157 610	-
	348 026 192	**347 400 601**	**625 591**

Guarantees held in lieu of electricity and water deposits

	2022	2021
Ontec Systems (Pty) Ltd	8 000 000	8 000 000
Sedibeng Brewery (Pty) Ltd (Heineken)	7 109 000	7 109 000
Bhawan Family Holdings	1 199 326	1 199 326
Nic Bris Vervoer (Pty) Ltd	120 000	120 000
	16 428 326	**16 428 326**

4. Receivables from exchange transactions

	Note	2022	2021
Consumer receivables from exchange transactions	4.1		
Electricity		41 879 578	18 882 951
Waste management		15 767 294	12 836 548
Waste water management		14 148 387	11 110 713
Water		80 660 842	75 916 363
Sundries		15 784 171	18 915 970
		168 240 272	**137 662 545**
Other receivables from exchange transactions	4.2		
Deposits received on sale of properties		570 121	623 949
Sundry debtors		2 702 591	2 178 704
Prepayments and advances		9 914 272	5 599 126
		13 186 984	**8 401 779**
Total receivables from exchange transactions		**181 427 256**	**146 064 324**

Comparative figures have been restated, refer to note 46 for more detail information.

The amount disclosed in this note is net of impairment. Refer to note 4.1 & 4.2 for the amount before the provision (gross) and the actual value of the provision.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Receivables from exchange transactions (continued)

4.1 Consumer receivables

The average credit period for consumer receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of consumer receivables.

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

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

Summary

	2022			2021		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	57 098 388	(15 218 810)	41 879 578	27 360 429	(8 477 478)	18 882 951
Waste management	32 617 817	(16 850 523)	15 767 294	26 402 660	(13 566 112)	12 836 548
Waste water management	27 740 402	(13 592 015)	14 148 387	21 428 653	(10 317 940)	11 110 713
Water	137 358 147	(56 697 305)	80 660 842	128 443 705	(52 527 342)	75 916 363
Sundries	37 169 608	(21 385 437)	15 784 171	41 321 573	(22 405 603)	18 915 970
Total consumer receivables from exchange transactions	**291 984 362**	**(123 744 090)**	**168 240 272**	**244 957 020**	**(107 294 475)**	**137 662 545**

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from exchange transactions (continued)

4.1.1 Ageing of consumer receivables

2022

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Total by debt type							
Electricity	41 879 578	13 946 433	3 305 394	7 079 419	11 990 477	1 571 844	3 986 011
Waste management	15 767 294	3 599 525	703 357	583 921	548 759	3 373 346	6 958 386
Waste water management	14 148 387	3 873 650	690 759	575 730	501 013	3 135 637	5 371 598
Water	80 660 842	26 947 537	1 948 534	1 638 889	1 736 498	11 994 363	36 395 021
Sundries	15 784 171	1 372 744	462 236	442 828	449 505	2 339 576	10 717 282
Total by debt type	**168 240 272**	**49 739 889**	**7 110 280**	**10 320 787**	**15 226 252**	**22 414 766**	**63 428 298**
Aging per customer group							
Organs of state	16 494 281	1 026 968	218 224	241 692	263 186	2 777 449	11 966 762
Commercial customers	43 519 255	15 196 550	3 242 142	7 043 120	12 016 037	1 993 035	4 028 371
Households	108 226 736	33 516 371	3 649 914	3 035 975	2 947 029	17 644 282	47 433 165
Total by customer group	**168 240 272**	**49 739 889**	**7 110 280**	**10 320 787**	**15 226 252**	**22 414 766**	**63 428 298**

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from exchange transactions (continued)

2021

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Total by debt type							
Electricity	18 882 951	12 356 046	594 707	1 831 672	358 987	1 140 628	2 600 911
Waste management	12 836 548	3 374 372	602 792	474 898	428 585	2 539 499	5 416 402
Waste water management	11 110 713	3 520 696	648 455	443 874	387 759	2 213 876	3 896 053
Water	75 916 363	28 060 920	2 229 528	2 471 050	2 472 181	12 287 144	28 395 540
Sundries	18 915 970	3 956 206	525 708	443 346	324 255	2 124 278	11 542 177
Total by debt type	**137 662 545**	**51 268 240**	**4 601 190**	**5 664 840**	**3 971 767**	**20 305 425**	**51 851 083**
Aging per customer group							
Organs of state	16 661 169	2 470 908	391 198	1 613 630	264 486	2 389 629	9 531 318
Commercial customers	20 413 011	14 222 195	700 697	618 947	421 165	1 536 162	2 913 845
Households	100 588 365	34 575 137	3 509 295	3 432 263	3 286 116	16 379 634	39 405 920
Total by customer group	**137 662 545**	**51 268 240**	**4 601 190**	**5 664 840**	**3 971 767**	**20 305 425**	**51 851 083**

4. Receivables from exchange transactions (continued)

4.1.2 Impairment reconciliation of consumer receivables

	2022				2021			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables from exchange transactions								
Electricity	8 477 478	7 142 970	(401 638)	15 218 810	8 145 913	727 631	(396 066)	8 477 478
Waste management	13 566 112	4 946 308	(1 661 897)	16 850 523	11 763 245	3 269 264	(1 466 397)	13 566 112
Waste water management	10 317 940	4 470 770	(1 196 695)	13 592 015	9 640 582	2 964 233	(2 286 875)	10 317 940
Water	52 527 342	27 675 466	(23 505 503)	56 697 305	88 695 191	38 399 024	(74 566 873)	52 527 342
Sundries	22 405 603	(355 082)	(665 084)	21 385 437	23 875 600	655 705	(2 125 702)	22 405 603
Total consumer receivables	**107 294 475**	**43 880 432**	**(27 430 817)**	**123 744 090**	**142 120 531**	**46 015 857**	**(80 841 913)**	**107 294 475**

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from exchange transactions (continued)

4.1.3 Ageing of impaired consumer receivables

2022

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Aging by debt type							
Electricity	15 218 810	2 531 067	870 593	1 880 320	3 107 306	1 531 447	5 298 077
Waste management	16 850 523	1 083 919	499 793	459 398	471 395	3 350 095	10 985 923
Waste water management	13 592 015	981 320	456 126	426 901	403 268	2 988 807	8 335 593
Water	56 697 305	3 027 818	1 394 262	1 287 867	1 455 403	10 004 573	39 527 382
Sundries	21 385 437	676 521	321 078	328 616	335 904	2 201 458	17 521 860
Total by debt type	**123 744 090**	**8 300 645**	**3 541 852**	**4 383 102**	**5 773 276**	**20 076 380**	**81 668 835**

Figures in Rand

4. Receivables from exchange transactions (continued)

2021

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Aging by debt type							
Electricity	8 477 478	1 088 997	201 853	382 076	246 163	1 336 163	5 222 226
Waste management	13 566 112	843 065	367 930	348 189	341 449	2 680 965	8 984 514
Waste water management	10 317 940	641 272	311 543	294 580	287 533	2 232 458	6 550 554
Water	52 527 342	4 419 357	1 525 678	1 592 911	1 765 838	10 926 317	32 297 241
Sundries	22 405 603	815 456	236 628	252 299	213 528	1 314 052	19 573 640
Total by debt type	**107 294 475**	**7 808 147**	**2 643 632**	**2 870 055**	**2 854 511**	**18 489 955**	**72 628 175**

The impairment provision was calculated after individually assessing consumer receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of consumer debtors.

In determining the recoverability of a consumer receivables, the municipality considers any change in the credit quality of the consumer receivables 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.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Receivables from exchange transactions (continued)

4.1.4 Consumer receivables pledged as security

No consumer receivables were pledged as security.

4.1.5 Credit quality of consumer receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

4.2 Other receivables from exchange transactions

	2022		2021	
	Gross	Total	Gross	Total
Deposits received on sale of properties	570 121	570 121	623 949	623 949
Sundry debtors	2 702 591	2 702 591	2 178 704	2 178 704
Total	**3 272 712**	**3 272 712**	**2 802 653**	**2 802 653**

5. Receivables from non-exchange transactions

		2022	2021
Consumer receivables	5.1		
Property rates		88 817 254	82 471 572
Other receivables			
Other receivables from non-exchange revenue		-	11 000
Fines		9 868 560	10 715 286
Provincial and district subsidies		7 429 058	3 620 299
		17 297 618	**14 346 585**
Total receivables		**106 114 872**	**96 818 157**

5.1 Receivables from non-exchange transactions

	2022			2021		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	176 145 100	(87 327 846)	88 817 254	156 521 546	(74 049 974)	82 471 572
Other receivables						
Other receivables from non-exchange revenue	-	-	-	11 000	-	11 000
Fines	185 301 548	(175 432 988)	9 868 560	127 832 145	(117 116 859)	10 715 286
Provincial and district subsidies	7 429 058	-	7 429 058	3 620 299	-	3 620 299
	192 730 606	**(175 432 988)**	**17 297 618**	**131 463 444**	**(117 116 859)**	**14 346 585**
Total	**368 875 706**	**(262 760 834)**	**106 114 872**	**287 984 990**	**(191 166 833)**	**96 818 157**

5. Receivables from non-exchange transactions (continued)

5.1.1 Ageing of receivables from non-exchange transactions

2022

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables							
Property rates	88 817 254	20 556 962	7 127 602	2 931 613	2 681 600	16 191 980	39 327 497
Aging per customer group							
Organs of state	6 588 829	618 537	247 369	224 245	209 354	1 420 263	3 869 061
Commercial customers	8 074 457	3 749 268	322 113	264 674	213 486	963 682	2 561 234
Households	74 153 968	16 189 157	6 558 120	2 442 694	2 258 760	13 808 035	32 897 202
Total by customer group	**88 817 254**	**20 556 962**	**7 127 602**	**2 931 613**	**2 681 600**	**16 191 980**	**39 327 497**
Other receivables							
Fines	9 868 560	45 122	211 258	140 275	103 177	293 973	9 074 755
Provincial and district subsidies	7 429 058	7 429 058	-	-	-	-	-
	17 297 618	**7 474 180**	**211 258**	**140 275**	**103 177**	**293 973**	**9 074 755**
	106 114 872	**28 031 142**	**7 338 860**	**3 071 888**	**2 784 777**	**16 485 953**	**48 402 252**

5. Receivables from non-exchange transactions (continued)

2021

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables							
Property rates	82 471 572	19 599 302	4 535 236	3 062 778	2 665 871	15 439 858	37 168 527
Other receivables							
Other receivables from non-exchange revenue	11 000	11 000	-	-	-	-	-
Fines	10 715 286	10 715 286	-	-	-	-	-
Provincial and district subsidies	3 620 299	3 620 299	-	-	-	-	-
	14 346 585	**14 346 585**	**-**	**-**	**-**	**-**	**-**
	96 818 157	**33 945 887**	**4 535 236**	**3 062 778**	**2 665 871**	**15 439 858**	**37 168 527**

5. Receivables from non-exchange transactions (continued)

5.1.2 Impairment reconciliation of receivables from non-exchange transactions

	2022				2021			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables								
Property rates	74 049 974	14 633 150	(1 355 278)	87 327 846	67 035 824	10 917 154	(3 903 004)	74 049 974
Other receivables								
Fines	117 116 859	61 767 531	(3 451 402)	175 432 988	71 361 303	57 623 586	(11 868 030)	117 116 859
Total	**191 166 833**	**76 400 681**	**(4 806 680)**	**262 760 834**	**138 397 127**	**68 540 740**	**(15 771 034)**	**191 166 833**

Statutory receivables general information

Transaction(s) arising from statute

Rates- Municipal Property Rates Act (MPR Act) section 2 states that a local municipality may levy a rate on property in it's area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT ius levied on all goods and services subject to cerain exemptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

Determination of transaction amount

Rates - Rates are amounts determined in terms of section 11 of the MPR Act and the approved policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

VAT transactions amounts are determined in line vwith the Value Added Tax Act 89 of 1991.

5. Receivables from non-exchange transactions (continued)

Interest or other charges levied/charged

Rates - interest is raised on past due balance at the prime interest rate.

Fines - No interest or other charges are raised on outstanding fines.

Statutory receivables impaired and past due not impaired

Rates - Payment percentage of receivables is used to assess whether the receivable is impaired.

Fines - Payment percentage of fines is used to assess whether fines are impaired.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exhange transactions

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Traffic fines

An amount of R2 963 875 (2021:R2 557 955) for traffic fines has been reduced or cancelled and written by Council during the year in line with the Traffic Management Act.

5. Receivables from non-exchange transactions (continued)

5.1.3 Ageing of impaired receivables from non-exchange transactions

2022

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables							
Property rates	87 327 846	4 909 759	2 476 412	1 997 415	1 987 723	15 053 705	60 902 832

2021

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables							
Property rates	74 049 974	3 807 084	2 040 974	1 925 542	1 797 330	13 514 226	50 964 818

Property rates

Property rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and Midvaal Local Municipality's Property Rates Policy. A general valuation is performed every 5 years, with supplementary valuations inbetween.

