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

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing Municipal Services
Members of Council	
Mayor	Cllr. TM Magubane
Councillors	Speaker - Cllr. ZA Dladla
	Member of Executive Committee - Cllr. Z Mchunu
	Member of Executive Committee - Cllr. ES Buthelezi
	Cllr. ME Majola
	Cllr. LW Wayne
	Cllr. PB Gunundu
	Cllr. SM Mchunu
	Cllr. JJ Dlomo
	Cllr. XB Zikhali
Grading of local authority	2
Accounting Officer	Dr EH Dladla
Chief Finance Officer (CFO)	Mr P Molefe
Registered office	10 Claughton Terrace Mooi River 3300
Municipal Contact Details	033 263 1221/7700
Postal Address	P O Box 47 Mooi River 3300
Bankers	First National Bank (FNB)
Auditors	Auditor General South Africa (AGSA)

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

SARS	South African Revenue Services
GRAP	Generally Recognised Accounting Practice
iGRAP	Interpretation of Generally Recognised Accounting Practice
IAS	International Accounting Standards
LGSETA	Local Government Sectorial Education and Training Authority
WCF	Workman's Compensation Fund
RDP	Reconstruction and Development Programme
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
INEP	Integrated National Electrification Programme

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 was given unrestricted access to all financial records and related data.

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

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

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

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

In January 2018, the municipality was placed under Administration, in terms of Section 139(1)(b) of the Constitution which requires the Provincial government to assume responsibility because the municipality could not fulfil an obligation.
The following Administrators were appointed:
1. Mr M Sithole was appointed in January 2018 to March 2019
2. Mr K. Perumal was appointed in April 2019 to August 2019.
3. Mr M.E. Ngonyama was appointed in September 2020 to October 2021
4. Ms N Khanyile was appointed in November 2021 and is current Administrator.

a) The municipality has deficit of R64.5 million and that the municipality total liabilities exceeded its assets by R28.3 million.
b) The liquidity ratio of the municipality is below 1 which means that the municipality is not able to pay its creditors as they fall due. The cash coverage ratio is less than 1 month.
c) The unspent conditional grant funding has for several years not been cash backed.
The above implies that the municipality is not in a position to meet its short term obligations if they fall due at a specific point in time.

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

The accounting officer certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Governments's dertemination in accordance with this Act.

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

Accounting Officer's Responsibilities and Approval

Accounting Officer
Dr EH Dladla

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2022.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four(4) times per annum as per its approved terms of reference. During the current year four (4) number of meetings were held.

Name of member	Number of meetings attended
Mr Z Zulu (Chairperson)	4
Prof. B Stobie	4
Mr A Singh	4
Ms Keshav	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the accounting officer; on the 29 August 2022
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

These financial statements are prepared in accordance with the South African standards of Generally Recognised AccountingPractice (GRAP)and in the manner required by the Municipal Finance Management Act and Division of Revenue.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Systems of Internal Control

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

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Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	33 476 648	33 597 797
Other Receivables	4	3 857 478	-
Receivables from non-exchange transactions	5	68 682 921	60 807 327
VAT receivable	6	28 503 435	18 167 421
Receivables from exchange transactions	7	14 852 279	13 053 142
Loan receivables	8	399 638	399 638
Cash and cash equivalents	9	3 518 780	3 634 330
		153 291 179	**129 659 655**
Non-Current Assets			
Investment property	10	2 200 000	2 100 001
Property, plant and equipment	11	216 160 520	214 489 609
Intangible assets	12	209 609	314 413
Heritage assets	13	185 000	168 750
Other Receivables	4	-	3 635 700
		218 755 129	**220 708 473**
Total Assets		**372 046 308**	**350 368 128**
Liabilities			
Current Liabilities			
Finance lease obligation	14	-	4 011 718
Operating lease liability	15	38 707	34 525
Payables from exchange transactions	16	363 560 513	264 317 929
Consumer deposits	17	358 847	349 049
Employee benefit obligation	18	674 998	663 461
Unspent conditional grants and receipts	19	15 132 913	15 132 913
Provisions	20	2 204 004	1 246 630
		381 969 982	**285 756 225**
Non-Current Liabilities			
Employee benefit obligation	18	16 715 407	15 753 048
Provisions	20	13 226 935	11 294 921
		29 942 342	**27 047 969**
Total Liabilities		**411 912 324**	**312 804 194**
Net Assets		**(39 866 016)**	**37 563 934**
Accumulated surplus/(deficit)		(39 866 016)	37 563 934
Total Net Assets		**(39 866 016)**	**37 563 934**

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	69 220 550	52 966 644
Rental of facilities and equipment	22	243 465	170 961
Licences and permits	23	4 561 486	3 820 423
Other income	24	6 011 361	4 189 728
Interest received	25	347 437	111 732
Gain on disposal of assets and liabilities		335 970	1 796 883
Actuarial gains		1 007 071	-
Total revenue from exchange transactions		**81 727 340**	**63 056 371**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	17 937 465	17 238 255
Transfer revenue			
Government grants & subsidies	27	63 018 000	62 831 390
Fines, Penalties and Forfeits	28	5 796 762	6 337 550
Total revenue from non-exchange transactions		**86 752 227**	**86 407 195**
Total revenue		**168 479 567**	**149 463 566**
Expenditure			
Employee related costs	29	(54 901 312)	(51 557 241)
Remuneration of councillors	30	(3 019 771)	(2 760 421)
Depreciation and amortisation	31	(17 461 649)	(17 476 401)
Impairment of assets	32	(646 447)	-
Finance costs	33	(17 347 533)	(7 338 706)
Debt Impairment	34	(9 245 809)	(10 633 406)
Bulk purchases	35	(86 494 282)	(63 124 990)
Contracted services	36	(3 848 359)	(2 980 585)
Actuarial losses		-	(1 383 943)
General Expenses	37	(53 060 606)	(41 884 907)
Total expenditure		**(246 025 768)**	**(199 140 600)**
Deficit for the year from continuing operations		**(77 546 201)**	**(49 677 034)**
Fair value adjustment		116 249	18 650
Deficit for the year		**(77 429 952)**	**(49 658 384)**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus/(deficit)	Total net assets
Opening balance as previously reported	96 068 742	96 068 742
Adjustments		
Correction of errors	(8 846 424)	(8 846 424)
Balance at 01 July 2020 as restated*	**87 222 318**	**87 222 318**
Changes in net assets		
Deficit for the year	(49 658 384)	(49 658 384)
Total changes	(49 658 384)	(49 658 384)
Opening balance as previously reported	40 806 692	40 806 692
Adjustments		
Correction of errors	(3 242 756)	(3 242 756)
Restated* Balance at 01 July 2021 as restated*	**37 563 936**	**37 563 936**
Changes in net assets		
Deficit for the year	(77 429 952)	(77 429 952)
Total changes	(77 429 952)	(77 429 952)
Balance at 30 June 2022	**(39 866 016)**	**(39 866 016)**

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Taxation Revenue		15 858 632	811 148
Services Charges		58 185 401	78 855 789
Grants		63 018 000	66 558 000
Interest income		347 437	111 732
Other receipts		480 299	7 365 024
		137 889 769	153 701 693
Payments			
Employee costs		(55 444 827)	(52 566 670)
Suppliers		(41 641 223)	(71 447 649)
Finance costs		(17 347 532)	(7 338 707)
		(114 433 582)	(131 353 026)
Net cash flows from operating activities	39	**23 456 187**	**22 348 667**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(19 674 211)	(12 491 351)
Movement on Landfil site	11	335 970	-
Proceeds from sale of financial assets		(221 778)	(3 635 700)
Net cash flows from investing activities		**(19 560 019)**	**(16 127 051)**
Cash flows from financing activities			
Finance lease payments		(4 011 718)	(5 029 339)
Net increase/ (decrease) in cash and cash equivalents		**(115 550)**	**1 192 277**
Cash and cash equivalents at the beginning of the year		3 634 330	2 442 053
Cash and cash equivalents at the end of the year	9	**3 518 780**	**3 634 330**