The average credit period for property rates receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of property rates receivables.

The management of the municipality is of the opinion that the carrying value of property rates receivables approximate their fair values.

The impairment provision was calculated after individually assessing property rates receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of property rates debtors.

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions (continued)

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the 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.

Traffic fines

Traffic fines receivables are statutory receivables and arise from traffic infringements commited and fines issued as a result, in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996, as well as the Criminal Procedure Act, No 501 of 1977.

The Traffic fines must be issued within 30 days of offence, after which it is payable. No interest is charged.

The management of the municipality is of the opinion that the carrying value of Traffic fines receivables approximate their fair values.

The impairment provision was calculated after collectively assessing Traffic fines receivables and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on traffic fines receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

6. VAT

VAT	17 690 174	15 804 937

VAT is received and paid as required per the Value Added Tax Act No. 89 of 1991 (VAT Act).

VAT is applied to all relevant goods and services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act.

VAT is submitted and paid on a monthly basis. Interest is charged on outstanding VAT amounts.

VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with the debtors impairment provision and included therein. Refer to note 5 for more detail on the impairment provision.

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

7. Inventories

Fuel		266 767	236 695
Water maintenance stock		4 760 738	2 728 797
Water for distribution	7.1	891 519	846 890
Electrical maintenance stock		8 414 138	10 267 974
Total Inventories		**14 333 162**	**14 080 356**

The amount of write-down of inventories recognised as an expense is R 232 184 (2021: R 19 784). Refer to note 34.1

7.1 Water

Opening balance	846 890	467 131
System input volume	135 419 989	127 048 576
Authorised consumption	(86 360 275)	(78 845 276)
Revaluation adjustment	44 629	59 069
Unavoidable annual real losses	(49 059 714)	(47 882 610)
Closing balance	**891 519**	**846 890**

7.2 Inventory pledged as security

No portion of inventories have been pledged as securities.

Majority of losses relate to fuel tank leakages identified at year end. Since then the fuel depot has been closed.

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

8.1Summary

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	116 531 564	-	116 531 564	116 464 619	-	116 464 619
Transport Assets	35 590 671	(22 379 471)	13 211 200	31 053 077	(21 444 757)	9 608 320
Infrastructure	3 200 371 878	(1 432 215 602)	1 768 156 276	3 106 171 744	(1 329 866 066)	1 776 305 678
Machinery and Equipment	45 735 707	(23 967 380)	21 768 327	37 984 131	(20 425 467)	17 558 664
Furniture and Office Equipment	21 098 812	(9 812 315)	11 286 497	16 093 674	(8 159 120)	7 934 554
Computer Equipment	26 086 131	(12 463 813)	13 622 318	20 979 641	(10 760 081)	10 219 560
Community Assets	167 162 579	(62 623 450)	104 539 129	148 472 652	(58 674 832)	89 797 820
Other Assets	43 058 681	(33 539 755)	9 518 926	48 382 084	(34 558 286)	13 823 798
Leased Assets	79 473 155	(40 272 007)	39 201 148	67 994 167	(34 900 336)	33 093 831
Total	**3 735 109 178**	**(1 637 273 793)**	**2 097 835 385**	**3 593 595 789**	**(1 518 788 945)**	**2 074 806 844**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Revaluations	Other changes, movements	Depreciation	Total
Land	116 464 619	66 945	-	-	-	-	116 531 564
Transport Assets	9 608 320	4 807 887	(27 457)	-	157	(1 177 707)	13 211 200
Infrastructure	1 776 305 678	108 021 381	(7 214 036)	-	37 889	(108 994 636)	1 768 156 276
Machinery and Equipment	17 558 664	7 860 747	(2 190)	-	-	(3 648 894)	21 768 327
Furniture and Office Equipment	7 934 554	5 078 875	(17 869)	-	-	(1 709 063)	11 286 497
Computer Equipment	10 219 560	6 197 249	(94 390)	-	-	(2 700 101)	13 622 318
Community Assets	89 797 820	19 818 962	(383 277)	-	-	(4 694 376)	104 539 129
Other Assets	13 823 798	-	-	(5 323 404)	-	1 018 532	9 518 926
Leased Assets	33 093 831	11 478 988	-	-	-	(5 371 671)	39 201 148
	2 074 806 844	**163 331 034**	**(7 739 219)**	**(5 323 404)**	**38 046**	**(127 277 916)**	**2 097 835 385**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land	116 464 619	-	-	-	-	116 464 619
Transport Assets	8 378 692	2 905 938	(58 466)	-	(1 617 844)	9 608 320
Infrastructure	1 707 980 991	180 820 281	(1 521 200)	182 354	(111 156 748)	1 776 305 678
Machinery and Equipment	12 081 411	9 065 381	(4 438)	-	(3 583 690)	17 558 664
Furniture and Office Equipment	5 195 673	3 961 979	(24 359)	-	(1 198 739)	7 934 554
Computer Equipment	4 237 208	8 159 510	(34 195)	-	(2 142 963)	10 219 560
Community Assets	70 824 173	24 715 449	(602 769)	-	(5 139 033)	89 797 820
Other Assets	6 151 024	12 134 633	-	-	(4 461 859)	13 823 798
Leased Assets	30 567 273	8 147 201	(396 264)	-	(5 224 379)	33 093 831
	1 961 881 064	**249 910 372**	**(2 641 691)**	**182 354**	**(134 525 255)**	**2 074 806 844**

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.

8. Property, plant and equipment (continued)

8.2 Property, plant and equipment under construction

Reconciliation of Work in Progress (WIP) 2022	Opening balance	Additions	Transferred to completed assets	Total
Community	21 493 963	19 679 912	(10 708 919)	30 464 956
Infrastructure	160 197 449	98 601 571	(53 972 363)	204 826 657
Intangible assets	303 631	-	-	303 631
IT equipment	1 883 237	3 037 254	(3 280 351)	1 640 140
Transport assets	2 224 137	-	-	2 224 137
Machinery	-	248 750	-	248 750
	186 102 417	**121 567 487**	**(67 961 633)**	**239 708 271**

Reconciliation of Work in Progress 2021	Opening balance	Additions	Transferred to completed assets	Total
Community	20 450 331	1 043 632	-	21 493 963
Infrastructure	143 969 723	162 261 540	(146 033 814)	160 197 449
Intangible assets	231 767	71 864	-	303 631
IT equipment	-	1 883 237	-	1 883 237
Transport assets	-	2 224 137	-	2 224 137
	164 651 821	**167 484 410**	**(146 033 814)**	**186 102 417**

8.3 Property, plant and equipment pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities, other than obligations under finance leases that are secured by the lessor's right over the leased assets.

8.4 Maintenance of property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment	2022	2021
Employee related costs	78 788 163	65 948 882
Contracted services	52 907 390	37 169 295
Sales of goods / inventory	146 477	149 612
Hire charges	3 302 586	2 132 170
	135 144 616	**105 399 959**

8.5 Funding of property, plant and equipment acquisitions

	Funding type	2022	2021
Land and buildings			
Accumulated surplus		66 945	-
Infrastructure assets			
Accumulated surplus		16 800 394	12 153 479
Annuity loans		24 578 067	15 189 036
DAC		-	55 460
Developers contribution		2 251 918	80 477 183
INEP		22 871 503	17 292 706
MIG		23 524 903	41 436 387
WSIG		17 994 594	14 216 032
		108 021 379	**180 820 283**

Figures in Rand	2022	2021
8. Property, plant and equipment (continued)		
Community assets		
Accumulated surplus	3 241 081	7 322 964
Annuity loans	2 927 023	1 814 921
DAC	2 045 142	2 871 387
Donation	-	1 973 377
MIG	4 018 595	10 732 801
NDPG	7 587 121	-
	19 818 962	**24 715 450**
Motor vehicles leased		
Accumulated surplus	8 496 711	8 147 202
Finance leases	2 982 278	-
	11 478 989	**8 147 202**
Motor vehicles		
Accumulated surplus	3 895 462	1 837 376
Functional Fire and Rescue Grant	912 427	1 626 821
	4 807 889	**3 464 197**
IT Equipment		
Accumulated Surplus	4 999 826	7 031 475
DAC	1 165 128	1 101 976
Functional Fire and Rescue Grant	32 294	-
MIG	-	26 059
	6 197 248	**8 159 510**
Furniture and equipment		
Accumulated Surplus	3 450 805	2 628 511
DAC	1 628 070	1 275 106
Donation	-	26 623
MIG	-	31 740
	5 078 875	**3 961 980**
Plant and machinery		
Accumulated surplus	3 849 447	6 693 679
DAC	2 488 995	1 813 441
Functional Fire and Rescue Grant	1 380 163	-
Capital leases	142 142	-
	7 860 747	**8 507 120**
Other assets		
Accumulated surplus	-	12 134 633
Total	**163 331 034**	**249 910 375**

Borrowing costs capitalised

There are no borrowing costs that have been capitalised to the property, plant and equipment value.

Verification of assets

During the year, assets with a carrying value of R 945 706.57 could not be verified and as a result they have been left in the asset register pending investigation report. The assets were part of the infrastructure and Community assets. Action shall be taken once the asset management unit receives a full report on the respective components. The verification exercise is currently in progress.

Figures in Rand	2022	2021

8. Property, plant and equipment (continued)

Assets held as inventory

In addition to the property, plant and equipment above, the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP 17. Total value: R 5 660 000 (2021: R5 660 000)

9. Investment property

9.1 Reconciliation of carrying value

	2022	2021
Opening carrying value		
Cost	49 351 032	49 596 032
Carrying value of disposals / transfers		
Cost	(70 000)	(245 000)
Closing carrying value	**49 281 032**	**49 351 032**
Cost	49 281 032	49 351 032
Accumulated depreciation and impairment losses	-	-
	49 281 032	**49 351 032**

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of investment property.

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

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality

Council resolved that land amounting to R355 000 be transferred, however, the property has not yet been transferred as at 30 June 2022.

9.1.1 Investment property under construction

No investment property is in the process of being constructed or developed.

9.2 Investment property pledged as security

All of the municipality’s investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

10. Intangible assets

10.1 Reconciliation of carrying value

2022

		Computer software	Service, operating and land rights	Total
Opening carrying value as at 01 July 2021				
Cost		3 016 771	3 082 207	6 098 978
Accumulated depreciation and impairment		(947 988)	-	(947 988)
		2 068 783	**3 082 207**	**5 150 990**
Additions from acquisitions		972 100	324 045	1 296 145
Amortisation	31	(10 740)	-	(10 740)
		961 360	**324 045**	**1 285 405**
Closing carrying value as at 30 June 2022		**3 030 143**	**3 406 252**	**6 436 395**
Cost		3 988 871	3 406 252	7 395 123
Accumulated amortisation and impairment		(958 728)	-	(958 728)
		3 030 143	**3 406 252**	**6 436 395**

2021

		Computer software	Service, operating and land rights	Total
Opening carrying value as at 01 July 2020				
Cost		1 356 502	3 010 343	4 366 845
Accumulated depreciation and impairment		(937 894)	-	(937 894)
		418 608	**3 010 343**	**3 428 951**
Additions from acquisitions		1 660 270	71 864	1 732 134
Amortisation	31	(10 095)	-	(10 095)
		1 650 175	**71 864**	**1 722 039**
Closing carrying value as at 30 June 2021		**2 068 783**	**3 082 207**	**5 150 990**

Carrying value

	Computer software	Service, operating and land rights	Total
Cost	3 016 772	3 082 207	6 098 979
Accumulated amortisation and impairment	(947 989)	-	(947 989)
	2 068 783	**3 082 207**	**5 150 990**

10.2 Intangible assets pledged as security

No portion of intangible assets has been pledged as security for liabilities.

A register containing information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

10.3 Funding of intangible asset additions

Additions to intangible assets were funded from the following sources:

Figures in Rand	2022	2021

10. Intangible assets (continued)

Computer software		
Accumulated surplus	972 100	1 660 270
Servitudes		
Accumulated surplus	297 217	71 864
Total	**1 269 317**	**1 732 134**

11. Heritage assets

11.1 Reconciliation of carrying value

2022

	Mayoral chain	Total
Opening carrying value as at 01 July 2021		
Cost	18 701	18 701
Cost	18 701	18 701

2021

	Mayoral chain	Total
Opening carrying value as at 01 July 2020		
Cost	18 701	18 701
Cost	18 701	18 701

11.2 Heritage assets pledged as security

No portion of heritage assets has been pledged as security for liabilities.

12. Trade and other payables from exchange transactions

Contractors	12.1	14 907 365	11 129 091
Employee benefits	12.3	18 050 052	18 380 869
Other payables	12.4	171 706 029	140 034 055

12.1 Contractors

Retentions	14 907 365	11 129 091

12.2 Control and clearing accounts

12.3 Employee benefits

Leave accrual	18 050 052	18 380 869

12.4 Other payables

Payables and accruals	121 769 842	91 688 307
Unallocated deposits	3 073 531	1 680 912
Advance payments	46 862 656	46 664 836
Total	**171 706 029**	**140 034 055**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Trade and other payables from exchange transactions (continued)

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. 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 time frame.