* See Note 43

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						
Service charges	84 807 244	-	**84 807 244**	69 220 550	**(15 586 694)**	Appendix E(1)
Rental of facilities and equipment	206 099	25 000	**231 099**	243 465	**12 366**	Appendix E(1)
Licences and permits	3 540 000	1 047 139	**4 587 139**	4 561 486	**(25 653)**	Appendix E(1)
Other income	8 369 481	(2 261 184)	**6 108 297**	6 011 361	**(96 936)**	Appendix E(1)
Interest Received -Debtors	3 844 000	-	**3 844 000**	-	**(3 844 000)**	Appendix E(1)
Interest received - investment	281 000	(147 247)	**133 753**	347 437	**213 684**	Appendix E(1)
Total revenue from exchange transactions	**101 047 824**	**(1 336 292)**	**99 711 532**	**80 384 299**	**(19 327 233)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	18 634 449	1 819	**18 636 268**	17 937 465	**(698 803)**	Appendix E(1)
Transfer revenue						
Government grants & subsidies	58 018 000	5 000 000	**63 018 000**	63 018 000	**-**	Appendix E(1)
Fines, Penalties and Forfeits	4 365 383	-	**4 365 383**	5 796 762	**1 431 379**	Appendix E(1)
Total revenue from non-exchange transactions	**81 017 832**	**5 001 819**	**86 019 651**	**86 752 227**	**732 576**	
Total revenue	**182 065 656**	**3 665 527**	**185 731 183**	**167 136 526**	**(18 594 657)**	
Expenditure						
Personnel	(51 393 005)	(1 025)	**(51 394 030)**	(54 901 312)	**(3 507 282)**	Appendix E(1)
Remuneration of councillors	(2 544 000)	-	**(2 544 000)**	(3 019 771)	**(475 771)**	Appendix E(1)
Depreciation and amortisation	(18 217 257)	-	**(18 217 257)**	(17 461 649)	**755 608**	Appendix E(1)
Impairment loss/ Reversal of impairments	-	-	**-**	(646 447)	**(646 447)**	Appendix E(1)
Finance costs	-	(9 174 541)	**(9 174 541)**	(17 347 533)	**(8 172 992)**	Appendix E(1)
Debt Impairment	-	(8 122 739)	**(8 122 739)**	(9 245 809)	**(1 123 070)**	Appendix E(1)
Bulk purchases	(77 849 000)	(2 162 008)	**(80 011 008)**	(86 494 282)	**(6 483 274)**	Appendix E(1)
Contracted Services	(8 512 051)	-	**(8 512 051)**	(3 848 359)	**4 663 692**	Appendix E(1)
General Expenses	(10 239 000)	(3 847 850)	**(14 086 850)**	(53 060 606)	**(38 973 756)**	Appendix E(1)
Total expenditure	**(168 754 313)**	**(23 308 163)**	**(192 062 476)**	**(246 025 768)**	**(53 963 292)**	
Operating deficit	**13 311 343**	**(19 642 636)**	**(6 331 293)**	**(78 889 242)**	**(72 557 949)**	
Gain on disposal of assets and liabilities	-	-	**-**	335 970	**335 970**	Appendix E(1)
Actuarial gains/losses	-	-	**-**	1 007 071	**1 007 071**	Appendix E(1)
	-	**-**	**-**	**1 343 041**	**1 343 041**	
Deficit before taxation	**13 311 343**	**(19 642 636)**	**(6 331 293)**	**(77 546 201)**	**(71 214 908)**	
Deficit for the year from continuing operations	**13 311 343**	**(19 642 636)**	**(6 331 293)**	**(77 546 201)**	**(71 214 908)**	
Fair value adjustment	-	-	**-**	116 249	**116 249**	

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
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**13 311 343**	**(19 642 636)**	**(6 331 293)**	**(77 429 952)**	**(71 098 659)**	
Reconciliation						

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						
Inventories	35 635 957	56 840	**35 692 797**	33 476 648	**(2 216 149)**	
Other Receivables	-	-	**-**	3 857 478	**3 857 478**	
Receivables from non-exchange transactions	22 674 089	1 544 076	**24 218 165**	68 682 921	**44 464 756**	
VAT receivable	-	-	**-**	58 583 101	**58 583 101**	
Consumer debtors	180 785 381	(117 195 130)	**63 590 251**	14 852 279	**(48 737 972)**	
Loan receivables	399 638	4 709 704	**5 109 342**	399 638	**(4 709 704)**	
Cash and cash equivalents	6 004 933	(4 767 916)	**1 237 017**	3 518 780	**2 281 763**	
	245 499 998	**(115 652 426)**	**129 847 572**	**183 370 845**	**53 523 273**	
Non-Current Assets						
Investment property	2 100 001	-	**2 100 001**	2 200 000	**99 999**	
Property, plant and equipment	205 054 504	4 773 685	**209 828 189**	216 160 520	**6 332 331**	
Intangible assets	400 000	(85 587)	**314 413**	209 609	**(104 804)**	
Heritage assets	150 100	18 650	**168 750**	185 000	**16 250**	
	207 704 605	**4 706 748**	**212 411 353**	**218 755 129**	**6 343 776**	
Total Assets	**453 204 603**	**(110 945 678)**	**342 258 925**	**402 125 974**	**59 867 049**	
Liabilities						
Current Liabilities						
Finance lease obligation	3 823 855	-	**3 823 855**	-	**(3 823 855)**	
Operating lease liability	-	-	**-**	38 707	**38 707**	
Payables from exchange transactions	206 196 409	52 173 317	**258 369 726**	363 560 513	**105 190 787**	
VAT payable	-	-	**-**	30 079 666	**30 079 666**	
Consumer deposits	340 084	(340 049)	**35**	358 847	**358 812**	
Employee benefit obligation	-	-	**-**	674 998	**674 998**	
Unspent conditional grants and receipts	-	-	**-**	15 132 913	**15 132 913**	
Provisions	5 105 934	(3 860 304)	**1 245 630**	2 204 004	**958 374**	
	215 466 282	**47 972 964**	**263 439 246**	**412 049 648**	**148 610 402**	
Non-Current Liabilities						
Finance lease obligation	1 973 785	4 187 644	**6 161 429**	-	**(6 161 429)**	
Employee benefit obligation	-	-	**-**	16 715 407	**16 715 407**	
Provisions	23 479 909	(50 527 878)	**(27 047 969)**	13 226 935	**40 274 904**	
	25 453 694	**(46 340 234)**	**(20 886 540)**	**29 942 342**	**50 828 882**	
Total Liabilities	**240 919 976**	**1 632 730**	**242 552 706**	**441 991 990**	**199 439 284**	
Net Assets	**212 284 627**	**(112 578 408)**	**99 706 219**	**(39 866 016)**	**(139 572 235)**	

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
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus/(deficit)	212 284 627	(112 578 408)	**99 706 219**	(39 866 016)	**(139 572 235)**	

Accounting Policies

Figures in Rand	Note(s)	2022	2021

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables, loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3 Significant judgements and sources of estimation uncertainty (continued)

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

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 waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

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

1.4 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.

Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property is the price at which property could be exchanged between knowledgeable willing parties in an arms length transaction. fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale
An entity determines fair value without any deductions for transaction costs it may incur on sale or other disposal.

Derecognition

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

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

1.5 Property, plant and equipment

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

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Major spare parts and standby equipments which are expected to be used for more than one period are included in the property, plant and equipment, In addition spare parts and standby equipments which can only be used in connection with an item of property , pland and equipment 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.

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

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

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

Item	Depreciation method	Average useful life
Land		Not Applicable
Buildings	Straight-line	5-25 years
Leased assets	Straight-line	3-5 years
Infrastructure	Straight-line	3-60 years
Other property, plant and equipment	Straight-line	3-10 years

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

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.

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

When 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
An Intangible asset is regarded as as having an indefinite useful life when based on all relevant factors , there is no foreseeable limit to the amortisation method for intangible assets are viewed at each reporting date
Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	2-5 years
Computer software, other	Straight-line	2-5 years

Intangible assets are initially recognised at cost, and are carried at cost less any accumulated amortisation and any impairments losses
An intangible asset is recognised when it is probable that the expected future economic benefit or service potential that attributable the asset to the municipality and cost can be measured reliable.

Accounting Policies

1.7 Intangible assets (continued)

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Heritage assets

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

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

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

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

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

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

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

Recognition

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

Heritage assets are initialy recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost , being the fair value on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition 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 include the necessary cost 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 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 item of heritage assets acquired in exchange for a non monetary asset or monetary asset or a combination of monetary and non monetary assets, is measured at the fair value of the assets given up, unless the fair value of the asset received is more clearly evident if the required item could not be measured at its fair value its costs is measured at the carrying amount of the asset given up.

Subsequent measurement

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

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.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

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

A financial asset is:

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Cash and Bank	Financial asset measured at Fair value
Receivables from exchange and non exchange transactions	Financial asset measured at amortised cost
VAT Receivables	Financial asset measured at amortised cost
Bank investments	Financial asset measured at Fair value
Loan receivables	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent grant and subsidies	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Finance lease	Financial liability measured at amortised cost
Consumer deposit	Financial liability measured at cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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 directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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 asset; and
- recognise separately any rights and obligations created or retained in the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

1.9 Financial instruments (continued)

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Derecognition

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

Accounting Policies

1.10 Statutory receivables (continued)

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

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

1.11 Leases

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

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

Finance leases - lessee

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 .

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.

Operating leases - lessor

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

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

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

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

1.12 Inventories (continued)

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.13 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).

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

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

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

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

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

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

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

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

[Specify judgements made]

1.13 Impairment of cash-generating assets (continued)

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.

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

Value in use

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

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

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

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 risk-free 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.

Any impairment loss of a revalued 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 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)

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.

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.

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.

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

[Specify judgements made]

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.

Accounting Policies

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

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.

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

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

Reversal of an impairment loss

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

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.

Redesignation

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

1.15 Employee benefits

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

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

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits

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

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

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

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

1.16 Provisions and contingencies

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

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

Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating (deficit).

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

Long service allowance

The municipality has the obligation to provide long service benefit to all its employees according the policy of the long service
allowance scheme, which the municipality instituted and operates, an employee (who is in the current conditions of service), is
entitle to cash allowance calculated in terms of rules of the scheme after 10 years of continued service and every 5 years subsequently
The municipality liability is based on the actuarial valuations. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long term incentives are accounted for in surplus or deficit for the year

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.
A municipality may enter on or before the reporting date for expenditure over subsequent accounting periods e.g a contract for construction of infrastructure assets ,the purchase of major items of plant and equipment or significant consultancy contracts.
In these events , a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.
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-cancelable at significant cost (for example, contracts for computers or building maintenance, services) and
- Contracts should relate to something other than the routine, steady, state business of the of the entity - therefore salary commitments relating to employment contracts or social security benefit commitment are excluded.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest received

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

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

1.19 Revenue from non-exchange transactions

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Transfers

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

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

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

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Accounting by principals and agents

Identification

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

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

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

Accounting Policies

1.22 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.23 Comparative figures

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

1.24 Unauthorised expenditure

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

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

Accounting Policies

1.24 Unauthorised expenditure (continued)

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

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

1.26 Irregular expenditure

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.

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

1.27 Investments

When the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to
its recoverable amount and an impairment loss is charged to the statement of financial performance.