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

Payables are recognised net of trade discounts.

Comparative figures have been restated, refer to note 45 for more detail information.

13. Borrowings

Total borrowings		
Annuity and Bullet Loans	147 764 003	159 884 637
Less: Current portion transferred to current liabilities		
Annuity and Bullet Loans	(35 069 761)	(27 977 256)
Non-current borrowings	**112 694 242**	**131 907 381**

13.1 Summary of arrangements

Annuity loans are repaid over periods varying from 10 to 30 (2021: 10 to 30) years and at interest rates varying from 6,75% to 13,54% (2021: 6,75% to 13,54%) per annum.

Annuity loans are not secured.

The fair value of borrowings was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

All loans were obtained in terms of section 45 and 46 of the MFMA.

Current Liabilities		
ABSA	1 242 291	1 018 556
First National Bank	1 112 198	-
Standard Bank	20 628 464	17 281 917
Development Bank of South Africa	12 086 808	9 676 783
	35 069 761	**27 977 256**

Non current liabilities		
ABSA	5 927 429	7 275 995
First National Bank	17 487 802	-
Standard Bank	75 530 128	97 589 802
Development Bank of South Africa	13 748 883	27 041 584
	112 694 242	**131 907 381**

13. Borrowings (continued)

Details of loans	Redeemable	Balance at 30 June 2021	Received during the period	Redeemed during the period	Balance at 30 June 2022
ABSA - 0387231331	12 000 000	8 294 551	-	1 124 830	7 169 721
DBSA - L-025-M-103047/1	13 100 000	3 085 362	-	1 463 227	1 622 135
DBSA - L-026-M-103047/2	38 150 000	8 975 005	-	4 256 377	4 718 628
DBSA - L-027-M-103047/3	4 950 000	1 174 815	-	557 154	617 661
DBSA - L-028-M-103047/4	13 800 000	3 248 105	-	1 540 408	1 707 697
DBSA - L-029-M-103600/1	15 700 000	6 541 363	-	1 574 956	4 966 407
DBSA - L-030-M-103600/2	12 650 000	8 698 044	-	641 679	8 056 365
DBSA - L-031-M-103600/3	1 500 000	1 329 160	-	22 621	1 306 539
DBSA - L-032-M-103600/4	8 800 000	2 874 426	-	754 512	2 119 914
DBSA - L-033-M-103600/5	1 350 000	792 086	-	71 741	720 345
Standard Bank - 220545881	20 000 000	5 600 753	-	2 667 448	2 933 305
Standard Bank - 220545882	34 000 000	9 057 975	-	4 314 005	4 743 970
Standard Bank - 220545883	26 000 000	7 155 800	-	3 408 064	3 747 736
Standard Bank - 22044108	43 700 000	32 436 482	-	3 744 408	28 692 074
Standard Bank - 009733922	21 900 000	19 037 188	-	1 660 590	17 376 598
Standard Bank - 009733923	21 500 000	20 083 521	-	1 543 724	18 539 797
Standard Bank - 009733924	21 500 000	21 500 000	-	1 374 889	20 125 111
FNB	18 600 000	-	18 600 000	-	18 600 000
	329 200 000	**159 884 636**	**18 600 000**	**30 720 633**	**147 764 003**

14. Consumer deposits

	2022	2021
Electricity and water	21 083 839	19 778 406
Hire of facilities	69 334	84 081
Total	**21 153 173**	**19 862 487**

Deposits are released on termination of the contract or when the contractual services are delivered.

Consumer deposits raised over time are invested in a ring-fenced account.

The carrying amount of consumer deposits approximates its fair value.

Guarantees held in lieu of electricity and water deposits are disclosed in note 3.

15. Lease liabilities

15.1 Carrying value of lease liabilities

2022

	Amortised cost	Total
Carrying value as at 30 June 2022		
Finance lease liability	17 859 555	17 859 555
Transferred to current liabilities	8 356 770	8 356 770
Total	**26 216 325**	**26 216 325**

Figures in Rand	2022	2021

15. Lease liabilities (continued)

2021

	Amortised cost	Total
Carrying value as at 30 June 2021		
Finance lease liability	16 084 706	16 084 706
Transferred to current liabilities	7 158 272	7 158 272
Total	**23 242 978**	**23 242 978**

15.2 Finance lease payable

The municipality as lessee

The obligations under finance leases are as follow:

	2022	2021
Total future minimum lease payments		
Within 1 year	10 181 612	8 812 407
2 to 5 years	19 843 516	17 560 180
Total minimum lease payments	**30 025 128**	**26 372 587**
Less: Unearned finance revenue	(3 808 803)	(3 129 609)
	26 216 325	**23 242 978**

	2022	2021
Present value of minimum lease payments		
Within 1 year	8 356 770	7 158 272
2 to 5 years	17 859 555	16 084 706
	26 216 325	**23 242 978**

It is the municipality's policy to lease certain motor vehicles and equipment under finance leases.

The average lease term is 5 years and the average effective borrowing rate is between 6% - 10.75% (2021: 6% - 10.75%). All leases have fixed repayments andno arrangements have been entered into for continguent rent.

The municipality's obligations under finance leases are secured by the lessors' charge over the leased assets. Refer to note 9.

Details of leases

15. **Lease liabilities (continued)**

Lease number	Redeemable	Balance at 30 June 2021	Received during the period	Redeemed during the period	Balance at 30 June 2022
Std Bank 19977492-0060	1 173 575	698 424	-	240 450	457 974
Std Bank 19977492-0061	1 173 575	698 424	-	240 450	457 974
Std Bank 19977492-0062	278 564	170 029	-	56 517	113 512
Std Bank 19977492-0063	146 116	89 331	-	29 694	59 638
Std Bank 19977492-0064	146 116	89 331	-	29 694	59 638
Std Bank 19977492-0065	146 116	89 331	-	29 694	59 638
Std Bank 19977492-0066	600 928	367 291	-	122 087	245 204
Std Bank 19977492-0067	600 928	367 291	-	122 087	245 204
Std Bank 19977492-0068	306 467	192 094	-	61 706	130 389
Std Bank 19977492-0069	306 467	192 094	-	61 706	130 389
Std Bank 19977492-0070	212 465	143 544	-	41 821	101 722
Std Bank 19977492-0071	202 024	136 490	-	39 767	96 723
Std Bank 19977492-0072	202 024	136 490	-	39 767	96 723
Std Bank 19977492-0073	652 042	461 308	-	126 404	334 904
Std Bank 19977492-0074	198 479	134 094	-	39 069	95 026
Std Bank 19977492-0076	316 222	213 470	-	62 195	151 275
Std Bank 19977492-0077	297 244	210 295	-	57 624	152 672
Std Bank 19977492-0080	1 309 645	948 236	-	252 229	696 007
Nedbank 1727061-0001	681 336	138 698	-	138 698	-
Nedbank 1727061-0002	260 719	53 074	-	53 074	-
Nedbank 1727061-0003	260 719	53 074	-	53 074	-
Nedbank 1727061-0004	2 050 723	417 462	-	417 462	-
Nedbank 1727061-0006	162 950	136 660	-	30 340	106 320
Nedbank 1727061-0007	278 270	233 375	-	51 812	181 563
Nedbank 1727061-0008	278 270	233 375	-	51 812	181 563
Nedbank 1727061-0009	1 009 438	850 202	-	188 756	661 446
Nedbank 1727061-0011	373 652	313 368	-	69 572	243 797
Nedbank 1727061-0012	178 642	149 820	-	33 262	116 558
Nedbank 1727061-0013	162 950	136 660	-	30 340	106 320
Nedbank 1727061-0014	161 800	135 695	-	30 126	105 569
Nedbank 1727061-0015	162 950	136 660	-	30 340	106 320
Nedbank 1727061-0016	162 950	136 660	-	30 340	106 320
Nedbank 1727061-0017	162 950	136 660	-	30 340	106 320
Nedbank 1727061-0018	265 198	234 238	-	48 610	185 628
Nedbank 1727061-0019	265 198	234 238	-	48 610	185 628
Nedbank 1727061-0020	771 018	695 227	-	141 173	554 055
Nedbank 1727061-0021	265 198	239 129	-	48 558	190 572
Nedbank 1727061-0022	413 483	371 677	-	75 473	296 205
Nedbank 1727061-0023	1 848 738	1 661 823	-	337 450	1 324 373
Nedbank 1727061-0024	784 141	716 736	-	142 460	574 275
Nedbank 1727061-0025	232 366	232 366	-	40 772	191 594
Nedbank 1727061-0026	979 544	979 544	-	171 876	807 667
Nedbank 1727061-0027	232 519	232 366	-	40 772	191 594
Nedbank 1727061-0028	780 188	780 188	-	111 556	668 632
Nedbank 1727061-0029	705 512	705 512	-	100 878	604 634
Nedbank 1727061-0030	358 933	358 933	-	51 322	307 611
Nedbank 1727061-0031	334 407	334 407	-	47 816	286 592
Nedbank 1727061-0032	397 615	397 615	-	56 909	340 706
Nedbank 1727061-0033	325 636	325 636	-	46 607	279 029
Nedbank 1727061-0034	325 636	325 636	-	46 607	279 029
Nedbank 1727061-0035	170 038	-	170 038	22 276	147 930
Nedbank 1727061-0036	3 822 074	-	3 822 074	236 263	3 585 811
Nedbank 1727061-0037	315 033	-	315 033	-	315 033
Nedbank 1727061-0038	315 033	-	315 033	-	315 033
Nedbank 1727061-0039	434 303	-	434 303	-	434 303
Nedbank 1727061-0040	2 640 912	-	2 640 912	-	2 640 912

Notes to the Annual Financial Statements

Figures in Rand				2022	2021

15. Lease liabilities (continued)

Nedbank 1727061-0041	417 482	-	417 482	-	417 482
Nedbank 1727061-0042	786 893	-	786 893	-	786 893
Nedbank 1727061-0043	1 510 208	-	1 510 208	-	1 510 208
Absa 90361142	3 504 100	1 136 427	-	703 181	433 246
Absa 90360537	1 046 400	339 622	-	210 146	129 476
Absa 90716668	1 150 738	421 036	-	223 045	197 991
Absa 90720541	1 150 738	421 036	-	223 045	197 991
Absa 91008969	581 349	243 535	-	110 698	132 837
Absa 91009191	581 349	243 535	-	110 698	132 837
Absa 91052780	442 036	211 328	-	96 059	115 269
Absa 91053034	191 139	91 380	-	41 536	49 843
Absa 91053190	155 403	74 295	-	33 771	40 524
Absa 91053271	155 403	74 295	-	33 771	40 524
Absa 91053379	355 633	170 021	-	77 283	92 738
Absa 91053492	143 966	68 827	-	31 285	37 542
Absa 91692355	126 286	59 921	-	23 086	36 835
Absa 91694170	455 489	216 122	-	83 265	132 857
Absa 91693939	135 278	64 188	-	24 729	39 458
Absa 91694455	184 848	87 708	-	33 791	53 917
Absa 91710230	184 848	87 546	-	33 729	53 817
Absa 91693459	455 489	216 122	-	83 265	132 857
Absa 91693076	754 381	377 886	-	135 042	242 844
Absa 91952667	2 331 625	1 212 919	-	418 127	794 792
	48 401 120	**23 242 030**	**10 411 976**	**7 437 849**	**26 216 332**

16. Income received in advance from developer contribution

Unspent developer contribution	5 295 609	7 435 522

Notes to the Annual Financial Statements

Figures in Rand

17. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies

		2022				2021			
		Opening balance	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
Capital									
Monetary allocations	17.1	5 015 752	90 004 859	(91 760 434)	3 260 177	20 037 573	88 816 400	(103 838 221)	5 015 752
Total		**5 015 752**	**90 004 859**	**(91 760 434)**	**3 260 177**	**20 037 573**	**88 816 400**	**(103 838 221)**	**5 015 752**

17. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies (continued)

17.1 Capital monetary allocations

	2022				2021			
	Opening balance	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
National government								
Integrated National Electrification Programme	890 335	22 072 000	(22 962 335)	-	2 583 041	15 600 000	(17 292 706)	890 335
Municipal Infrastructure Grant	-	31 807 859	(31 807 859)	-	10 478 039	49 691 400	(60 169 439)	-
Neighbourhood Development Partnership Grant	-	10 000 000	(7 587 121)	2 412 879	-	-	-	-
Water Services Infrastructure Grant	-	18 000 000	(18 000 000)	-	-	14 325 000	(14 325 000)	-
Total	**890 335**	**81 879 859**	**(80 357 315)**	**2 412 879**	**13 061 080**	**79 616 400**	**(91 787 145)**	**890 335**
Provincial government								
Gauteng	4 125 417	8 125 000	(11 403 119)	847 298	6 976 493	9 200 000	(12 051 076)	4 125 417
Provincial government								
DSACR	3 052 238	6 125 000	(9 058 120)	119 118	6 976 493	6 500 000	(10 424 255)	3 052 238
Functional Fire Rescue Grant	1 073 179	2 000 000	(2 344 999)	728 180	-	2 700 000	(1 626 821)	1 073 179
Total	**4 125 417**	**8 125 000**	**(11 403 119)**	**847 298**	**6 976 493**	**9 200 000**	**(12 051 076)**	**4 125 417**
Total capital monetary allocations	**5 015 752**	**90 004 859**	**(91 760 434)**	**3 260 177**	**20 037 573**	**88 816 400**	**(103 838 221)**	**5 015 752**

17. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies (continued)

Department of sport, arts, culture and recreation - An amount of R687 203 for the 2019/2020 financial year was returned in the 2021/2022 financial year, offsetting the amount against the allocation. A roll over application was submitted to Provincial Treasury on the 31 July 2022.