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 functional classification linked to performance outcome objectives.

1.28 Budget information (continued)

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.29 Related parties

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

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

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

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

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

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

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

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

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

1.31 Prior period error accounting

Prior period errors are omission from, and misstatements in the municipality financial statements for one or more prior periods
arising from failure to use, or misuse of available reliable information

Unless it is impracticable to determine the effects of the error, the municipality corrects material prior period retrospectively by
restating the comparative amounts for the prior period.

1.32 Use of estimates

The preparation of financial statements in conformity with standards of GRAP requires use of certain critical accounting estimates.

Sections of the financial statements. Although these estimates are based on managements best knowledge of current events
and actions they may undertake in the future, actual results ultimately may differ from those estimates

1.33 Offsetting

Assets and liabilities, revenue and expenses should not be offset; these items should be reported separately. Offsetting is permitted only if it is required or permitted by other standards of GRAP (GRAP 25) , Legislation or where offsetting reflects the
substance of the transaction or the event.

1.34 Loan receivable

Loan and receivables are non- derivative financial assets with fixed or determinable payments that are not quoted in an active
market. Loan and receivables are subsequently measured at amortized cost using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected
life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset and financial liability.

When calculating the effective interest rate, the municipality estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2021	The impact of the is not material.
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2021	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

• GRAP 25	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact

3. Inventories

	2022	2021
Maintenance materials	111 648	232 797
RDP Properties Held for Distribution	33 365 000	33 365 000
	33 476 648	**33 597 797**

RDP Houses that are in the name of the Municipality and were not officially transferred to beneficiaries were identified during the 2021/22 financial year. These RDP housing stock was included in inventory as per GRAP 12.
There were 11 RDP Housing properties transferred to beneficiaries during the period of 2019/20.
There were 06 RDP Housing properties transferred to beneficiaries during the period of 2020/21.

None of the inventory items are pledged as security

4. Other Receivables

	2022	2021
At amortised cost		
Other receivables The municipality entered into an agreement with Umsunduzi Municipality to loan 13 motor vehicles. The vehicles would be returned to Mpofana Municipality as the end of March 2023 brand new of the same make and specifications. The amount of vehicles loaned to Msunduzi was determined using the fair value of the brand new vehicles of the same make and specifications as at 30 June 2021. The future value of the vehicles loaned to Msunduzi was determined to be R 4,023,811 using the Vehicle Pricing Index of 6.1%.	3 857 478	3 635 700
Non-current assets		
At amortised cost	-	3 635 700
Current assets		
At amortised cost	3 857 478	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions

Property Rates	112 291 362	106 147 586
Fines	65 890 295	60 901 912
Sundry debtors	2 790 015	352 841
Interest	3 410 341	3 421 578
Provision for bad debt - Sundy debtors	(352 841)	(352 841)
Provision for bad debts - Rates	(57 307 380)	(55 691 504)
Provision for bad debts - Fines	(58 038 871)	(53 972 245)
	68 682 921	**60 807 327**

Statutory receivables general information

Transaction(s) arising from statute

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 (MPRA) with effect from 01 July 2007.

Traffic fines are issued in terms of the Administrative Adjudication of Road Traffic Offences (AARTO Act) by way of notices to offenders which specify the value of the fine that must be paid.

Determination of transaction amount

Adjustments to the valuation roll in terms of Section 78 of the MPRA (as amended) are effected on an on-going basis. The adjustments take into account consolidations and sub-divisions as well as property category changes. Thus interim valuations are processed on an annual basis.

Schedule 3 of the AARTO Regulations 2008 for charge codes and descriptions, penalties and their discounts, and demerit points.

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions (continued)

Property Rates		
Current (0-30 days)	1 316 670	1 039 028
31-60 days	1 149 685	867 324
61-90 days	1 035 745	847 153
91-120 days	998 309	855 410
120+ days	107 790 954	102 508 670
	112 291 363	**106 117 585**
Agriculture		
Current(0-30 days)	328 922	208 361
31-60 days	290 770	180 599
61-90 days	259 774	169 162
91-120 days	241 385	162 433
120+ days	9 493 123	7 843 210
	10 613 974	**8 563 765**
Business and Commercial		
Current(0-30 days)	334 627	266 682
31-60 days	325 118	275 690
61-90 days	306 447	271 930
91-120 days	307 899	332 331
120+ days	13 213 237	10 604 621
	14 487 328	**11 751 254**
Industrial		
Current(0-30 days)	83 096	78 412
31-60 days	78 384	13 493
61-90 days	72 720	10 257
91-120 days	69 618	14 518
120+ days	926 821	918 555
	1 230 639	**1 035 235**
PBO		
Current(0-30 days)	15 701	19 696
31-60 days	15 701	19 696
61-90 days	15 701	19 402
91-120 days	10 077	19 402
120+ days	504 590	934 757
	561 770	**1 012 953**
Public Service Purpose		
Current(0-30 days)	115 215	93 883
31-60 days	48 833	46 258
61-90 days	48 833	46 258
91-120 days	48 833	45 165
120+ days	842 078	515 564
	1 103 792	**747 128**
Vacant Land		
Current(0-30 days)	4 682	6 462
31-60 days	4 605	6 438
61-90 days	4 332	6 245
91-120 days	4 331	6 245

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions (continued)

120+ days	3 063 139	3 023 537
	3 081 089	**3 048 927**

Residential		
Current(0-30 days)	412 273	339 938
31-60 days	366 888	295 870
61-90 days	313 264	293 297
91-120 days	301 176	276 554
120+ days	73 302 283	72 549 340
	74 695 884	**73 754 999**

State Owned		
Current(0-30 days)	9 372	(10 025)
31-60 days	6 603	1 740
61-90 days	2 215	2 058
91-120 days	2 531	2 058
120+ days	5 734 708	5 710 158
	5 755 429	**5 705 989**

Multiple Use		
Current(0-30 days)	12 781	35 619
31-60 days	12 781	27 540
61-90 days	12 459	28 542
91-120 days	12 459	26 703
120+ days	710 975	408 929
	761 455	**527 333**

Fines		
Traffic fines	7 851 424	6 929 667

6. VAT receivable

VAT	28 503 435	18 167 421

VAT is payable on the payment basis. Once cash has been received from customers/receivables, vat is payable to SARS.

7. Receivables from exchange transactions

Gross balances		
Electricity	9 983 531	9 466 396
Refuse	19 968 886	16 186 043
Housing rental	373 186	273 850
Sundry debtors	1 334 618	371 488
	31 660 221	**26 297 777**

Less: Allowance for impairment		
Electricity	(2 871 071)	(1 993 354)
Refuse	(13 675 641)	(11 059 586)
Housing rental	(261 230)	(191 695)
	(16 807 942)	**(13 244 635)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Receivables from exchange transactions (continued)

Net balance		
Electricity	7 112 460	7 473 042
Refuse	6 293 245	5 126 457
Housing rental	111 956	82 155
Sundries	1 334 618	371 488
	14 852 279	**13 053 142**

Electricity		
Current(0-30 days)	2 630 266	1 150 546
31-60 days	626 820	362 450
61-90 days	489 395	374 397
91-120 days	623 087	287 430
120+ days	5 613 963	7 291 573
	9 983 531	**9 466 396**

Refuse		
Current(0-30 days)	376 734	358 235
31-60 days	360 707	344 672
61-90 days	355 203	342 022
91-120 days	350 683	340 298
120+ days	18 525 559	14 800 816
	19 968 886	**16 186 043**

Rental		
Current (0 -30 days)	18 461	22 025
31 - 60 days	12 325	4 460
61 - 90 days	12 325	15 473
91 - 120 days	19 825	15 525
121 - 365 days	310 250	216 367
	373 186	**273 850**

Receivable from Exchange transactions pledged as security

No receivables from exchange transactions has been pledged as collateral of liabilities of the municipality.

8. Loan Receivables

Loan Receivables	399 638	399 638

This loan pertains to Umgungundlovu District Municipality that owes Mpofana Municipality for the DBSA Loan that Mpofana Municipality paid for water and sanitation works in prior years. The water function was subsequently transfered to Umgungundlovu District Municipality thus Mpofana Municipality needed to be reimbursed from Umgungundlovu District Municipality with regards to the loan repayments. The loan is interest free and not secured by any liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Bank balances	3 518 780	3 634 330

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank - Current Account 53050399907	2 503 912	3 012 839	1 591 121	2 503 912	3 059 285	1 591 121
First National Bank - Current Account 62101108034	126 753	78 150	195 206	126 753	78 150	195 206
First National Bank - Call Account 62134172890	2 482	2 482	97 329	2 482	2 482	97 329
First National Bank - Call Account 62172493935	39 001	38 198	178 578	39 001	38 198	178 578
First National Bank - Call Account 62173946040	667 456	336 654	330 262	667 456	336 654	330 262
First National Bank - Call Account 62187203957	21 597	21 145	32 026	21 597	21 145	32 026
First National Bank - Call Account 62237621760	30 924	30 299	17 530	30 924	30 299	17 530
First National Bank - Call Account 62854534990	5 042	5 011	-	5 042	5 011	-
First National Bank - Call Account 62854535790	55 977	48 073	-	55 977	48 073	-
First National Bank - Call Account 62854536607	5 042	5 011	-	5 042	5 011	-
First National Bank - Call Account 62854537449	32 821	5 011	-	32 821	5 011	-
First National Bank - Call Account 62854538786	18 086	5 011	-	18 086	5 011	-
First National Bank - Call Account 62920117969	9 687	-	-	9 687	-	-
Total	**3 518 780**	**3 587 884**	**2 442 052**	**3 518 780**	**3 634 330**	**2 442 052**

10. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 200 000	-	2 200 000	2 100 001	-	2 100 001

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	2 100 001	99 999	2 200 000

Figures in Rand	2022	2021

10. Investment property (continued)

Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	2 100 001	2 100 001

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.