Functional Fire Rescue Grant - A roll over application was submitted to Provincial Treasury on the 31 July 2022 and the funds are committed.

Neighbourhood Development Partnership Grant - Roll over application submitted on 31 August 2022 and the funds are committed.

18. Provisions

		2022	2021
Landfill sites	18.1	86 038 163	77 758 465
Non-current		86 038 163	77 758 465

18.1 Landfill sites

	2022	2021
Opening Balance	77 758 465	53 196 555
Increases - Adjustment for change in discount rate	-	12 134 533
Increases (Passage of Time/Discounted Rate)	13 603 101	12 427 377
Reversals -Adjustment for change in discount rate	(5 323 403)	-
Closing balance	**86 038 163**	**77 758 465**

The landfill rehabilitation provision is intended for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Henley on Klip, Vaal Marina and Walkerville landfill sites. The valuation for the landfill sites was performed by Mr. Rofhiwa Khaukanani B Eng (Hons) Technology management employed by Infratec (Pty) Ltd. Mr. Khaukanani is a registered member of the Engineering Council of South Africa (ECSA), World Partner in Asset Management (WPiAM) as well as The Association of Energy Engineers (AEE).

Key financial assumptions used in this calculation were as follows:

	Henley on Klip landfill	Vaal Marina landfill	Walkerville landfill
CPI	7,4 %	7,4 %	7,4 %
Discount rate	9,4 %	9,4 %	9,4 %
Nett effective discount rate	2,0 %	2,0 %	2,0 %

The 2022 amount of the discounted landfill closure provision of R86 038 163 (2021: R77 758 464) represents an increase of R8 279 698 (2021: increase R24 561 910). Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R13 603 101 (2021: R12 427 377). The 2022 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2022. The size of the landfill sites used up until now and estimated remaining usefule lives are as follows:

	Henley on Klip landfill	Vaal Marina landfill	Walkerville landfill
Approximate size used until 30 June 2022	1 130 948 cubm	28 411 cubm	331 322 cubm
Remaining useful lives	1 year	4 years	5 years

19. Employee benefits

		2022	2021
Non-current employee benefits			
Post employment health care benefits	19.1	5 738 074	5 818 890
Long-service awards	19.2	14 885 116	13 514 986
		20 623 190	**19 333 876**

Figures in Rand	2022	2021

19. Employee benefits (continued)

19.1 Post employment health care benefits

Eligible employees aged 55 or older on 1 January 2005 will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. Eligible employees aged 50 or older on 1 January 2005 will receive a post-emplyment subsidy of 50% of the contribution payable should they be a member of a medical scheme at retirement. The post-employment subsidy is subject to atleast 25 years of continuous service at the municipality.Council resolution C1078/3/2014.

The plan is wholly unfunded.

An actuarial valuation has been performed of the liability in respect of the post-employment medical aid subsidy to retirees of Midvaal Local Municipality and to their registered dependants.

The projected unit cost method has been used to value the liabilities.

It is fairly common to expect a pensioner's income to be lower than the income earned just prior to retirement. The difference between the income after retirement and the income just prior to retirement is referred to as the New Replacement Ratio. The Net Replacement Ratio is used to reduce the expected salary on retirement. We have assumed a Net Replacement Ratio on retirement of 75%. A salary inflation assumption is used to adjust the salary form the current date to the date of retirement. This assumption should be considered in conjunction with the assumed CPI rate.

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

Accrued liability	5 738 074	5 818 890
Non-current	5 738 074	5 818 890

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

Key Assumptions used

Discount rates used	11,58 %	8,97 %
Consumer price inflation	7,38 %	5,20 %
Health care cost inflation	8,88 %	6,70 %
Maximum subsidy inflation rate	2,48 %	2,13 %

The rates were determined by using the Johannesburg Stock Exchange as at 30 June 2022.

The effect of a 1% increase or decrease in the health care cost inflation rate is as follows:

	1% decrease R's	Valuation basis	1% increase R's
Employer's accrued liability	5 285 947	5 738 074	6 248 038
Interest cost	581 354	633 425	692 194

A 1% increase in the health care cost inflation rate results in a 8.89% increase in the accrued liability, whilst a 1% decrease in the health care cost inflation rate will result in a 7.88% decrease in the accrued liability.

Normal retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

Figures in Rand		2022	2021

19. Employee benefits (continued)

Interest cost		498 389	393 000
Actuarial (loss) / gain recognised in the year		(53 774)	1 157 327
Total post-retirement benefit included in employee related costs	29	**444 615**	**1 550 327**

Movements in the present value of the defined benefit obligation

Opening balance	5 818 890	4 761 000
Interest cost	498 389	393 000
Actual employer benefit payments	(525 431)	(492 437)
Actuarial (loss) / gain recognised in the year	(53 774)	1 157 327
Present value of fund obligation at the end of the year	**5 738 074**	**5 818 890**

Movements in the present value of the defined benefit assets

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

Present value of unfunded defined benefit	
2022	5 738 074
2021	5 818 890
2020	4 761 000
2019	3 893 270
2018	4 851 648

19.2 Long-service awards

Provision for long-service awards	19.2.1	14 885 116	13 514 986
Non-current		14 885 116	13 514 986

Long-service awards

An actuarial valuation has been performed on Midvaal Local Municipality's unfunded liability in respect of the entitlement of employees to Long Service Awards. the Projected Unit Credit Method has been used to determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. These variations emerge at each valuation as actuarial gains or losses.

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The Actuaries used the nominal and real zero curves as at 30 June 2022 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations.

Key assumptions used

Discount rate	11,58 %	8,49 %
Consumer price inflation	7,38 %	4,85 %
Salary increase rate	8,38 %	5,85 %
Net discount rate	2,95 %	2,49 %

Figures in Rand		2022	2021

19. Employee benefits (continued)

The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	1% decrease R's	Valuation basis	1% increase R;s
Employer's accrued liability	14 022 675	14 885 116	15 871 928
Employer's current service cost*	1 446 029	1 581 855	1 697 643
Employer's interest cost*	1 499 217	1 599 087	1 713 360

The above table illustrates that for the 30 June 2022 financial year, a 1% increase in the salary cost inflation assumption will result in a 6.63% increase in the accrued liability. Similarly, a 1% decrease in the salary inflation assumption will result in roughly a 5.79% decrease in the accrued liability.

The present value of the long service awards for the current and previous four years is as follows:

	2022	2021	2020	2019	2018
Long Service Awards	14 885 116	13 514 986	12 625 000	11 868 577	10 673 074

Amounts recognised in the statement of financial position

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

		2022	2021
Employer's accrued liability		14 885 116	13 514 986

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

	Note	2022	2021
Current service cost		1 457 291	1 431 000
Interest cost		1 087 750	888 000
Actuarial losses / (gains) recognised		127 596	(268 411)
Total expense included in employee related costs	29	**2 672 637**	**2 050 589**

19.2.1 Provision for long service awards

Movements in the present value of the defined benefit obligation	2022	2021
Opening Balance	13 514 986	12 625 000
Current service cost	1 457 291	1 431 000
Increases (Passage of Time/Discounted Rate)	127 596	(268 411)
Reductions (Payments, remeasurement etc.)	(1 302 507)	(1 160 603)
Interest cost	1 087 750	888 000
Closing balance	**14 885 116**	**13 514 986**

20. Service charges

	2022	2021
Electricity		
Other - Electricity	475 821 696	390 518 750
Waste management		
Other - Waste management	55 101 715	46 892 364
Waste water management		
Other - Waste water management	54 450 195	49 841 376
Water		
Other - Water	214 564 820	251 893 698
Total service charges	**799 938 426**	**739 146 188**

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

21. Interests on investments

Short-term investments and call accounts		18 247 859	17 193 719

22. Interest earned from receivables

Exchange receivables	22.1	13 009 023	13 262 545
Non-exchange receivables	22.2	5 509 450	6 557 426
Total		**18 518 473**	**19 819 971**

22.1 Interest earned from exchange receivables

Consumer receivables		
Electricity	1 087 164	632 131
Service charges	2 096 563	3 315 758
Waste management	1 450 560	1 020 146
Waste water management	1 207 916	837 181
Water	7 166 820	7 457 329
	13 009 023	**13 262 545**
Total	**13 009 023**	**13 262 545**

22.2 Interest earned from non-exchange receivables

Consumer receivables		
Property rates	5 509 450	6 557 426

23. Sales of goods and rendering of services

Advertisements	26 695	26 758
Building Plan Approval	352 422	606 491
Cemetery and Burial	1 062 307	1 027 756
Cleaning and Removal	-	278 711
Clearance Certificates	209 164	188 234
Entrance Fees	124 202	68 489
Fire Services	697 284	1 024 829
Legal Fees	-	2 000
Photo copies	4 686	5 618
Sale of tender documents	131 709	111 960
Scrap, Waste & Other Goods	-	607 950
Town Planning and Servitudes	2 873 632	2 503 959
Total	**5 482 101**	**6 452 755**

24. Operational revenue

Administrative Handling Fees	434 186	571 774
Breakages and Losses Recovered	1 611	1 582
Incidental Cash Surpluses	7 217	1 322
Insurance Refund	230 116	504 805
Merchandising, Jobbing and Contracts	-	884 542
Request for information	4 940	9 908
Sale of Property	309 126	840 663
Skills Development Levy Refund	541 565	358 562
Staff and Councillors Recoveries	112 419	17 577
Total	**1 641 180**	**3 190 735**

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

25. Property rates

Agricultural property	5 664 753	5 327 433
Business and commercial properties	19 111 837	17 235 583
Industrial properties	51 302 552	47 914 885
Mining properties	27 445	25 651
Residential properties	187 332 941	173 781 206
State-owned properties	9 874 000	9 167 157
Total	**273 313 528**	**253 451 915**

Residential properties

The valuation roll was compiled in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) which is used as a basis to levy property rates. The valaution came into effect on 1 July 2018. All objections were referred to the valuer for his comments and letters of outcome. Supplementary valuations are attended to in line with the MPRA. Reconciliations between the valuation roll and billing are completed on a monthly basis.

Valuations on and and buildings are performed every 5 years. The current valuation roll is effective until 30 June 2023. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis and interest is levied after due date.

Residential Properties	187 332 941	173 781 206

Valuation '000 as at 30 June 2022

Business and commercial properties	3 946 052	3 995 510
Multiple purposes	-	385 758
Municipal properties	443 610	385 758
Other categories	3 137 324	3 395 670
Residential properties	20 015 581	19 566 887
Small Holdings	3 236 216	3 232 012
State-owned properties	544 564	516 106
Total property valuations	**31 323 347**	**31 477 701**

A uniform rate for the same class and type of property was applied with the implementation of the Property Rates Act. A rate on different categories was applied to property valuations to determine assessment rates. Rebates of 85% are applied to pensioners.

Rates are levied for property owners on a monthly basis for monthly rate payers and are payable on the 7th of each month.

26. Transfers and subsidies - Revenue

Operational			
Monetary allocations	26.1	150 862 456	157 070 827
Capital			
Monetary allocations	26.2	96 480 749	186 315 404
Total		**247 343 205**	**343 386 231**

Figures in Rand		2022	2021

26. Transfers and subsidies - Revenue (continued)

26.1 Monetary allocations: Operational

	2022	2021
District municipalities	3 220 448	3 624 989
National government	4 710 141	6 270 600
National revenue fund	124 899 000	133 623 000
Provincial government	18 032 867	13 552 238
Total	**150 862 456**	**157 070 827**

National government

	2022	2021
Expanded Public Works Programme	1 539 000	1 708 000
Local Government Financial Management Grant	1 550 000	1 550 000
Municipal Infrastructure Grant	1 621 141	1 512 600
Water Services Infrastructure Grant	-	1 500 000
	4 710 141	**6 270 600**

Provincial government

	2022	2021
Provincial Health Subsidy	4 657 867	3 752 238
DSARC	13 375 000	9 800 000
	18 032 867	**13 552 238**

26.2 Monetary allocations: Capital

	2022	2021
National government	80 357 316	91 787 145
Private enterprises	5 407 518	82 477 183
Provincial governments	10 715 915	12 051 076
Total	**96 480 749**	**186 315 404**

National government

	2022	2021
Integrated National Electrification Programme	22 962 335	17 292 706
Municipal Infrastructure Grant	31 807 859	60 169 439
Neighbourhood Development Partnership Grant	7 587 121	-
Water Services Infrastructure Grant	18 000 001	14 325 000
	80 357 316	**91 787 145**

Provincial government

	2022	2021
DSARC	8 370 916	10 424 255
Functional Fire Rescue Grant	2 344 999	1 626 821
	10 715 915	**12 051 076**

27. Fines, penalties and forfeits

		2022	2021
Fines	27.1	68 386 649	64 370 624

Figures in Rand	2022	2021

27. Fines, penalties and forfeits (continued)

27.1 Fines

Traffic fines		
Municipal fines	68 245 900	64 300 019
Other fines		
Overdue books	117 286	58 202
Pound fees	23 463	12 403
	140 749	**70 605**
Total	**68 386 649**	**64 370 624**

27.2 Penalties

27.3 Forfeits

28. Bulk purchases

Electricity: Eskom	387 269 980	333 403 263
Water	135 419 989	127 048 576
Total	**522 689 969**	**460 451 839**

28.1 Electricity losses

	2022		2021	
	KHW	Amount	KHW	Amount
Units purchased	270 826 171	387 269 980	275 610 400	333 403 263
Units sold	(242 060 074)	(346 135 677)	(225 141 320)	(272 351 299)
Total loss	**28 766 097**	**41 134 303**	**50 469 080**	**61 051 964**
Comprising of:				
Technical losses	15 821 353	22 623 867	15 140 724	18 315 589
Non-technical losses	12 944 744	18 510 437	35 328 356	42 736 375
Total	**28 766 097**	**41 134 304**	**50 469 080**	**61 051 964**
Percentage loss:				
Technical losses	- %	6,00 %	- %	5,00 %
Non-technical losses	- %	5,00 %	- %	13,00 %
Total	**- %**	**11,00 %**	**- %**	**18,00 %**

28. Bulk purchases (continued)

Water losses

	Units 2022	Units 2021		
Opening balance of water stock	80 046	47 185	846 890	467 132
Units purchased	13 009 270	13 018 780	135 419 989	127 048 576
Units sold	(8 293 195)	(8 079 345)	(86 360 275)	(78 845 276)
Revaluation adjustment on unit price of stock on hand	-	-	44 629	59 069
Closing balance of water stock	(84 907)	(80 046)	(891 519)	(846 890)
Total	**4 711 214**	**4 906 574**	**49 059 714**	**47 882 611**
Comprising of:				
Technical losses	3 203 626	4 072 456	33 360 606	39 742 567
Non-technical losses	1 507 588	834 118	15 699 108	8 140 044
Total	**4 711 214**	**4 906 574**	**49 059 714**	**47 882 611**
Percentage Loss:				
Technical losses			25 %	32 %
Non-technical losses			12 %	6 %
Total			**37 %**	**38 %**

	2022	2021
Cost of free basic services		
Cost of free basic water	4 375 811	4 067 819
Cost of free basic electricity	2 957 439	1 545 621
	7 333 250	**5 613 440**
Electricity bulk purchases		
Cost of electricity billed	343 178 238	270 805 678
Electricity technical losses	22 623 867	18 315 589
Electricity non-technical losses	18 510 437	42 736 375
Free basic electricity	2 957 438	1 545 621
	387 269 980	**333 403 263**
Water bulk purchases		
Cost of water billed	81 984 464	74 777 457
Water technical losses	33 360 606	40 008 739
Water non-technical losses	15 699 109	8 194 561
Free basic water	4 375 810	4 067 819
	135 419 989	**127 048 576**

The Municipality is required to report on water losses in terms of MFMA Circular 71 issued by National Treasury, and has been reported accordingly.

The Municipality is of the view that the methodology outlined in MFMA Circular 71 is an over simplification and does not take into account various components in the calculation.

The Municipality has also disclosed the water loss calculation as outlined by the International Water Association (IWA) which is a more detailed and comphrehensive calculation. The calculations have been varified by expects in the field, in line with the IWA guideline which is a more reliable and accurate calculation:

	2022	2021
Water Loss (Based on IWA guidelines)	34,00 %	38,00 %

Notes to the Annual Financial Statements

Figures in Rand

29. Employee related cost

Senior management	29.1	5 109 909	10 136 981
Municipal staff	29.2	317 037 944	288 134 906
Total		**322 147 853**	**298 271 887**

29.1 Senior management costs

2022

	Municipal manager	Chief financial officer	ED Development & Planning	ED Community services	ED Engineering services	Total
Basic salary	130 117	231 817	803 949	1 423 231	793 190	3 382 304
Bonuses	7 739	-	87 538	71 797	-	167 074
Service-related benefits	124 350	-	-	-	-	124 350
Allowances	45 000	64 230	168 000	240 000	204 000	721 230
Bargaining council	21	52	124	124	124	445
Medical	-	12 492	57 277	24 631	-	94 400
Pension	23 040	47 700	100 800	307 736	132 840	612 116
Unemployment insurance	552	1 063	2 125	2 125	2 125	7 990
	330 819	**357 354**	**1 219 813**	**2 069 644**	**1 132 279**	**5 109 909**

29. Employee related cost (continued)

2021

	Municipal manager	Chief financial officer	Deputy Municipal Manager	ED Development & Planning	ED Community Services	ED Engineering services	Total
Basic salary	780 704	970 745	4 106 258	678 005	1 365 923	599 434	8 501 069
Allowances	270 000	24 960	22 288	169 614	240 000	182 240	909 102
Bargaining council	119	119	109	119	119	109	694
Medical	-	-	-	56 405	23 565	-	79 970
Pension	138 239	-	-	90 720	299 706	106 920	635 585
Leave pay	-	-	408 954	-	-	-	-
Unemployment insurance	1 785	1 785	1 785	1 785	1 785	1 636	10 561
	1 190 847	**997 609**	**4 539 394**	**996 648**	**1 931 098**	**890 339**	**10 136 981**

29.2 Municipal staff costs

Basic salary	200 951 644	180 250 717
Bonuses	15 197 637	14 253 503
Service-related benefits	27 461 309	23 908 965
Pension	37 428 664	35 320 025
Medical	17 624 152	17 906 252
Allowances	16 615 875	14 977 497
Unemployment insurance	1 600 249	1 324 914
Group life insurance	147 614	182 073
Bargaining council	91 758	86 477
Post-retirement benefit: Medical	(80 958)	(75 517)
Total	**317 037 944**	**288 134 906**

Acting allowances for Sec 56 appointments

Chief Financial Officer	10 011	-
Executive Director Corporate Services	11 815	27 608
	21 826	**27 608**

Figures in Rand		2022	2021

29. Employee related cost (continued)

Related party disclosure:

Executive Director Community Services - account not in arrears

30. Contracted services

Consultants and professional services	30.1	17 330 021	15 207 230
Contractors	30.2	55 466 991	39 201 539
Outsourced services	30.3	55 097 865	52 272 349
Total		**127 894 877**	**106 681 118**

30.1 Consultants and professional services

Business advisory services		
Accounting and auditing	313 051	201 521
Business and financial management	8 874 629	5 399 275
Communications	-	2 750
Forensic investigators	-	281 800
Human resources	2 383 508	2 455 171
Project management	63 750	1 942 398
Research and advisory	2 008 054	169 836
Total business advisory services	**13 642 992**	**10 452 751**
Legal services		
Collection	453 786	98 931
Legal advice and litigation	2 605 943	3 816 410
Total legal services	**3 059 729**	**3 915 341**
Engineering services		
Electrical engineering	-	45 760
Infrastructure and planning services		
Geoinformatic services infrastructure and planning	607 500	331 128
Town planner infrastructure and planning	19 800	462 250
Total infrastructure and planning services	**627 300**	**793 378**
Total consultants and professional services	**17 330 021**	**15 207 230**

30.2 Contractors

General services		
Artists and performers	1 950	-
Audio-visual services	-	594
Catering services	145 801	51 464
Employee wellness	13 900	8 250
Fire services	4 998	3 813
Medical services	14 600	3 780
Pest control and fumigation	82 037	24 087
Plants, flowers and other decorations	48 851	25 725
Safeguard and security	19 137	37 271
Sports and recreation	71 490	27 204
Stage and sound crew	21 441	12 000
Tracing agents and debt collectors	2 074 359	1 714 146
Total general services	**2 498 564**	**1 908 334**

Figures in Rand		2022	2021
30. Contracted services (continued)			
Maintenance services			
Maintenance of buildings and facilities		11 872 191	8 848 519
Maintenance of equipment		1 777 205	1 737 805
Maintenance of unspecified assets		39 319 031	26 706 881
Total maintenance service		**52 968 427**	**37 293 205**
Total contractor		**55 466 991**	**39 201 539**

30.3 Outsourced services

Business and advisory services		
Occupational Health and Safety	340 234	462 738
Research and Advisory	-	145 000
Valuer	295 566	656 601
Total business and advisory services	**635 800**	**1 264 339**
General services		
Burial Services	1 291 451	1 243 699
Call Centre	1 262 621	2 444 978
Catering Services	302 115	281 150
Clearing and Grass Cutting Services	4 037 753	2 562 432
Hygiene Services	1 387 278	1 284 943
Litter Picking and Street Cleaning	414 523	7 900
Meter Management	967 927	1 075 805
Personnel and Labour	8 340 336	5 821 442
Refuse Removal	1 917 275	851 660
Removal of Structures and Illegal Signs	2 398 671	2 283 442
Traffic Fines Management	218 009	387 640
Transport Services	30 000	8 400
Total general services	**22 567 959**	**18 253 491**
Trading services		
Connection/Dis-connection: Electricity	3 225 714	2 367 580
Connection/Dis-connection: Restricted water flow	-	1 492 357
Connection/Dis-connection: Water	7 539 600	8 400 057
Security Services	21 128 792	20 494 525
Total trading services	**31 894 106**	**32 754 519**
Total outsourced services	**55 097 865**	**52 272 349**

31. Depreciation, amortisation and impairment

Amortisation			
Intangible assets	10.1	10 740	10 095
Depreciation			
Property, plant and equipment	8	127 277 916	134 525 255
Total		**127 288 656**	**134 535 350**

32. Bad debts

Impairment provision	123 245 010	120 600 490

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

33. Operational cost

Achievements and Awards	21 800	22 032
Advertising, Publicity and Marketing	6 646 112	5 875 195
Assets less than the Capitalisation Threshold	-	1 446
Bank Charges, Facility and Card Fees	1 112 877	1 142 814
Bargaining Council	3 300 001	3 370 695
Bursaries (Employees)	999 025	879 505
Cleaning Services	11 918	12 544
Commission	4 432 474	4 317 521
Communication	1 406 180	1 486 118
Courier and Delivery Services	276 912	285 747
Entertainment	22 115	18 157
External Audit Fees	3 777 817	3 259 055
External Computer Service	9 859 001	7 246 414
Hire Charges	8 303 805	7 649 184
Indigent Relief	323 393	-
Insurance Underwriting	6 646 169	5 089 699
Licences	1 076 187	1 057 921
Printing, Publications and Books	1 265 243	248 864
Professional Bodies, Membership and Subscription	96 450	18 448
Registration Fees	240 865	19 008
Remuneration to Ward Committees	611 000	799 500
Skills Development Fund Levy	2 755 330	2 116 727
Toll Gate Fees	46 503	15 760
Travel and Subsistence	122 941	92 198
Uniform and Protective Clothing	3 177 794	3 036 487
Vehicle Tracking	819 204	383 665
Workmen's Compensation Fund	1 440 116	1 344 903
Total	**58 791 232**	**49 789 607**

Comparative figures have been restated, refer to note 45 for more detail information.