GENIX Valuation Group was appointed by the municipality as experts for the valuation of investment property.
The municipality has the Woza Woza Tourism centre as investment property
The municipality uses fair value model to measure its investment property as at 30 June 2022 and 30 June 2021.

The valuation methodology applied was based on the current market value of similar properties within the municipal region
Fair value adjustment has been effected in the financial statements valuation.

No investment properties has been pledged as collateral for liabilities of the municipality.

Amounts recognised in surplus or deficit

	2022	2021
Rental revenue from Investment property	105 600	64 000

The investment property lease agreement with Gateway/Harcourt Midlands expired in July 2019. A new five year lease agreement was entered with Woza Woza as from June 2020.

For detailed analysis and segmental anaylisis of investment property please refer to Appendix B & C.

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	20 562 716	(110 000)	20 452 716	20 562 716	(110 000)	20 452 716
Buildings	51 953 351	(12 378 085)	39 575 266	51 953 351	(10 226 001)	41 727 350
Infrastructure	234 181 570	(124 716 056)	109 465 514	228 523 386	(115 720 064)	112 803 322
Other property, plant and equipment	15 679 889	(11 556 910)	4 122 979	14 830 120	(9 610 075)	5 220 045
Work in progress	34 116 462	-	34 116 462	22 034 568	-	22 034 568
Leased assets	21 691 633	(17 709 375)	3 982 258	21 691 633	(14 480 729)	7 210 904
Landfil site	13 723 999	(9 278 674)	4 445 325	12 642 101	(7 601 397)	5 040 704
Total	**391 909 620**	**(175 749 100)**	**216 160 520**	**372 237 875**	**(157 748 266)**	**214 489 609**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	20 452 716	-	-	-	-	-	-	20 452 716
Buildings	41 727 350	-	-	-	-	(2 152 084)	-	39 575 266
Infrastructure	112 803 322	-	5 658 184	-	-	(8 862 416)	(133 576)	109 465 514
Other property, plant and equipment	5 220 045	852 226	-	-	-	(1 611 899)	(337 393)	4 122 979
Work in progress	22 034 568	17 740 078	-	(5 658 184)	-	-	-	34 116 462
Leased assets	7 210 904	-	-	-	-	(3 053 169)	(175 477)	3 982 258
Landfil site	5 040 704	-	-	-	1 081 898	(1 677 277)	-	4 445 325
	214 489 609	**18 592 304**	**5 658 184**	**(5 658 184)**	**1 081 898**	**(17 356 845)**	**(646 446)**	**216 160 520**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	20 452 716	-	-	-	-	-	-	20 452 716
Buildings	41 204 214	-	-	-	2 588 923	-	(2 065 787)	41 727 350
Infrastructure	102 653 106	-	-	18 785 361	-	-	(8 635 145)	112 803 322
Other property, plant and equipment	8 966 767	50 649	(1 838 817)	-	-	-	(1 958 554)	5 220 045
Capital Work in Progress	32 305 594	11 103 258	-	-	(21 374 284)	-	-	22 034 568
Finance lease assets	10 691 556	-	-	-	-	-	(3 480 652)	7 210 904
Landfill site	4 934 717	-	-	-	-	1 337 445	(1 231 458)	5 040 704
	221 208 670	**11 153 907**	**(1 838 817)**	**18 785 361**	**(18 785 361)**	**1 337 445**	**(17 371 596)**	**214 489 609**

For detailed analysis and segmental anaylisis of the property plant and equipment please refer to Appendix B & C.

No Property Plan and Equipment has been pledged as collateral of liabilities of the municipality.

The useful lives of the assets that are approaching the end of its useful lives has been assessed as at 30 June 2022. The impact of reassessment of the useful lives in the current period and subsequently.

Figures in Rand	2022	2021

11. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Lease of motor vehicles	3 982 258	7 210 904

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	18 153 600	3 880 969	22 034 569
Additions/capital expenditure	16 405 322	1 334 755	17 740 077
Transferred to completed items	(5 658 184)	-	(5 658 184)
	28 900 738	**5 215 724**	**34 116 462**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	26 430 403	5 875 191	32 305 594
Additions/capital expenditure	10 508 558	594 701	11 103 259
Transferred to completed items	(18 785 361)	(2 588 923)	(21 374 284)
	18 153 600	**3 880 969**	**22 034 569**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
General expenses	10 847 052	7 089 366

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

12. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1 272 258	(1 062 649)	209 609	1 272 258	(957 845)	314 413

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	314 413	(104 804)	209 609

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Intangible assets (continued)

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	419 217	(104 804)	314 413

For detailed analysis and segmental anaylisis of intangible assets please refer to Appendix B & C.

13. Heritage assets

	2022			2021		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Mayoral Chain	185 000	-	185 000	168 750	-	168 750

Reconciliation of heritage assets 2022

	Opening balance	**Revaluation increase/(decrease)**	**Total**
Mayoral Chain	168 750	16 250	185 000

Reconciliation of heritage assets 2021

	Opening balance	**Revaluation increase/(decrease)**	**Total**
Mayoral Chain	150 100	18 650	168 750

The Mayoral chain has been revalued as at 30 June 2022 by Afrokwazi
The effective date of the revaluation was 06 August 2022
The nature of material and the respective weight was utilised to determine the fair value based on the prevailing market prices of silver as at 30 June 2022
The Fair value as at 30 June 2022 was R185 000 (2021: R168 750)

For detailed analysis and segmental anaylisis of the heritage assets please refer to Appendix B & C.

14. Finance lease obligation

	2022	2021
Minimum lease payments due		
- within one year	-	4 185 000
	-	4 185 000
less: future finance charges	-	(173 282)
Present value of minimum lease payments	**-**	**4 011 718**
Present value of minimum lease payments due		
- within one year	-	4 011 718
Non-current liabilities	-	-
Current liabilities	-	4 011 718
	-	**4 011 718**

The municipality has entered into lease agreements with Scelo Business Consultants for use of vehicles.
The effective lease date for the leasing of vehicles was 1 April 2017 and lease period is 5 years. The lease came to an end at 31 March 2022.

The average lease term was 1 year and the average effective borrowing rate was -% (2021: 2%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

15. Operating lease liability

Current liabilities	(38 707)	(34 525)

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Opening balance	(34 525)	-
Operating lease expenses recorded	526 239	449 101
Operating lease payments from smoothing	(530 421)	(483 626)
	(38 707)	**(34 525)**

Lease arrangements

The Municipality as Lessee

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years, with an option to extend for
a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts payable under operating lease

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for property, plant
and equipment, which fall due as follows:

Within one year	565 706	526 239
In the second to third years, inclusive	50 218	615 924
	615 924	**1 142 163**

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:

(i) The equipment shall remain the property of the lessor.

(ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.

(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

(iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Payables from exchange transactions

Trade payables	344 433 935	247 935 704
Retentions	3 794 786	2 356 450
Leave Accrual	3 960 384	4 210 562
Debtor payments received in advance	7 211 408	6 400 683
Unallocated receipts	513 911	513 911
Salary suspense	2 596 618	1 828 567
13th Cheque Accrual	1 049 471	1 072 052
	363 560 513	**264 317 929**

17. Consumer deposits

Electricity	353 989	345 091
Other	4 858	3 958
	358 847	**349 049**

18. Employee benefit obligations

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

Carrying value		
Post retirement medical aid plan	(13 554 215)	(14 210 074)
Long-service award	(3 836 190)	(2 206 435)
	(17 390 405)	**(16 416 509)**
Non-current liabilities	(16 715 407)	(15 753 048)
Current liabilities	(674 998)	(663 461)
	(17 390 405)	**(16 416 509)**

Figures in Rand	2022	2021

18. Employee benefit obligations (continued)

Defined contribution plan

Post retirement medical aid plan

Post retirement medical aid		
Balance at the beginning of period	14 210 074	10 929 350
Contribution of provision	2 230 315	2 011 096
Balance at the end of period	16 440 389	12 940 446
Transfer of current liabilities	(632 416)	(534 058)
Actuarial Loss/(Gain)	(2 253 758)	1 803 686
	13 554 215	**14 210 074**

The municipality has a post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary pensioner

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The members of the post-employment health care are made up as follows:		
In-service members (Employees)	91	89
Continuation members	9	9

The unfunded liability in respect of past service has been estimated as follows		
In-service members	9 228 451	7 987 242
Continuation members	4 325 764	6 222 832
	13 554 215	**14 210 074**

The current-service cost for the year ending 30 June 2022 is estimated to be R576 945, whereas the cost for the ensuing year is estimated to be R686 449 (30 June 2021 R531 166 and R576 945 respectively).

Key assumptions used

The principal assumptions used for the actuarial valuations was as follows:

Discount rates used	12.93 %	11.90 %
Expected rate of return on assets	7.95 %	6.74 %
Expected rate of return on reimbursement rights	9.45 %	8.24 %
Actual return on reimbursement rights	3.18 %	3.38 %

Expected retirement age - Females	63	63
Expected retirement age - Males	60	63

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2022	2021
Balance at beginning of the year	14 210 074	10 929 350
Current service costs	576 945	531 166
Interest cost	1 653 370	1 479 930
benefits paid	(632 416)	(534 058)
	15 807 973	12 406 388
Actuarial loss/(gain)	(2 253 758)	1 803 686
	13 554 215	**14 210 074**

The amounts recognised in the Statement of Financial Performance are as follows:

	2022	2021
Current service costs	576 945	531 166
Interest costs	1 653 370	1 479 930
Actuarial loss/(gain)	(2 253 758)	1 803 686
	(23 443)	**3 814 782**

Other assumptions

The effect of a 1% movement in the assumed rate of health care costs inflation is as follows:

2022	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost	2 464 748	(1 949 228)
Effect on the aggregate of the interest cost	187 915	(141 776)
Effect on defined benefit obligation	318 562	(251 906)
	2 971 225	**(2 342 910)**

2021	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost	119 116	(158 243)
Effect on the aggregate of the interest cost	220 924	(276 616)
Effect on defined benefit obligation	1 857 966	(2 325 961)
	2 198 006	**(2 760 820)**

The municipality expects to make contribution of R2,411 million (2021: R2,230 million) to the defined plan during the next financial year.