34. Interest, dividends and rent on land

Interest	34.1	30 122 765	29 898 027

34.1 Interest cost

Financial liabilities			
• Annuity loans		14 918 332	15 729 238
Finance leases		1 601 332	1 741 512
Interest costs non-current provisions	18	13 603 101	12 427 277
Total		**30 122 765**	**29 898 027**

35. Inventory consumed

Consumables	15 144 864	11 263 139
Materials and supplies	9 376 846	12 280 938
Total	**24 521 710**	**23 544 077**

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

36. Remuneration of councillors

Executive mayor	36.1	923 841	938 250
Chief whip	36.2	415 350	418 388
Speaker	36.3	740 937	755 879
Mayoral committee	36.4	3 416 535	3 585 608
Section 79 committee members	36.5	1 815 808	1 976 937
All other councillors	36.6	5 655 103	5 146 627
Total		**12 967 574**	**12 821 689**

36.1 Executive mayor

Allowances and service related benefits		
Basic salary	879 071	893 850
Cell phone allowance	44 770	44 400
	923 841	**938 250**

36.2 Chief whip

Allowances and service related benefits		
Travelling allowance	90 380	93 497
Basic salary	280 570	280 491
Cell phone allowance	44 400	44 400
	415 350	**418 388**

36.3 Speaker

Allowances and service related benefits		
Basic salary	697 737	715 079
Cell phone allowance	43 200	40 800
	740 937	**755 879**

36.4 Mayoral committee

Allowances and service related benefits		
Basic salary	2 873 090	2 655 764
Cell phone allowance	211 640	247 784
Travelling allowance	331 805	682 060
	3 416 535	**3 585 608**

36.5 Section 79 committee members

Allowances and service related benefits		
Basic salary	1 295 902	1 396 770
Cell phone allowance	200 170	224 713
Travelling allowance	319 736	355 454
	1 815 808	**1 976 937**

36.6 All other councillors

Allowances and service related benefits		
Basic salary	4 173 514	3 165 006
Cell phone allowance	765 069	695 310
Travelling allowance	716 520	1 286 311
	5 655 103	**5 146 627**

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

36. Remuneration of councillors (continued)

Name of councillor whom was in arears for more than 90 days at the end of the financial year	Amount outstanding for more than 90 days	
Councillor MM Magagula	-	16 006
Councillor FW Peters	-	6 413
Councillor PM Lehloka	49 777	-
Councillor CM Mboweni	16 006	-
Councillor JG Viljoen	28 502	-
	94 285	**22 419**

37. Gain/(Loss) on disposal of fixed and intangible assets

Gains/(losses) on disposals	37.1	(7 809 213)	(2 886 675)

37.1 Gains/(losses) on disposals

Investment property	(70 000)	-
Property, plant and equipment	(7 739 213)	(2 886 675)
Total	**(7 809 213)**	**(2 886 675)**

38. Transfers and subsidies - Expenditure

Operational			
Allocations in-kind	38.1	1 533 588	1 212 142

38.1 Allocations in-kind: Operational

Private Enterprises	1 533 588	1 212 142

39. Inventory (write down)

Inventory	(232 184)	(19 784)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

40. Net cash from/(used) operating activities

Surplus after capital transfers and contributions	74 724 787	207 313 855
Adjustments for:		
Depreciation and amortisation	127 288 656	134 352 996
Bad debts written off	109 375 032	17 943 652
(Gains) / Losses on disposal of assets	7 809 213	1 854 050
Donations	(2 000)	(79 103 764)
Movement in provisions	(8 279 698)	12 427 277
Movement in empoyee benefits	1 289 314	1 947 876
Inventory losses	232 184	19 784
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(80 890 719)	(64 455 502)
(Increase) / Decrease in inventory	(252 806)	(273 093)
(Increase) / Decrease in receivables from exchange transactions	(51 812 547)	(8 435 569)
VAT receivable	(1 885 238)	(459 334)
Increase / (Decrease) in trade and other payables	35 119 432	5 856 663
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	(1 755 575)	(14 870 249)
Increase / (Decrease) in consumer deposits	1 290 686	1 247 897
Increase / (Decrease) in income in advance	(2 139 913)	(1 432 260)
Net cash flows from operating activities	**210 110 808**	**213 934 279**

41. Financial instruments

41.1 Fair value of financial instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the annual financial statements approximate their fair values. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

41. Financial instruments (continued)

		2022		2021	
		Carrying amount	Amortised cost	Carrying amount	Amortised cost
Financial assets					
		4	**4**	**4**	**4**
Amortised cost					
Trade and other receivables from exchange transactions	4	181 427 256	181 427 256	146 064 324	146 064 324
Trade and other receivables from non-exchange transactions	5	106 114 872	106 114 872	96 818 157	96 818 157
Cash and cash equivalents	3	487 962 486	487 962 486	451 304 933	451 304 933
		775 504 614	**775 504 614**	**694 187 414**	**694 187 414**
Financial liabilities					
Amortised cost					
Unsecured bank facilities:					
Financial liabilities		130 553 797	130 553 797	147 992 087	147 992 087
Trade and other payables:					
Consumer deposits	14	21 153 173	21 153 173	19 862 487	19 862 487
Trade and other payables from exchange transactions	12	204 663 446	204 663 446	169 544 015	169 544 015
Current portion of financial liabilities		43 426 531	43 426 531	35 135 528	35 135 528
		269 243 150	**269 243 150**	**224 542 030**	**224 542 030**
Total financial liabilities		**399 796 947**	**399 796 947**	**372 534 117**	**372 534 117**
Total financial instruments		**375 707 667**	**375 707 667**	**321 653 297**	**321 653 297**

41.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

30 June 2022

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Trade and other payables from exchange transactions	204 663 446	-	-	204 663 446
Borrowing	35 069 761	67 342 015	45 352 228	147 764 004
Consumer deposits	21 153 173	-	-	21 153 173
Finance lease obligation	8 356 770	17 859 555	-	26 216 325
	269 243 150	**85 201 570**	**45 352 228**	**399 796 948**

30 June 2021

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Trade and other payables from exchange transactions	169 544 015	-	-	169 544 015
Borrowing	27 977 256	74 247 241	57 660 140	159 884 637
Consumer deposits	19 778 405	-	-	19 778 405
Finance lease obligations	7 158 272	16 084 706	-	23 242 978
	224 457 948	**90 331 947**	**57 660 140**	**372 450 035**

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

41. Financial instruments (continued)

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

41.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality’s credit control and debt collection policy. The municipality’s credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 5 to the annual financial statements.

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

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Trade and other receivables from non-exchange transactions		106 114 872	96 818 157
Trade and other receivables from exchange transactions	4	181 427 256	146 064 324
Bank and cash balances	3	487 962 486	451 304 933
Maximum credit and interest risk exposure		**775 504 614**	**694 187 414**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	27 731 498	45 105 054
Total capital commitments		
Already contracted for but not provided for	27 731 498	45 105 054

Authorised operational expenditure

Already contracted for but not provided for		
• Expenditure	24 649 317	93 907 123
Total operational commitments		
Already contracted for but not provided for	24 649 317	93 907 123

Total commitments

Total commitments		
Authorised capital expenditure	27 731 498	45 105 054
Authorised operational expenditure	24 649 317	93 907 123
	52 380 815	**139 012 177**

This committed expenditure relates to property, plant and equipment and will be financed by retained surpluses backed by existing cash resources, funds internally generated, grant funding and borrowings..

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

43. Contingent liabilities

	2022	2021
	-	-

Contingent liabilities arising from third party claims and litigation

Name	Case no		2022	2021
MA Ramaoka	RC283/2020	Minister of Police and MM defending an unlawful arrest claim as the second defendant	-	642 389
PL Khadebe/Ncube	29665/15	Applied for rescission of judgement regarding transfer of property back into her name	525 000	525 000
Mr and Mrs Ferreira Erf 702 Golf Park	158465-842641	Property damages by a broken sewerage pipe	9 250 917	9 250 917
AN Jwili: DK76BHGP	145110	Former employee injured in a car accident	-	300 000
P Venter	123004	Lack of stop sign or warning of the imminent crossing	-	71 337
OUTsurance/ C Bosschieter	875/2021	Car damaged as a result of a ditch/pothole	40 000	78 967
King Price Insurance / MA Makhananise	166791-850230	Car damaged as a result of a pothole	122 494	102 675
OUTsurance/ L Bodemer	168680-851884	Car damaged by ditches	247 647	247 647
King Price Insurance: W Bezuidenhout	711/2020	Claim for damage as a result of alleged pothole	20 000	42 874
IW Chase & de Beer	148118	Third party property damaged by veld fire	-	92 800
A Tsukudu	144656	Defamation case	26 000 000	26 000 000
Luigi Giacomozzi	158465-842641	Property damages as a result of leaking sewerage pipe/sinkholes	9 470 000	-
Nkewu Transport cc	171601-854231	Vehicle damaged by potholes	288 291	-
M Gomba	174717-856349	Incorrect municipal account and reputational damage	2 000 000	-
Toptrack Thirty Five Pty Ltd	158465-842641	Property damages as a result of leaking sewerage pipe/sinkholes	11 730 000	-
DV Brussouw and JMM Brussouw	158465-842641	Property damages as a result of leaking sewerage pipe/sinkholes	2 000 000	-
C Khan	AON001-000055356	Vehicle damaged on gravel road	25 012	-
Alarn Concrete Pty Ltd	144234-829808	Municipal vehicle collided with the third party's vehicle	165 850	-
			61 885 211	**37 354 606**

Figures in Rand	2022	2021

44. Related party disclosures

44.1 Nature of related party relationships

Related party	Nature of relationship
Accounting officer	Refer to accounting officer's report
Councillors	Refer to General Information page for councillors name. The remuneration to councillors have been included in note 35
Close family member of key management	There were no transactions between close family members of key management
Joint venture of key management	None
Associate of close family member of key management	None
Post employment benefit plan for employees of entity and/or other related parties	Refer to note 17
Members of key management	No other payments are made outside the contractual employment payments from employment. Refer to Note 28 for remuneration. .

45. Deviations from SCM regulations - SCM Regulation 36

	2022	2021
Emergency	3 192 529	2 819 174
Sole providers / Accredited agents	411 352	1 824 731
Impractical or impossible to follow process	2 627 116	3 588 689
Total amount approved by the accounting officer and noted by council	**6 230 997**	**8 232 594**

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

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

The majority of items mentioned had to be addressed to emergency circumstances. The balance of items were due to circumstances where it was impractical or impossible to follow a competetive bidding process.

46. Prior period adjustments

The following restatements and adjustments occurred which are set out below:

46.1 Adjustments of Statement of financial position items

2021

	Note	Previously reported	Correction of error	Re-classification	Restated
Assets					
Non-current assets					
Property, plant and equipment	8	2 074 806 844	38 046	-	2 074 844 890
Net assets and liabilities					
Current liabilities					
Consumer deposits	14	19 778 405	-	84 082	19 862 487
Payables from exchange transactions	12	169 628 096	-	(84 082)	169 544 014
		189 406 501	**-**	**-**	**189 406 501**

46. Prior period adjustments (continued)

46.2 Adjustments of Statement of financial performance items

2021

	Note	Previously reported	Re-classification	Restated
Revenue				
Non-exchange revenue				
Transfers and subsidies	26	-	343 386 231	343 386 231
Government grants and subsidies		260 909 048	(260 909 048)	-
Public contributions and donations		82 477 183	(82 477 183)	-
		343 386 231	**-**	**343 386 231**
Exchange revenue				
Interest income		30 456 264	(30 456 264)	-
Interest on investments	21	-	17 193 719	17 193 719
Interest on receivables	22	-	13 262 545	13 262 545
		30 456 264	**-**	**30 456 264**
Total revenue		**373 842 495**	**-**	**373 842 495**

We have adopted the mSCOA template as per National Treasury Guidlines which resulted in the adjustments above as well as within the respective notes.

There are also changes in the naming convension which are in line with the mSCOA chart of accounts.

47. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 2 446 085 377 and that the municipality's total liabilities exceed its assets by R 2 446 085 377.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

48. Events after the reporting date

No events after the reporting date were identified by management that will affect the operations of the municipality or the results of those operations significantly.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Unauthorised, irregular, fruitless and wasteful expenditure

49.1 Irregular expenditure

	2022	2021
Opening balance as previously reported	-	4 965 959
Add: Irregular expenditure - current	139 079	68 165
Add: Irregular expenditure – prior period	513 521	5 393 435
Less: Amounts written-off – current	(139 079)	(68 165)
Less: Amounts written-off – prior period	-	(10 359 394)
Closing balance	**513 521**	**-**

Incident	Disciplinary steps/criminal proceedings	2022	2021
Supplier appointed with a few minor errors in process as a tender was not evaluated according to the specifications		513 521	-
Supplier appointed to provide MFMA Minimum Competency Regulation Training to municipal employees. The initial contract period terminated on 30 Jun 2021. MLM became aware of possible financial irregularities in respect of procurement of services from Bantubanye Investment CC, outside the contracted period viz July & Aug 2021		139 079	-
This relates to the Meyer street rehabilitation. The amount disclosed in the prior year of R4 965 959 was a result of a preliminary investigation. The investigation was concluded and MPAC resolved that the total amount of R10 359 394 be written off as irrecoverable.		-	10 359 394
A contract had expired but the service was still rendered. Amount was investigated and MPAC resolved to write off the amount as irrecoverable		-	68 165
Total		**652 600**	**10 427 559**

49.2 Fruitless and wasteful expenditure

	2022	2021
Opening balance as previously reported	1 315 873	54 376
Add: Fruitless and wasteful expenditure – current	-	65 230
Add: Fruitless and wasteful expenditure expenditure – prior period	-	4 233 521
Less: Amount recoverable – current	-	(43 934)
Less Amount recoverable – prior period	-	(8 776)
Less: Amounts written-off – current	-	(21 296)
Less: Amounts written-off – prior period	-	(2 963 248)
Closing balance	**1 315 873**	**1 315 873**

Incident	2022	2021
Resurfacing of Meyer street - monies were recouped	-	43 934
Erroneous payment - Amount written off as irrecoverable	-	21 296
Duplicate advertising - The amount is written off as irrecoverable	-	37 355
Relates to pump repairs and a missing asset. Disciplinary process underway	-	1 315 873
Relates to expenditure on a previous contract for Meyer street. It was concluded that the amount should be written off	-	2 880 293
Total	**-**	**4 298 751**

There are investigations which are still pending finalisation as at the date of audit submission. These matters will be reported on as part of the submission of the next audit, pending the completion during the financial year ending 30 June 2023.

Figures in Rand	2022	2021

50. In kind donations and assistance

2021/2022

None

2020/2021

A container including furniture totalling R2 000 000 was received from the Bantu Bonke Sports facility for the year under review.

51. Additional disclosure in terms of Municipal Finance Management Act

Figures in Rand	2022	2021
Contributions to SALGA		
Current year subscription / fee	3 300 001	3 370 695
Amount paid - current year	(3 300 001)	(3 370 695)
	-	-
Audit fees		
Current year subscription / fee	3 777 817	3 259 055
Amount paid - current year	(3 777 817)	(3 259 055)
	-	-
PAYE and UIF		
Amount paid - current year	50 752 069	45 766 468
Pension and Medical Aid Deductions		
Amount paid - current year - pension	52 828 599	46 389 937
Amount paid - current year - medical	29 881 471	28 422 869
	82 710 070	**74 812 806**

52. Budget information

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Midvaal Local Municipality as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

53. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE) is included in the Annual Report under the section titled Employment Equity.

54. Segment information

2022

	Community and public safety	Economic and environmental services	Trading services	Unallocated	Total
Segment revenue					
External revenue from non-exchange transactions	106 957 387	10 809 569	129 258 256	342 018 170	589 043 382
External revenue from exchange transactions	1 935 194	3 257 689	799 857 824	3 108 997	808 159 704
Interests on investments	-	-	-	18 247 859	18 247 859
Interest earned from receivables	-	-	-	18 518 473	18 518 473
Total	**108 892 581**	**14 067 258**	**929 116 080**	**381 893 499**	**1 433 969 418**
Segment expenses					
Total segment expenses	175 368 027	70 591 154	749 559 031	198 273 601	1 193 791 813
Depreciation and amortisation	9 594 197	32 174 090	80 799 929	4 720 440	127 288 656
Loss on disposal of assets	198 337	2 948	7 214 906	625 206	8 041 397
Interest expense	225 568	4 094 000	21 268 893	4 534 304	30 122 765
Total	**185 386 129**	**106 862 192**	**858 842 759**	**208 153 551**	**1 359 244 631**
Surplus for the year	**(76 493 548)**	**(92 794 934)**	**70 273 321**	**173 739 948**	**74 724 787**
Other information					
Segment assets	101 704 417	528 109 103	1 444 334 875	886 951 068	2 961 099 463
Segment liabilities	728 180	18 024 769	100 160 946	396 100 183	515 014 078
Total capital expenditure	19 576 713	15 918 850	63 250 455	4 400 690	103 146 708

Directive 3 transitional provisions for GRAP 18 (Segment reporting) allows comparative figures not to be disclosed in the first year of adoption. The Municipality has elected to take advantage of the provisions of Directive 3.

2021

	Community and public safety	Economic and environmental services	Trading services	Unallocated	Total
Segment revenue					
External revenue from non-exchange transactions	101 964 185	9 697 227	142 767 380	406 779 978	661 208 770
External revenue from exchange transactions	2 438 288	2 893 859	723 461 895	21 010 038	749 804 080
Interests on investments	-	-	-	17 193 719	17 193 719
Interest earned from receivables	-	-	-	19 819 971	19 819 971
Total	**104 402 473**	**12 591 086**	**866 229 275**	**464 803 706**	**1 448 026 540**
Segment expenses					
Total segment expenses	162 982 439	51 836 837	667 469 036	191 084 537	1 073 372 849
Depreciation and amortisation	8 756 504	35 281 955	85 337 802	5 159 089	134 535 350
Loss on disposal of assets	673 604	1 170 062	747 590	315 203	2 906 459
Interest expense	122 000	5 515 430	21 281 305	2 979 292	29 898 027
Total	**172 534 547**	**93 804 284**	**774 835 733**	**199 538 121**	**1 240 712 685**
Surplus for the year	**(68 132 074)**	**(81 213 198)**	**91 393 542**	**265 265 585**	**207 313 855**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

54. Segment information (continued)

Other information					
Segment assets	92 372 401	537 930 955	1 387 156 965	835 939 953	2 853 400 274
Segment liabilities	1 073 179	10 606 817	83 870 640	386 527 095	482 077 731
Total capital expenditure	23 981 413	9 206 463	111 034 337	86 246 956	230 469 169

Directive 3 transitional provisions for GRAP 18 (Segment reporting) allows comparative figures not to be disclosed in the first year of adoption. The Municipality has elected to take advantage of the provisions of Directive 3.

OPCA ACTION PLAN

30 NOV 2022

OPCA PROGRESS REPORT - SUMMARY				
AREA/SECTION	No. of Issues Raised	Addressed	In Progress	Not addressed
Performance Management	2	0	0	0
SCM	6	0	0	0
Financial Reporting (AFS)	1	1	0	0
IT	6	0	0	0
TOTAL	15	1	0	0
PERCENTAGE	100%	7%	0%	0%

Control no.	Query /Page #	Finding	Root Cause	Impact / Risk	Classification	Area	Responsible ED	Audit Recommendation	Management Comments	Official(s) delegated to	Key tasks that need to be performed
1	37	BSC resolved specifications were not included in the final tender specifications	Certain tender requirements omitted in the approved tender specification which results in tender specification being bias and the BSC approval process not being transparent.	The advertised tender specification appears to be biased towards the appointment of a service provider who is not experienced in this field of fleet management and vehicle tracking, which contravenes paragraph 27.2 of the Midvaal Municipality SCM Policy. The fact that some of the tender requirements, which were resolved by BSC, are not included in final tender document has resulted in the tender specification approval process not to be transparent. This non-compliance results in contravention of Sections 27.2 and 2.1 (a) & (b) of the Midvaal Municipality SCM Policy	Non-Compliance with legislation	Supply Chain Management	CFO	The accounting officer must ensure that: •The bid specification incorporates all changes resolved by the BSC before final approval is granted. •BSC members are trained on drafting of bid specifications that comply with the requirements of the SCM Policy. •The BSC should ensure that the changes in specifications by the end user is incorporated in the final specifications, prior to obtaining approval from the Municipal Manager or the Accounting Officer and before the bid is advertised in line with Municipal Supply Chain Regulation 27(2)(g).	Management note the finding and the below is applicable: -At the time of drafting the specifications, the chairperson of BSC did not have full authority to instruct the end-user to enforce the implementation of the amended specifications. Therefore, not all amendments could be effected as the end-user could exercise their discretion.	FJ	All recommendations are minuted and when the document comes back to the BSC, it will come with tracked changes, as well as where a recommendation is rejected, the end-user must provide reasons for the rejection as well as take ownership for the document. Additional training will be provided to all members of the BSC. The live demo was expected to provide a full understanding of the system's capability as we are procuring a system and not a construction contract. — this is also why there was no need for key personnel. The specs may appear to be biased, howeverthe changes were made with the intention to attract more players on the market. If the specifications were indeed biased, then only 1bidder would have passed functionality as the assumption would have been that the specifications were specifically crafted for thatparticular bidder. The specs may appear to be biased, howeverthe changes were made with the intention to attract more players on the market. If the specifications were indeed biased, then only 1bidder would have passed functionality as the assumption would have been that the specifications were specifically crafted for that particular bidder
2	40	Minimum requirements of the vehicle tracking system per tender specification were not included in the live demonstration form	The evaluation criteria does not test the full capability of the system to be supplied by Service Provider which results in tender specifications being bias and the BEC failing to properly evaluate the ability of the bidders to execute contract.	By not including the full requirements of the live demonstration, the full capability of the service provider was not effectively evaluated. We are therefore not able to assess whether the bidder had the capabilities to provide the required services, as not all capabilities were tested by the BEC during the live demonstration.	Non-Compliance with legislation	Supply Chain Management	CFO	The Accounting Officer must ensure: •Ensure that the approved tender specification tests the capability of the service provider to execute the contract. •The ability of the service provider to comply with all minimum requirements identified in tender specification for a system or equipment are evaluated. •BSC members are trained in drafting of specifications..	Management note the finding and the below is applicable: At the time of drafting the specifications, it was our understanding that the 29 evaluation criteria fairly represented the key points for system functionality in order to not make the process	FJ	Going forward, all the required assessment criteria will be documented on the check list for evaluation purposes. -The tenderers were in procession of the tender specifications and would have included these critical areas in their live demo
3	44	The winning bidder did not meet compulsory tender requirements	The procurement process followed in the appointment of the service provider should be regarded as irregular due to failure to disqualify service provider for non-compliances with the tender requirements.	The failure to disqualify Red Ant for non-compliances with the tender requirements has resulted in the tender process not being transparent and bidders not being treated equally. This results in contravention of paragraph 2.1 of the Midvaal SCM Policy, Paragraph 28.1 of the Municipal Supply Chain Management Regulations and Section 112 of Municipal Finance Management Act. The tender award and any subsequent payments to the service provider has to be classified as irregular expenditure.	Non-Compliance with legislation	Supply Chain Management	CFO	The Accounting Officer must ensure: •The procurement process undertaken to appoint Red Ant is investigated and appropriate action taken based on results of the investigation. •The BEC and BAC members are trained on executing their duties in their respective committees properly. •Bidders should be evaluated on the specifications stipulated in the bid document and all bidders are evaluated fairly and transparently by the BEC.	Management note the finding and the below is applicable: We acknowledge that we should have disclosed upfront that the certificate needed to be in the name of the service provider, however, this was not explicitly stated as an exclusion criterion -Subsequently, it was found that Red Ants was in the process of acquiring the company in which the certificate was named.	FJ	We will now amend the tender document and SCM policy to reflect that no bid will be considered from a company where the certificate is not in the name of the tendering entity, even though they may be in the process of acquiring the same company It will be stated explicitly that only a certified copy of the ICASA certificate will be accepted, which would be in line with the ICASA standards. We agree that ICASA was required, however, due to COVID a number of bidders could not provide documentation, and this was not a fatal flaw as all bidders were granted extensions on their ICASA licenses. This was the normal practice during COVID as a number of institutions took a unilateral decision to extend the validity of certificates, such as INATIS, Home Affairs, SARS, etc. -During the evaluation, it was confirmed from https://www.ensafrica.com/news/detail/2467/south- afric-icasa-coronavirus-covid-19 that all licenses will remain valid until 14 days after the National State of Disaster is terminated. -The BAC deliberated on the VESA and VSS membership and found both to be voluntary bodies and had no impact in ascertaining whether a bidder is competent to do a job or not. Hence, no bidder was disqualified for not having the certificate.
4	52	The winning bidder submitted a possible false reference letter for previous relevant experience	•The bidder has misrepresented to the Municipality by submitting a reference letter from Emfuleni Municipality for a tender they were never awarded. •Midvaal Municipality has failed to verify authenticity of the reference letter, which has resulted in the abuse of the supply chain management systems of the Municipality	The submission of the reference letter from Emfuleni Municipality by Red Ant for this tender results in the abuse of the supply chain management processes of Midvaal Municipality and contravenes Regulation 38 of the MFMA Supply Chain Management Regulations. Based on this, Red Ant did not meet the requirement of the bid and should therefore have been	Non-Compliance with legislation	Finance	CFO	•The Accounting Officer must ensure that: •The reference letter is investigated and appropriate action is taken in compliance with Regulation 38 of the MFMA Supply Chain Management Regulations. •Authenticity of reference letters submitted by bidders during tender processes are verified.	It must be noted that there are no regulations that require the recipient institution to verify the authenticity of a submitted reference letter Whilst, we accept it is in our best interest to verify, the current onus and the current capacity to verify that independently is going to be difficult for any organ of state. We commit to best efforts, this includes requesting five (5) references, with a minimum of three (3) acceptable. In this case, the AG had an institutional	FJ	AG recommendation to be implemented.