It is assumed that healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Employee benefit obligations (continued)

Defined contribution plan

Certain councillors and certain employees belong to the defined benefit plan of the Natal Joint Superannuation and retirements funds, and the Municipal Councillors Pension Fund. Employees of Mpofana make up less than 1% of the total members of the funds. Mpofana's liability in these funds could not be determined owing mainly to the assets not being allocated to each municipality and one set of financial being prepared for each fund and not per municipality. These funds are subject to triennial actuarial valuations. The last statutory valuations was performed in March 2015 on the retirement and provident funds and in March 2014 on the Superannuation Fund. An interim valuation of the Superannuation fund was done in March 2015.

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

Superannuation Fund

The actuarial value of total assets was R10 113 227 million at the actuarial date
1.surplus of R0.00 in respect of pensioners (Funding level 100%)
2.surplus of R0.00 in respect of members (Funding level 100%)
3. the fund was thus 100% funded
4. the fund did not hold any an investment reserve.
5.the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future
services by 1.41% of members pensionable emoluments.
6. An additional contribution by the way of surcharge amounting to 9.5% of salaries is currently in place to fund the deficit. The surcharge will build up the Solvency Reserve.

Retirement Fund

The actuarial value of total assets was R3 650 776 million at the actuarial valuation date .
1. surplus of R0.00 in respect of pensioners (funding level 100%)
2. deficit of R148 694 million in respect of members (funding level 91.1%)
3. the fund was thus 96.1% funded
4.the fund did not hold an investment reserve
5. the total contribution rate payable will include a surcharge of 17.5% payable to reduce the deficit in the fund]
Provident Fund
The actuarial value of the total assets was R2 636 064 million at the actuarial valuation date
1. surplus/deficit of R0.00 and the funding levels is 107.4%
2. the fund was thus 107.4 funded
3. the fund did not hold an investment reserve.

Defined benefit plan

Long service awards	3 836 190	2 206 435

The movement in non current provisions are reconciled as follows:

Long service award		
Balance at the beginning	2 206 435	2 443 568
Contribution to provision	1 660 800	30 526
	3 867 235	2 474 094
Transfer to current provision	(31 045)	(267 659)
	3 836 190	**2 206 435**

Figures in Rand	2022	2021

18. Employee benefit obligations (continued)

A long-service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

At year-end, 130 (2021: 125) employees were eligible for long-service awards.
The current service costs for the year ending 30 June 2021 is estimated to be R229 227, whereas the cost for the ensuing year is estimated to be R352 301 (30 June 2021: R205 538 and R229 227 respectively).

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

Discount rates	11.73 %	9.52 %
Consumer Price Inflation	6.96 %	5.54 %
Salary Increase Rate	7.96 %	6.54 %
Net effective discount rate	3.49 %	2.80 %
	30.14 %	**24.40 %**

Expected retirement age - females	63	63
Expected retirement age - females	63	63
	126	**126**

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	2 206 435	2 443 568
Current service costs	205 538	229 227
Interest cost	208 575	221 042
Benefits paid	(31 045)	(267 659)
Actuarial losses/(gains)	1 246 687	(419 743)
	3 836 190	**2 206 435**

In accordance with transitional provisions for the amendments to GRAP 25 employee benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting.

The effect of a 1% movement in the assumed rate of long-service cost inflation is as follows:

2022	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost	309 534	(275 991)
Effect on the aggregate of interest cost	32 338	(28 515)
Effect on defined benefit obligation	36 309	(32 373)
	378 181	**(336 879)**

2021	**One percentage point increase**	**One percentage point decrease**

Figures in Rand	2022	2021

18. Employee benefit obligations (continued)

Effect on the aggregate of the current service cost	18 247	(20 800)
Effect on the aggregate of interest cost	17 242	(19 493)
Effect on defined benefit obligation	181 109	(204 759)
	216 598	**(245 052)**

The municipality expects to make a contribution of R414 113 (2021: R450 269) to the defined benefit plans during the next financial year.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Craigburn Housing Project Grant	5 840 388	5 840 388
Municipal Assistance Grant- Small Town grant	625 585	625 585
Townview Housing Project Grant	8 168 481	8 168 481
Title Deeds Grant	498 459	498 459
	15 132 913	**15 132 913**

20. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Finance cost	Increase/Decrease in future cost	Total
Provision for landfill site	12 541 551	-	1 246 630	1 081 898	14 870 079
Provision for perfomance bonus	-	560 860	-	-	560 860
	12 541 551	**560 860**	**1 246 630**	**1 081 898**	**15 430 939**

Reconciliation of provisions - 2021

	Opening Balance	Utilised during the year	Change in discount factor	Total
Provision for landfill site	10 374 650	829 453	1 337 448	12 541 551

Non-current liabilities	13 226 935	11 294 921
Current liabilities	2 204 004	1 246 630
	15 430 939	**12 541 551**

The landfill site provision is raised for the rehabilitation of the waste disposal site to its original state once the site has reached the end of its useful life.

A discount factor was applied, based on prime interest and adjustment for municipal specific risk.

The timing or amounts of any resulting outflows of economic benefit cannot be estimated.

21. Service charges

Sale of electricity - Metered	50 506 176	35 186 677
Refuse removal	4 718 139	4 564 480
Sale of electricity - Prepaid	13 996 235	13 215 487
	69 220 550	**52 966 644**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Rental of facilities and equipment

Premises		
Rental of facilities	243 465	170 961

23. Licences and permits (exchange)

Road and Transport	4 561 486	3 820 423

The municipality has entered into an arrangment with KZN Department of Transport for collecting licences and permits fees for all vehicles and customers with the municipal arear. The municipality is an agent to the transaction and all licences and permits fees are dertemined and handed over to KZN Department of Transport. The municiplaity has tthe responsibility to appoint the emloyees to render services. Therefore the arrangment has been accounted for as an agent in terms of GRAP 109.

24. Other income

Tender Documents	16 087	6 435
Income from N3 TC	921 468	886 821
Sundry Income	-	1 913 534
Cemetery fees	73 166	60 556
Town Hall Hire	-	2 000
Valuation roll objection fee	-	345
Rates Clearance	12 069	12 328
Business Licences	7 818	3 043
Building Plans	58 187	65 731
Cemetery fee income	2 435	1 044
Commission received	12 131	10 891
Income from Sanral	4 908 000	1 227 000
	6 011 361	**4 189 728**

25. Investment revenue

Interest revenue		
Bank	125 659	111 732
Interest on other receivables	221 778	-
	347 437	**111 732**

Figures in Rand	2022	2021

26. Property rates

Rates received

Residential	8 905 842	10 604 848
Commercial	5 117 435	5 345 887
State	2 164 108	2 263 423
Municipal (Agricultural)	4 858 324	5 732 993
Communal Property Land	77 721	226 073
PSI: Public Benefit Organisation	194 447	276 600
Less: Income forgone	(3 380 412)	(7 211 569)
	17 937 465	**17 238 255**

Valuations

Agricultural	2 958 865 000	2 777 745 000
Commercial	443 480 000	443 480 000
Residential	1 194 830 500	1 188 130 500
Municipal	96 533 000	96 533 000
Industrial	74 030 000	74 030 000
Place of worship	26 170 000	26 170 000
Public benefit organisation	125 790 000	127 840 000
Public service infrastructure	15 710 000	15 710 000
Other	230 324 000	231 174 000
	5 165 732 500	**4 980 812 500**

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 (MPRA) with effect from 01 July 2007.

Valuations on Land and Buildings are performed every 5 years.

The last general valuation came into effect on 01 July 2020.

Adjustments to the valuation roll in terms of Section 78 of the MPRA (as amended) are effected on an on-going basis. The adjustments take into account consolidations and sub-divisions as well as property category changes. Thus interim valuations are processed on an annual basis.

Assessment Rates: Cents per Rand on market valuations are as follow	**Tariff 2021/22**	**Tariff 2020/21**
Agriculture	0,001489	0,0018678
Business and commercial	0,010153	0,0104594
Industrial	0,013538	0,01382140
Municipal	0,00	0,00
Place of worship	0,00	0,0015075
Protected area	0,00	0,00
Public benefit organisation	0,001489	0,0077135
Public service infrastructure	0,001489	0,0039900
Public service purpose	0,014892	0,0149420
Residential	0,007446	0,0074710
Vacant land	0,007446	0,0074710
Vacant land (Rural)	0,001489	0,00

For the calculation of rates, residential properties are subject to an exemption of R90 000 (2021 : R90 000) of the valuation of the properties.

Rebates % applicable are as follows:	**Rebates 2021/22 Urban**	**Rebates 2021/22 Rural**	**Rebates 2020/21 Urban**	**Rebates 2020/21 Rural**
Agriculture	- %	- %	- %	40 %
Business and commercial	- %	- %	- %	35 %

Notes to the Annual Financial Statements

Figures in Rand			2022	2021

26. Property rates (continued)

Industrial	- %	- %	- %	20 %
Municipal	100 %	100 %	100 %	100 %
Place of worship	100 %	100 %	100 %	100 %
Protected area	100 %	100 %	100 %	100 %
Public service infrastructure	100 %	100 %	100 %	100 %
Public service purpose	- %	- %	- %	40 %
Residential	- %	35 %	- %	50 %
Vacant Land	- %	- %	- %	55 %

Pensioners rebate: Older than 65 years at 35% for both urban and rural.