5	57	Unfair disqualification of a bidder	•The bidder was disqualified by BEC for a reason that is not stipulated in the tender requirements. •The BEC has not disqualified the winning bidder despite the fact that they also submitted ICASA certificate which was not certified.	The BEC has failed to evaluate bids against the advertised tender requirements and further failed to evaluated bidders fairly and transparently which contravenes Paragraph 28 of the Midvaal SCM Policy, Paragraph 28.1 of the Municipal Supply Chain Management Regulations and Section 112 of the Municipal Finance Management Act. This non-compliance results in the tender award and any subsequent payments to the service provider being classified as irregular expenditure.	Non-Compliance with legislation	Finance	CFO	The Accounting Officer must ensure that: •The BEC evaluates tenders against tender requirements which are stipulated in the tender specification. •The BEC evaluate the bids in a fair, consistent and transparent manner during the evaluation process. •The failure to treat bidders equally by the BEC is investigated and appropriate action taken. •The BAC officials apply proper due diligence when examining/adjudicating the results of the BEC for compliance with relevant laws and regulations and that the BAC ensure that scoring has been fair, consistent and correctly calculated and applied.	Management note the findings and the below is applicable: In order to make the bid responsive, the BEC considered the 3 years of experience from the last 5 years, using both the appointment letters andreferenceletters interchangeably. This was to prove company's establishment and operations. -An appointment letter does not prove experience and a reference letter can be taken to demonstrate work already done. -In the absence of SCM regulations, the appointment letter and reference letter do not act as stringent enough demonstration of proof of date of commencement of operations to be	FJ	Request companies to submit the date of establishment and date of commencement of operations in line with the requirements. It will be explicitly required from bidders to submit an appointment letter with a corresponding reference letter. The appointment letter will also be used to determine the establishment of the company and length of operations. As per page 2 of 4 of the consolidated evaluation report which reads "it was noted during evaluation that ICASA copies need to be certified as per the condition on the certificate, mere copies were not accepted" The above provides clarity to why copies not certified were not considered as the certificate clearly states that uncertified copies must not be accepted.
6	63	The BAC was not constituted properly	An official who sat as advisor or assistant in the BEC meeting was also appointed to be member of the BAC, and as a result the independence of the BAC members could not be confirmed.	The involvement of the one member on the respective committees, possibly impacted on the independence in the evaluation process. This non-compliance contravenes Section 29.4 of Midvaal SCM policy and results in the tender award any subsequent payments to the service provider being classified as irregular expenditure	Non-Compliance with legislation	Financial Services	CFO	•Official who appointed to advise or assist the BEC are not appointed to be members of the BAC on the same tender. •BEC and BAC members trained on constitution of the committees in compliance with the SCM Policy of the Municipality.The Accounting Officer must ensure that: .	Mr. Fanny Jonas was present at the BEC meeting of 04 September 2020, to evaluate bid 8/2/3/271 Panel of experts to provide financial services to Midvaal Local Municipality on an as and when required basis. See below, is his appointment as a co-opted member to evaluate such a bid - The municipality's evaluation sessions are conducted in a way that officials from the user departments are only called upon to join the meeting when it's time to evaluate their item,	FJ	AG recommendation to be implemented.
7	65	Reasonable steps were not taken to prevent irregular expenditure	The accounting officer did not exercise oversight responsibility regarding financial reporting, compliance and related internal controls to ensure that irregular expenditure is prevented. Management did not monitor and review compliance with applicable laws and regulations	Non-compliance with MFMA section 62.	Non-Compliance with legislation	Coporate Services	ED: Corp Services	•The accounting officer should implement consequence management for officials who have contravened the laws and regulations. •Compliance checklists should be designed by management and monitored and reviewed for compliance thereof.	The management and prevention of irregular expenditure is an ongoing process in order to ensure adequate controls are put in place, implemented and effectiveness monitored and reported, to prevent irregular expenditure. Once such an incident occurred controls are reviewed and enhanced to prevent recurrence. The purpose of the Unauthorised, Irregular, Fruitless & Wasteful Expenditure Policy, approved per Council Resolution C2831/05/2022 dated 26 May 2022, is to ensure compliance with Section 32 of the Local Government: Municipal Finance Management Act and MFMA Circular 68. Read with the response above, Council also adopted the National Treasury Unauthorised, Irregular, Fruitless and Wasteful Expenditure Reduction Strategy, per Council Resolution C2832/05/2022 dated 26 May 2022, to curb incidents of irregular expenditure.	RvG	All Heads of Department to ensure compliance with Section 78(1)(c) of the MFMA. The AFS has been amended to include the irregular expenditure of R513 521.00 see extract below
8	68	Overstatement of reported achievement for KPI 036: Number of additional formal households with access to basic level of sanitation per annum	Management did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.	As a result, the achievement reported in the Annual Performance Report for this indicator has been overstated.	Internal Control Deficiency	Water and Sanitation	ED: Engineering	Management should put in place controls over the processes involved in the reporting of this indicator. Sewer connection point forms and monthly customer billing must be reconciled to the list of additional formal households with access to basic level of sanitation to ensure accuracy, validity and completeness of the reported achievement. Management should correct the reported achievement for the entire population to include only valid connections performed in the current 2021/22	•The controls on this indicator were not adequate. New standard Operating Procedures have been developed and are already in use.	RvG	• Based on the standard operating procedure, an accurate record of all sewe connections will be kept at Engineering and monthly reports submitted to Finance for billing purposes. •The reported figure will be adjusted accordingly
9	72	Misstatement of finance costs (note 34)	Management did not implement adequate controls to ensure that finance costs are correctly recorded.	Finance costs for long term loans and finance leases are overstated and understated respectively.	Mistatement of Financial statements	Financial Services	ED-Fin Services	Management should ensure that there are regular review and reconciliation processes in place which will prevent the misstatement of finance costs.	Management agrees with the audit finding. There was a misallocation between long term loans and Finance leases, however the total amount of finance costs is correct The total amount of finance costs was correctly recorded, however, split of the amount between Long term loans and Finance	KD	The financial statements were corrected accordingly.
10	73	Inadequate implementation user access management controls around Eclipse system	Financial and performance management: Design and implement formal controls over IT systems: Management fully dependent on the service provider which resulted in not receiving the evidence during the audit period.	Inadequate user account management records because of systems being unable to produce adequate logs of activities on users' accounts could lead to attempted or successful user account breaches not being traceable. Users with unauthorised access to information system resources might have elevated access and could	Internal Control Deficiency	Corporates Services	ED-Corp Services	Management should assess the feasibility of enabling logs on these systems, alternatively if the level of risk is accepted, mitigating controls should be implemented. Where mitigating controls cannot be implemented, this should be outlined and monitored in the risk register. Furthermore, where the municipality had taken a decision to use an outsourced model, this business decisions should be supported by a thorough assessment of the risks, costs, and benefits, while activities of external consultants should be adequately monitored.	Management agrees with the finding.	SM	Amend user access reporting and User department to have quarterly meetings with SP.

11	75	Inadequate implementation of user access management controls around TCS system.	Financial and performance management: Design and implement formal controls over IT systems: Management oversight in determining the adequacy and level of detail required in the documentation of the reports used to review of all system administrator's activities. Management did not in all instances implement proper record keeping ensuring that relevant, and accurate information is accessible and available to support Information Systems Audit	Inadequate regular reviews of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting, or modifying information and unauthorised attempts to access the system may not be timely detected and resolved. Failure to ensure that a system generated list of password resets can be maintained by the application system may lead to the inability to track that password resets have only been requested by the owner of the user profile, which may lead to the unauthorised	Internal Control Deficiency	Corporate Services	ED-Corp Services	Management should develop and establish consequence management process that will enforce accountability concerning failure in complying to the processes prescribed in the policy. Management should enable the capability to record all access rights modifications on the system and actions performed by the system controller on the system. Regular review and monitoring of system generated audit trails which detail all activities of privileged user's / system controller should be conducted and evidence of review should be retained for audit purposes. Management should ensure that accurate information for the audit review period is submitted	Management disagrees with the finding. •The user in question was previously employed on a different role at traffic and was then promoted hence their account is still active. •Supporting evidence/documentation was provided for system generated password reset report.	SM	AG recommendation to be implemented.
12	77	Inadequate implementation of user access management controls around Active Directory	Financial and performance management: Design and implement formal controls over IT systems: Management oversight in ensuring that password setting are adequately configured.	Inadequate password configurations may increase the chances of the passwords being guessed through the use of social engineering or password sniffing algorithms, which increases the risk of unauthorised access as a user account inherently compromising the whole network.	Internal Control Deficiency	Corporate Services	ED-Corp Services	Management should develop and establish consequence management process that will enforce accountability concerning failure in complying to the processes prescribed in the policy. Management should ensure that the password settings are adequately configured to expire after 30days.	Management disagrees with the finding. Service accounts are set not to expire to avoid system interruptions. The list initially provided did not stipulate all the columns that indicates/include the status of the user(s) account password.	SM	AG recommendation to be implemented.
13	79	Inadequate implementation of user access management controls on Payday and Solar systems	Inadequate user access management controls were due to: Management believing that the aspect of password reset process was included in the user access management policy. Management believing that the quarterly reports data should be used for audit purposes.	Failure to include password reset process in the user access management policy could lead to inconsistence password reset process followed, this may result in password controls being compromised and granting access to unauthorised users. Failure to maintain user access reports with details necessary to manage users on Payday and Solar systems, may results in both systems not being adequately	Internal Control Deficiency	Corporate Services	ED-Corp Services	Management should update the use access management policy to include the password reset process and communicate the updated version to all users through municipality communication protocols. Management should assess whether the Payday and Solar systems have system limitation to produce user access reports with the above-mentioned data and negotiate modifications from the service provider, if not, the management should consider risk acceptance in line with risk management processes on the system limitations.	Management disagrees with the finding. Some of the municipal systems i.e SOLAR are integrated to Active directory which has a self-service application that allow users to unlock/reset their passwords. The other system like payday requires users to log a call with ITHelpdesk for any password resets. I've attached a SOP that outlines the process for these. SOLAR users are integrated with the active directory users which means they form part of the same user list that you will find on AD this	SM	AG recommendation to be implemented.
14	81	Inadequate program change management processes	Financial and performance management: IT system controls The inadequacies on program change management process were due to: The database management system for Payday, Eclipse and Cash Drawer systems did not have the functionality to generate system logs in a readable format; therefore, system change logs could not be accessed. Management did not previously enforce IT change control processes on these systems. Non-compliance with the requirements of the change management policy. System generated list of all changes implemented on the	Failure to adhere to change management processes may position the municipal systems against the following major risks: There will be no tracking of changes, Insufficient control over normal and emergency changes, Failure to comply with regulatory compliance requirements, Unauthorised changes might reduce system availability. Furthermore, this could have a negative impact on the dependability and integrity of revenue tariffs, affecting financial information. Furthermore, failure to maintain a log of changes implemented on the	Internal Control Deficiency	Corporate Services	ED-Corp Services	A change log keeps a record of all changes made to the system; therefore, management should ensure that the Payday, Eclipse, and Cash Drawer log all changes made so that management can identify changes made to the production environment. Management should enforce compliance with the requirements of the change management policy. In addition, management should consider an automated program changes reporting and trend analysis system for all municipal systems. The system will help to maintain all program changed on a central platform. Management should communicate their minimum-security requirements on the system to the service providers and verifications should be performed by ICT to ensure that the control on the system makes provision for activity logging, thus all changes made to the system should be logged preferably with the following details: change number, change description and change implementer. Furthermore, management	Management acknowledges the finding. Management had budgeted for software monitoring tool which was approved and added to the 2022/2023 budget and is for implementation in the second quarter of the 2022/2023 financial year.	SM and AM (Director Income)	Procurement of monitoring tool for performance systems.
15	84	Inadequate implementation of change controls around Tariffs	Management did not in all instances implement proper record keeping ensuring that relevant, and accurate information is accessible and available to support Information Systems Audit reporting.	•Lack of implementing the prescribed tariffs accurately and in a timely manner would result in a loss of revenue as well as an understatement of the revenue amount report in the financial statements. •Failure to follow change management processes may result in unauthorised or erroneous	Internal Control Deficiency	Corporate Services	ED-Corp Services	Management should ensure that accurate information for the audit review period is submitted for audit purpose.	Management disagrees with the finding SOLAR and Traffic tariffs did follow the IT change management process which was done on test and deployed on production after QA which is also confirmed with internal audit for quality assurance purposes. Screenshots have been shared with AGSA to demonstrate changes to the tariffs for the year under review. All tariffs are housed in the financial system which is SOLAR.	SM	AG recommendation to be implemented.

Other Matters identified by the MM to be addressed by Management		
Area	**Matter to be resolved**	**Progress by Management**
Point 7 - Material losses - electricity	clearer response is required to ensure the managed reduction of both technical and non-technical losses.	
Material losses - water	the 37% is still unacceptably high. I require a clearer response to the technical and non-technical losses and specifically actions focused on reducing these losses.	
Financial Management Report - Page 6 - IT System Controls	Please provide a detailed proposal to improve the system controls as it is highlighted as being of concern	
Page 7 - Financial Health - Current surplus decrease to R 74.7 million from a surplus of R 207.3 million.	What can we do to improve our surpluses?	
	What immediate and short term actions can be taken?	
	What current revenue sources are under collected?	
	What new revenue sources do we need to consider?	
Page 21 - Outstanding actions of 3 recommendations have not been addressed or limited progress has been made.	Please ensure these are included as outstanding from the previous audit. This needs to be actioned.	
Page 22 - Expenditure management has decreased from 52 days to 61 days. I believe the number should be closed to 45 days.	Can we implement an improvement plan to get back to 52 days and then possibly 47 days? Is this realistic?	
Page 22 - Revenue management has worsened from 107 days to 124 days.	Can we look at taking steps to get back to 100 days? Is it realistic to target 90 days? Perhaps we need to relook the debt collection strategy? For those who owe more than 180 days?	
Page 23 - The primary concern is roads and stormwater, water reticulation, sanitation reticulation and electricity maintenance as well as buildings more generally.	Repairs and Maintenance allocations must be increased to 10% if at all possible.	