Rates are levied on an annual basis for government entities. Rates are levied on a monthly basis for all other customers.

Rates are payable monthly in twelve (12) equal installments with the first installment payable on the 1st July 2021 and the last installment payable on 30th June 2022.

Additional rebate on residential properties to value of 90 000.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Government grants and subsidies

Operating grants		
Equitable Share	39 181 000	44 318 000
Provincial Library subsidy	2 113 000	2 035 000
Museum grant	225 000	213 000
Finance management grant (FMG)	2 900 000	2 800 000
Tittle Deed Grant	-	33 600
Disaster Relief Grant	-	239 790
Extended Public Works Program	1 136 000	1 211 000
	45 555 000	**50 850 390**
Capital grants		
Municipal Infrastructure grant	17 463 000	11 981 000
	63 018 000	**62 831 390**

Equitable Share

Included in above are the following grants and subsidies received:

Unconditional grants received	39 181 000	44 318 000
Unconditional grants received	(39 181 000)	(44 318 000)
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Current-year receipts	17 463 000	11 981 000
Conditions met - transferred to revenue	(17 463 000)	(11 981 000)
	-	-

This grant was used to address backlogs in municipal infrastructure required for the provision of basic services.

Craigburn Housing Project Grant

Balance unspent at beginning of year	5 840 388	5 840 388

Conditions still to be met - remain liabilities (see note 19).

The grant is provided by Provincial Department of Human Settlement to deliver the service of housing infrastructure.

Municipal Assistance Grant - Small Town Grant

Balance unspent at beginning of year	625 585	625 585

Conditions still to be met - remain liabilities (see note 19).

This subsidy is provided by the Department of Cooperative Governance and Traditional Affairs to perform feasibility studies with a view to developing the town by improving its economic state and attracting investment.

Townview Housing Project Grant

Balance unspent at beginning of year	8 168 481	8 168 481

Conditions still to be met - remain liabilities (see note 19).

Figures in Rand	2022	2021

27. Government grants and subsidies (continued)

The grant is from Provincial Department of Human Settlements to provide service of housing infrastructure.

Finance Management Grant

Current-year receipts	2 900 000	2 800 000
Conditions met - transferred to revenue	(2 900 000)	(2 800 000)
	-	-

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Expanded Public Works Programme Grant

Current-year receipts	1 136 000	1 211 000
Conditions met - transferred to revenue	(1 136 000)	(1 211 000)
	-	-

This subsidy was provided by Department of Public Works to assist with the alleviation of poverty in the municipal area by providing temporary employment for the unemployed.

Library Grant

Current-year receipts	2 113 000	2 035 000
Conditions met - transferred to revenue	(2 113 000)	(2 035 000)
	-	-

The library subsidy was provided by Department of Arts and Culture in order to assist municipalities to deliver on the unfunded mandate of the provision of library services in their respective areas.

Integrated National Electrification Programme

Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	-	(4 000 000)
	-	-

The municipality has entered into an arrangement with ESKOM for construction of MV powerlines for the areas within area of the municipality. The municipality is an agent to the transaction as all the powerlines are handed over back to ESKOM upon completion. ESKOM would determine the specifications and approve the designs before construction. The project would be inspected by ESKOM upon completion before it can be handed over. The Municipality responsibility to appoint the contractor and/or service provider that is registered with ESKOM. The arrangement would improve the lives of the local communities.

To implement the INEP to address capital backlog of all existing and planned residential dwelling and installation of bulk infrastructure.

This projects has been accounted for interms of GRAP 109.

Disaster Relief Grant

Balance unspent at beginning of year	-	239 790
Conditions met - transferred to revenue	-	(239 790)
	-	-

The grant was provided by Provincial COGTA to prevent and combat the spread of the Covid 19 outbreak.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Government grants and subsidies (continued)

Title Deeds Grant

Balance unspent at beginning of year	498 459	532 059
Conditions met - transferred to revenue	-	(33 600)
	498 459	**498 459**

The grant is provided by Department of Human Settlements to accelerate the transfer of ownership to qualifying occupants.

Museum Grant

Current-year receipts	225 000	213 000
Conditions met - transferred to revenue	(225 000)	(213 000)
	-	-

This subsidy was granted to the municipality for operational upkeep of the museum.

28. Fines, Penalties and Forfeits

Municipal Traffic Fines	5 796 762	6 337 550

Figures in Rand	2022	2021

29. Employee related costs

Basic	34 250 293	31 996 132
Bonus	3 071 348	2 522 214
Medical aid - company contributions	3 247 542	3 044 609
UIF	255 914	244 252
SDL	439 475	344 308
Leave pay provision charge	(250 178)	180 008
Defined contribution plans	6 772 849	6 485 805
Travel, motor car, accommodation, subsistence and other allowances	2 789 225	2 995 970
Overtime payments	1 918 624	2 110 350
Long-service awards	458 870	-
Acting allowances	497 917	465 703
Housing benefits and allowances	1 174 228	937 630
Medical aid - company contributions	219 299	-
Redemption of Leave	38 764	217 428
Other payroll levies	17 142	12 832
	54 901 312	**51 557 241**

Remuneration of Municipal Manager

Mr EH Dladla		
Annual Remuneration	735 661	735 661
Car Allowance	122 610	122 610
Cellphone Allowance	24 000	24 000
Housing allowance	367 831	367 831
Company Contribution	12 273	-
	1 262 375	**1 250 102**

Remuneration of Chief Finance Officer

Mr P Molefe		
Annual Remuneration	480 072	511 683
Car Allowance	240 036	140 021
Housing Allowance	240 036	140 021
Acting Allowance	-	46 328
Company contribution	11 125	-
	971 269	**838 053**

Mr P Molefe was appointed as Acting CFO on 03 July 2020. He was the appoiinted CFO on 01 December 2020.

Remuneration of Director Corporate Services

Mr S Nyuswa		
Annual Remuneration	-	156 292
Car Allowance	-	97 683
Housing Allowance	-	136 755
	-	**390 730**

Mr S Nyuswa was appointed as Acting Director in June 2020. His contract ended on 31 December 2020.

Figures in Rand	2022	2021

29. Employee related costs (continued)

Remuneration of Director Technical Services

Mrs SR Zwane		
Annual Remuneration	480 072	280 042
Car Allowance	420 036	140 021
Cellphone Allowance	14 400	8 400
Housing Allowance	240 036	140 021
Company contribution	12 709	-
	1 167 253	**568 484**

Mrs SR Zwane was appointed as Director: Techniccal Services on 01 December 2020.

Remuneration of Director Social Services

Mr SCM Mkhize		
Annual Remuneration	-	565 312
Acting Allowance	-	34 189
	-	**599 501**

Mr SCM Mkhize started acting in this position as from June 2020 to November 2020.

Remuneration of Director Corporate and Social Services

Mr ME Ngonyama		
Annual Remuneration	346 847	-
Car Allowance	62 801	-
Housing Allowance	188 402	-
Company Contributions	7 202	-
	605 252	**-**

Mr ME Ngonyama was appointed as Director: Corporate and Social Services as from November 2021.

30. Remuneration of councillors

Executive Mayor	728 608	805 903
Speaker	342 274	-
Councillors	1 276 439	1 241 248
Councillors’ pension contribution	30 441	77 578
Councillors' medical contribution	11 847	31 603
Councillors' allowances	593 107	578 954
UIF	13 123	2 826
SDL	23 932	22 309
	3 019 771	**2 760 421**

In-kind benefits

The Mayor, is full-time. The Mayor and Speaker is provided with an office and secretarial support at the cost of the Council.

The Mayor and Speaker has use of a Council owned vehicle for official duties.

The Mayor and Speaker has bodyguards.

Arrears owed by Councillors

There were no councillors in arrears as at 30 June 2022.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. Depreciation and amortisation

Property, plant and equipment	17 356 845	17 371 597
Intangible assets	104 804	104 804
	17 461 649	**17 476 401**

32. Impairment of assets

Impairments		
Property, plant and equipment	646 447	-

There were two vehicles that were involved in the accidents during the 2021-22 financial period. The vehicles were written off by the insurance company.
One vehicle was stolen from the municipality and was never recovered.
There were assets that were identified during verification in 2021-22 financial period that are no longer in the condition that can be used to generate economic benefit or for service delivery. The items that were identified to be impaired includes the movable assets, leased assets and road infrastructure.

The main classes of assets affected by impairment losses are:

Vehicles involved in the car accidents

Vehicle that was stolen from the Municipality.

Assets tha were no longer in use as there not functional or do not serve the intended purposes.

33. Finance costs

Finance cost post retirement plan	1 653 370	1 479 930
Interest and penalties	14 065 681	4 117 810
Interest on finance leases	173 277	690 471
Provision of landfill site (unwinding)	1 246 630	829 453
Finance cost long service awards	208 575	221 042
	17 347 533	**7 338 706**

34. Debt impairment

Contributions to debt impairment provision	9 176 274	10 554 386
Bad debts written off	69 535	79 020
	9 245 809	**10 633 406**

35. Bulk purchases

Electricity - Eskom	86 494 282	63 124 990

36. Contracted services

Outsourced Services		
Hygiene Services	179 770	128 563
Security Services	2 988 771	2 312 012
Contractors		
Maintenance of Equipment	679 818	540 010
	3 848 359	**2 980 585**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

37. General expenses

Advertising	162 280	179 020
Auditors remuneration	2 035 480	2 495 000
Bank charges	264 008	227 785
Cleaning	-	37 850
Consulting and professional fees	5 264 722	8 117 251
Consumables	175 980	291 973
Entertainment	29 000	-
Hire	11 677 858	6 732 393
Insurance	498 838	79 652
Conferences and seminars	8 000	-
IT expenses	540 774	110 824
Motor vehicle expenses	60 791	116 589
Fuel and oil	2 542 247	1 267 474
Postage and courier	67 310	52 693
Printing and stationery	242 290	216 927
Electricity Maintenance (Materials and Supplies)	9 293 318	5 499 151
EPWP casuals	1 182 074	1 259 316
Repairs and maintenance	2 511 156	2 253 270
Software expenses	4 603 689	1 285 989
Water expenses	730 544	1 197 926
Subscriptions and membership fees	10 500	1 500
Telephone and fax	952 856	867 565
Training	37 826	37 033
Title Deed Search Fees	-	336 907
Assets expensed	2 763 021	258 787
Uniforms	464 855	661 220
Sundry costs	463 203	172 849
Ward committee support	131 500	(5 204)
Legal expenses	5 401 598	4 214 093
Stock losses/Write off	12 255	8 250
Debt collection	488 070	2 636 276
Distribution of RDP houses	-	720 000
Accommodation	19 834	-
Other expenses	377 981	260 223
District shared service	46 748	294 325
	53 060 606	**41 884 907**

38. Auditors' remuneration

Audit committee	122 364	129 902
Auditor General	1 913 116	2 365 098
	2 035 480	**2 495 000**

Figures in Rand	2022	2021

39. Cash generated from operations

Deficit	(77 429 952)	(49 658 384)
Adjustments for:		
Depreciation and amortisation	17 461 649	17 476 401
Loss on sale of assets and liabilities	(335 970)	(1 796 883)
Impairment loss on assets	646 447	-
Debt impairment	9 245 809	10 633 406
Movements in operating lease assets and accruals	4 182	34 525
Movements in retirement benefit assets and liabilities	973 896	3 043 591
Movements in provisions	2 889 388	2 166 901
Fair Value adjustment heritage asset	(116 249)	(18 650)
Changes in working capital:		
Inventories	121 149	663 160
Receivables from exchange transactions	(11 044 946)	26 296 222
Other receivables from non-exchange transactions	(7 875 594)	(22 764 659)
Payables from exchange transactions	99 242 594	37 353 550
VAT	(10 336 014)	(816 088)
Unspent conditional grants and receipts	-	(273 390)
Consumer deposits	9 798	8 965
	23 456 187	**22 348 667**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Osuthu Access road	3 771 531	-
• Rehabilitation of phumlaas road	408 354	408 354
• Rondebosch community hall	25 763	1 560 742
• Rehabilitation of Ngcobo access road	-	253 404
• Old Station Main Road	-	832 525
	4 205 648	**3 055 025**

Total capital commitments		
Already contracted for but not provided for	4 205 648	3 055 025

Authorised operational expenditure

Already contracted for but not provided for		
• Approved and contracted	16 066 034	4 080 700

Total operational commitments		
Already contracted for but not provided for	16 066 034	4 080 700

Operating commitments is made up of internal audit services, operational costs for landfil-site, cash management services, cellphone contracts and valuation roll services.

Total commitments

Total commitments		
Authorised capital expenditure	4 205 648	3 055 025
Authorised operational expenditure	16 066 034	4 080 700
	20 271 682	**7 135 725**

41. Contingencies

Contingent Liabilities

Mpofana v L. Sithole & Others - Eviction of occupiers from the town hall. Matter was finalised in December 2017. Judgement was against Mpofana Municipality. Mpofana Municipality had to find alternative accomodation for the occupants. This has not been done and presently the Municipality is in contempt of the court order. There is uncertainty with regard to cost and the Municipality is seeking assistance from public entities to comply with the judgemen

ESKOM SOC. v Mpofana Municipality - Claim against the Municipality Electricity Account that amounts to R300 million.

Mills Fitchet (Pty) Ltd v Mpofana Municipality - Service provider claiming for the monies due. Matter is being defended in the High Court - awaiting for trial date. The amount claimed by the service provider is R1,2 million

Tanya Stephania Sango v Mpofana Municipality -claim against the municipality for damages to vehicle caused by pothole in the road in Rossetta. The amount claimed is R20 561.8

Saquila Trust v Mpofana Municipality - Claim against the municipality for damages to vehicle caused by pothole on the road. The amount claimed is R142 107.40

Kenneth Murdoch v Mpofana Municipality - Claim against the municipality for medical expenses and damages arising from the motor vehicle accident caused by potholes. The amount claimed is R3,2 million.

Kamawewe Development Consultants (KDC) v Mpofana Municipality - the matter is to argue the point of law. The municipality maintained that no contract was entered into with KDC. The claim of R1 310 189.5 for work done and materials supplied.

Contingent assets

Mpofana Municipality v Big 5 Municipality / JM Bird – Property transfer dispute. Property erroneously transferred to the Big 5 Municipality and subsequent intent to transfer to third party JM Bird. A High Court application is made to reverse the transfer of the property to Big 5 Municipality. The sale of the property to be made by Mpofana Municipality to the third party (JM Bird). The proceeds from the sale of the property is R250 000.

Mpofana Municipality v Kamawewe Development Consultants - Counterclaim of R7.0 million.

42. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note 29
Chief Financial Officer	Refer to note 29
Director Technical Services	Refer to note 29
Director Corporate and Community Services	Refer to note 29
Councillors	Refer to note 30

Remuneration of key management personnel and Councillors is set out in Note 29 and 30 respectiveley

There were no awards to close family members of persons in the service of the municipality.

43. Prior period errors

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

43. Prior period errors (continued)

Statement of Financial Position

Current Assets	**Previously Reported**	**Reclassification**	**Restatement**	**Restated Amount**
Inventories	35 692 797	-	(2 095 000)	33 597 797
Receivables from exchange transactions	40 981 592	-	(27 928 450)	13 053 142
Receivables from non-exchange transactions	22 588 935	-	38 218 392	60 807 327
VAT receivable	21 598 935	-	(3 431 514)	18 167 421
Cash and cash equivalents	3 634 523	-	(193)	3 634 330
	124 496 782	**-**	**4 763 235**	**129 260 017**

Non-Current Assets	**Previously Reported**	**Reclassification**	**Restatement**	**Restated Amount**
Property, plant and equipment	210 582 445	-	3 907 164	214 489 609

Liabilities
Current liabilities

Payables from exchange transactions	262 475 764	-	1 842 165	264 317 929

Net Assets

Accumulated surplus	30 735 700	-	6 828 234	37 563 934

1. **Inventories:** Inventories has been restated with the RDP houses that were distributed during the 2019/20 and 2020/21 Financial years..

2. **Receivables from exchange transactions**: Receivables from exchange transactions has been adjusted with the revised billing after the data cleansing exercise. The billing and debtors balances for electricity and refuse for the prior period.

3. **Receivables from non-exchange transactions:** Receivables from non-exchange transactions has been adjusted with the revised billing after the data cleansing exercise. The billing and debtors balances for property rates for the prior period.

4. **VAT receivables:** The VAT effect of the adjustment that has been made to the receivables from exchange and non-exchange transactions as result of data cleansing and correction of the billing.

5. **Property Plant and Equipment:** The property plant and equipment useful lives for the fully depreciated assets and the assets that are almost fully depreciated but are still in use has been revised in terms of GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors. The assets that were previously disposed but not removed from the FAR in the prior years, has been removed from the FAR..

6. **Cash and cash equivalents:** The adjustment was the misstatement that has been made as result of reversal of the accounts receivable credit note that had erroneously included in the bank and cash.

7. **Payables from exchange transactions:** The salary suspense accounts has been revised as results of payments that were misallocated to incorrrect accounts. The adjustments that has been made to the salary suspense account was the re-allocation of payments for the prior period 2018/19, 2019/20 and 2020/21. There was exenditure that was ommitted in the prior year, these invoices includes SALGA invoice for annual subscription, legal services and consulting fees.

Statement of Financial Performance

Revenue	**Prreviously Reported**	**Reclassification**	**Restatement**	**Restated Amount**
Service charges	51 400 414	-	1 566 230	52 966 644
Rental of facilities and equipment	164 961	-	6 000	170 961
Other income	4 178 837	-	10 891	4 189 728
Property rates	14 721 583	-	2 516 672	17 238 255
	70 465 795	**-**	**4 099 793**	**74 565 588**

Expenditure

Notes to the Annual Financial Statements

Figures in Rand			2022	2021

43. Prior period errors (continued)

Employee related costs	(52 055 061)	564 316	(66 496)	(51 557 241)
Councillors Remuneration	(2 735 286)	(25 135)	-	(2 760 421)
Depreciation and Amortisatiion	(18 395 287)	-	918 886	(17 476 401)
Finance costs	(7 135 928)	-	(202 778)	(7 338 706)
Debt impairment	(8 122 739)	-	(2 510 667)	(10 633 406)
General expenses	(40 077 482)	(539 181)	(1 268 244)	(41 884 907)
	(128 521 783)	**-**	**(3 129 299)**	**(131 651 082)**

1. **Service charges:** Corrections of billings for electricy and refuse from the exercise of data cleansing for the prior period.

2. **Rental of facilities and equipment:** The rental of facilities for the market stall and Wozawoza Torism Centre has been taken into consideration together with escallation as per contract.

3. **Other income:** The commission that has been earned from the Insurers for administration services that has been performed by the municipality to effect the stop orders on the officails salary. The commission is earned on monthly basis from insurance companies.

4. **Property rates:** Corrections of billings for property rates from the exercise of data cleansing for the prior period.

5. **Employee related costs:** The adjsutment of the employee costs is due to the salary suspense account correction of missallocation of payments and the contributions that has been made for Post Employment Benefits that was never taken into consideration in the VIP Payroll.

6. **Remuneration of Councillors:** Reclassification of councillors UIF and SDL that was incorrectly classified.

7.**Depreciation and Amortisation:** Restatement as results of reassessment of useful live on the leased assets.

8. **Finance costs:** Interest on late payment that was ommitted in the prior period and it was taken into consideration. The interest relates to the late payment of 3rd parties where there was late payment, hence the interest was incurred.

9.**Debt impairment:**Provision for doubtfull debts revised.

10. **General expenses:** The reclassification of accounts that does not form part of the employee costs has been remapped to General Expenses. These costs includes costs for Traditional Leaders. The expenditure that has been erouneously ommitted in the prior period these invoices includes SALGA invoice for annual subscription, Telephone and fax and consulting fees, uniforms and stock losses write off.

Statement of Cash Flows

Receipts	**Previously Reported**	**Reclassification**	**Restatement**	**Restated Amount**
Taxation revenue	12 755 691	-	(11 944 543)	811 148
Service charges	60 085 532	-	18 770 257	78 855 789
Other receipts	6 620 145	-	744 879	7 365 024
	79 461 368	**-**	**7 570 593**	**87 031 961**
Payments				
Employee costs	52 926 030	-	(359 360)	52 566 670
Suppliers	67 356 174	-	4 091 475	71 447 649
Finance Cost	7 135 929	-	202 778	7 338 707
Cash Flow from investing activities				
Increase in long term receivables	-	-	(3 635 700)	(3 635 700)
Net increaase or decrease in cash and cash equivalent				
Cash and cash equivalent at the beginning	2 442 246	-	(193)	2 442 053
	129 860 379	**-**	**299 000**	**130 159 379**

44. Risk management

Financial risk management

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality’s finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

Liquidity risk

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

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

Finance lease liability	-	4 011 718
Trade and other payables	363 960 234	265 619 273
Unspent conditional grant	15 132 913	15 132 913
	379 093 147	**284 763 904**

Credit risk

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

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

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

Financial instrument	2022	2021
Cash and cash equivalennts	3 518 780	3 634 330
Receivables from non exchange transactions	35 864 545	23 857 742
Receivables from exchange transaction	49 040 378	44 226 682

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

45. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated (deficit) of (39 866 016) and that the municipality's total liabilities exceed its assets by (39 866 016).

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.

45. Going concern (continued)

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.

The municipality has a deficit of R77 429 952 on in the current year. The current liabilities exceeded the current assets by R228 678 803 and the available cash resource did not cover the commitment for unspent conditional grants with an amount of R15,1 million being recovered

There has been major challenges with the debtors system over several years. This has affected the municipality's collections and revenue stream. In the prior year a decision was taken by Council to suspend the charging of interest on overdue debt accounts whilst management addresses the debtors system challenges. Whilst progress has been noted in some aspects of the debtors system, this process is still ongoing.

The liquidity ratio of the municipality is 0.40:1 which means that the municipality is not able to pay its creditors as they fall due . This is evident in the increase on the trade payables that is disclosed at +R363 mil (2021: R264mil).

Despite the adverse liquidity position of the municipality , the following should be noted:
1. The municipality is in a net asset position of -R39 866 016 million.
2. With the national lockdown move to alert level 1 , commercial businesses / industries and schools have returned to work , thus increasing the demand for electricity . A review of the recent months billings reveals that revenue has increasedfor electricity.
3. The Municipality is to consider payments plans for some customers to improve collections.
4. Municipality has also taken legal action against some customers that have large unpaid accounts.
5.Debtor collectors are assisting the municipality with recovery of debts that are over 90 days.
6. Other forms of income streams and prevention of electricity losses can be considered by the municipality with the assistance of Municipal Infrastructure Support Agent (MISA)

46. Events after the reporting date

At the time of completion of the annual financial statemets there were no events after the reporting date affecting these financial statements.

47. Unauthorised expenditure

	2022	2021
Opening balance as previously reported	209 277 463	157 333 937
Opening balance as restated	**209 277 463**	**157 333 937**
Add: Expenditure identified - current	62 374 663	51 943 526
Closing balance	**271 652 126**	**209 277 463**

Unauthorised expenditure: Budget overspending

	2022	2021
Personnel	3 521 230	2 286 597
Remuneration of Councillors	475 772	191 563
Depreciation and amortisation	-	177 809
Debt impairment	-	8 122 737
Finance cost	7 967 975	5 888 028
General expenses	41 068 754	27 411 590
Bulk purchases	6 483 274	6 608 802
Capital expenditure	2 211 211	1 256 400
Impairment loss/Reversal of impairments	646 447	-
	62 374 663	**51 943 526**

Disciplinary steps taken/criminal proceedings

Investigations are being conducted by MPAC.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

48. Fruitless and wasteful expenditure

Opening balance as previously reported	4 682 376	33 729 824
Opening balance as restated	**4 682 376**	**33 729 824**
Add: Expenditure identified - current	14 511 953	635 760
Less: Amount written off - current	(14 397 051)	-
Less: Amount written off - prior period	(3 925 923)	(29 683 208)
Closing balance	**871 355**	**4 682 376**

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

48. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2022	2021
Penalties and interest	Investigation are being conducted by MPAC.	13 882 151	623 747
Overpayments	Investigation are being conducted by MPAC.	81 000	12 013
Penalties	Investigation are being conducted by MPAC.	514 177	-
Errors on contribution	Investigation are being conducted by MPAC.	92	-
Duplicate payments	Investigation are being conducted by MPAC.	34 534	-
		14 511 954	**635 760**

49. Irregular expenditure

Opening balance as previously reported	84 586 999	123 603 663
Opening balance as restated	**84 586 999**	**123 603 663**
Add: Irregular Expenditure - current	21 178 998	35 889 710
Add: Irregular Expenditure - prior period	16 977 996	14 892 247
Less: Amount written off - prior period	-	(89 798 621)
Closing balance	**122 743 993**	**84 586 999**

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

49. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Competitive bidding processes were not followed - quotation were not provided	The incident has been reported to Council and MPAC is dealing with the matter	-	2 519 785
BAC not in accordance with SCM regulations 29(2)	The incident has been reported to Council and MPAC is dealing with the matter	-	1 769 850
Competetive bidding not followed	The incident has been reported to Council and MPAC is dealing with the matter	25 650 503	32 399 416
BAC not constituted	The incident has been reported to Council and MPAC is dealing with the matter	-	1 000 000
Tender was not advertised for the required time	The incident has been reported to Council and MPAC is dealing with the matter	9 503 795	11 412 386
Contract expired	The incident has been reported to Council and MPAC is dealing with the matter	368 328	1 680 521
Non tax compliant		2 634 368	-
		38 156 994	**50 781 958**

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	4 000 000	3 500 000
Current year subscription / fee	563 642	500 000
Amount paid - previous years	(1 200 000)	-
	3 363 642	**4 000 000**

The municipality is committed to settle the amount that has not been honoured in the previous years due to limited resources.

Figures in Rand	2022	2021

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

Audit fees

Opening balance	61 195	3 028 024
Current year subscription / fee	2 200 083	2 365 098
Amount paid - current year	(2 200 083)	(2 303 903)
Amount paid - previous years	(61 195)	(3 028 024)
	-	**61 195**

PAYE and UIF

Opening balance	607 560	574 351
Current year subscription / fee	8 080 260	8 472 071
Amount paid - current year	(6 750 290)	(7 864 511)
Amount paid - previous years	(607 560)	(574 351)
	1 329 970	**607 560**

Pension and Medical Aid Deductions

Opening balance	1 190 542	6 584 142
Current year subscription / fee	14 754 112	15 043 462
Amount paid - current year	(13 431 331)	(13 852 919)
Amount paid - previous years	(1 190 543)	(6 584 143)
	1 322 780	**1 190 542**

VAT

VAT receivable	58 583 101	53 734 315
VAT payable	30 079 666	35 566 894
	88 662 767	**89 301 209**

VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts

The municipal councillors do not hold any account either for electricity, refuse or rates with the municipality hence there are no account balances receivable from councillors as at 30 June 2022:
It has been noted that some councillor have prepaid meters and some councillors are living in residences where ownership is not in their names, some councillors are living in the rural arears where Eskom supplies electricity directly.

Non-payment of creditors within 30 days

Due to severe financial constraints, the municipality has not complied with the regulation of paying creditor within 30 days in terms of the MFMA and Treasury Regulation 8.2.3. A process plan to address this has been designed to ensure compliance which will be monitored quartely by Council.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

51. Deviation from supply chain management regulations

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by council, any deviations from the Supply Chain management Policy needs to be approved / condoned by the Municipal Manager and noted by Council The municipality incurred deviations in terms of section 36(2) of the Municipal Supply Chain Regulations and noted by Council

Total Section 36 Deviations for the financial year		
Emergencies	1 425 110	751 697
Sole provider	10 782	297 495
Exceptional case	413 799	358 227
	1 849 691	**1 407 419**

52. Material Losses

Electricity distribution losses	39 398 443	29 396 059

Electricity losses of 26 455 886 kWh as at June 2022 (June 2021: 22 810 920 kWh) occured during the year which resulted in revenue loss amounting to R39 398 443 (June 2021: R29 396 059).

The National norm for electricity losses ranges from 6% to 12%. The energy loss incurred by the municipality as June 2022 was 41.72% (June 2021: 43.05%) and was mainly due to transmission / distribution losses and illegal connections.